UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): **October 1, 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:

oWritten communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
oSoliciting material pursuant to Rule 14A-12 under the Exchange Act (17 CFR 240.14a-12)
oPre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR.14d-2(b))
oPre-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

Item 1.01. Entry Into a Material Definitive Agreement.

Merger Agreement

On October 1, 2018, Willdan Group, Inc. (the "Company," "we," or "our"), through two of our 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"), entered into an agreement and plan of merger (the "Merger Agreement") with Lime Energy Co. ("Lime Energy") and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy, to acquire, subject to certain conditions, all of the outstanding shares of capital stock of Lime Energy through a merger of Merger Sub into Lime Energy, with Lime Energy to remain as the surviving corporation and our wholly-owned indirect subsidiary. The aggregate purchase price of the acquisition of Lime Energy is $120.0 million, subject to customary holdbacks and adjustments, including a portion of the purchase price to be deposited into escrow accounts to secure potential post-closing obligations of the participating securityholders.

We currently expect to close the acquisition of Lime Energy during the fourth quarter of 2018. Lime Energy's stockholders holding more than 75% of the combined voting power of the outstanding shares of capital stock of Lime Energy have adopted the Merger Agreement by written consent. The closing

is subject to the satisfaction or waiver of certain customary conditions, including obtaining clearance under the Hart-Scott-Rodino Antitrust Improvements Act. There is no assurance that we will complete the acquisition of Lime Energy on the terms provided for in the Merger Agreement, or at all.

The Merger Agreement contains customary representations and warranties regarding Lime Energy and its subsidiaries. The Merger Agreement also contains customary covenants, including covenants regarding the conduct of Lime Energy's business between signing and closing of the acquisition, indemnification provisions and other provisions customary for acquisitions of this nature.

Lime Energy may terminate the Merger Agreement if we fail to close the acquisition within two business days after the date the closing is required to take place and such failure arises from our failure to receive the proceeds from the New Credit Facilities described below or our refusal to accept a new financing commitment that provides for at least the same amount of financing as the New Credit Facilities and on terms that are not materially less favorable to us than the New Credit Facilities, provided that the closing conditions under the Merger Agreement are otherwise satisfied or waived. If Lime Energy terminates the Merger Agreement as a result of the preceding sentence, and the closing conditions under the Merger Agreement are otherwise satisfied or waived, we must pay Lime Energy a reverse termination fee of $3.6 million.

Either Lime Energy or we may terminate the Merger Agreement, among other reasons, if the acquisition is not completed by December 31, 2018 or if the other party is in breach of any representation, warranty or covenant in the Merger Agreement, which cannot be or has not been cured within thirty days after the giving of written notice.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit 2.1 hereto and is incorporated herein by reference. Certain schedules and exhibits to the Merger Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We agree to furnish supplementally a copy of any omitted schedule or exhibits to the Securities and Exchange Commission upon request.

The Merger Agreement has been provided solely to inform investors of its terms. The representations, warranties and covenants contained in the Merger Agreement were made only for the purposes of such agreement and as of specific dates, were made solely for the benefit of the parties to the Merger Agreement and may be intended not as statements of fact, but rather as a way of allocating risk to one of the parties if those statements prove to be inaccurate. In addition, such representations, warranties and covenants may have been qualified by disclosures not reflected in the text of the Merger Agreement and may apply standards of materiality in a way that is different from what may be viewed as material by stockholders of, or other investors in, us. Our stockholders and other investors are not third-party beneficiaries under the Merger Agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of Lime Energy or us or any of their or our subsidiaries or affiliates.

New Credit Facilities

On October 1, 2018, in connection with signing the Merger Agreement, the Company entered into a credit agreement (the "Credit Agreement") with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A. ("BMO"), as administrative agent.

The Credit Agreement provides 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. The amount available for borrowing under the Delayed Draw Term Loan Facility will be reduced by the net proceeds from any equity offering completed by the Company prior to any borrowings under such facility but, in no event, will the amount available for borrowing be less than $70.0 million. The size of the new revolving credit facility will not change based on completing equity offerings or the completion of the proposed acquisition of Lime Energy The Company may borrow under the Delayed Draw Term Loan Facility until December 31, 2018; provided that the Company must satisfy certain conditions, including, but not limited to, that:

- no default has occurred under the Credit Agreement and is continuing or would occur as a result of the acquisition of Lime Energy and borrowings under the Credit Agreement;
- the acquisition of Lime Energy has been approved by the board of directors and the requisite percentage of stockholders of Lime Energy (both of which have already occurred), and all necessary legal and regulatory approvals with respect to the acquisition have been obtained;
- there is no injunction, temporary restraining order, or other legal action in effect that would prohibit the closing of the acquisition of Lime Energy or the closing and funding under the Credit Agreement;
- the acquisition of Lime Energy has been completed pursuant to the Merger Agreement without giving effect to any amendment, modification or waiver to the Merger Agreement that would materially and adversely affect the Company's financial condition or the Company's ability to perform its obligations under the Credit Agreement;
- Lime Energy and its subsidiaries (other than inactive subsidiaries) have been or concurrently with the making of the Delayed Draw Term Loan Facility will be added as subsidiary guarantors to the Credit Agreement;
- after giving effect to the acquisition of Lime Energy and borrowings under the Credit Agreement, the Company, on a consolidated basis, is solvent, able to pay debts as they become due, and has sufficient capital to carry on its business and all businesses in which it is about to engage;
- since December 31, 2017, there has been no change in the condition (financial or otherwise) or business prospects of Lime Energy and its subsidiaries except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a material adverse effect; and

- the Company has certified that its adjusted EBITDA (as defined in the Credit Agreement) for the most recently ended twelve months is at least $32.8 million and that its consolidated total leverage ratio on the closing date of the acquisition of Lime Energy does not exceed 4.00 to 1.00 calculated based on such adjusted EBITDA, provided that calculations are made on a pro forma basis after giving effect to the acquisition of Lime Energy and borrowings under the Credit Agreement in connection therewith.

If the Company is unable to satisfy the conditions precedent to borrow under the Delayed Draw Term Loan Facility and does not secure alternative financing sources, the Company would not be able to complete the acquisition of Lime Energy.

Subject to satisfying certain conditions, the Company has the right to add an incremental term loan facility or increase the aggregate commitment under the revolving credit facility by an aggregate amount of up to $30.0 million. The Credit Agreement replaces the Company's existing credit agreement with BMO, which, in various forms, had been in place since 2014.

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 our consolidated total leverage ratio. The Company will pay a ticking fee on the outstanding amount of commitments for the Delayed Draw Term Loan Facility of 0.40% per year from the date of the Credit Agreement until the Delayed Draw Term Loan Facility is drawn or the commitments thereunder are terminated. 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.

Willdan Group, Inc. is the borrower under the Credit Agreement and its obligations under the Credit Agreement are guaranteed by its present and future domestic subsidiaries (other than inactive subsidiaries), including, if we complete the merger, Lime Energy and its subsidiaries (other than inactive subsidiaries). In addition, subject to certain exceptions, all such obligations are secured by substantially all of the assets of Willdan Group, Inc. and the subsidiary guarantors, including, if the Company completes the merger, Lime Energy and its subsidiaries (other than inactive subsidiaries).

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

The Company intends to use the proceeds from the New Credit Facilities, among other things, to fund a portion of the purchase price of the acquisition of Lime Energy and related transaction expenses and for general corporate purposes, which may include the repayment of debt.

The foregoing description of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the Credit Agreement, which is filed as Exhibit 10.1 hereto and in incorporated herein by reference.

Item 1.02. Termination of a Material Definitive Agreement.

On September 28, 2018, using cash on hand, the Company repaid in full all of its outstanding obligations under its Amended and Restated Credit Agreement, dated as of January 20, 2017, among the Company, the Guarantors (as defined therein) and BMO, as lender (the "Existing Credit Facility"). On October 1, 2018, in connection with the closing of the New Credit Facilities (as described above under the heading "—New Credit Facilities" under Item 1.01 of this Current Report on Form 8-K), the Company terminated (i) the Existing Credit Facility and (ii) the related Security Agreement, dated as of March 24, 2014, between the Company, the other debtors party thereto and BMO, as amended by the Master Reaffirmation of and Amendment to Collateral Documents, dated as of January 20, 2017, by and among the Company and the other debtors party thereto and BMO.

The Existing Credit Facility was set to mature on January 20, 2020 and consisted of a $35.0 million revolving line of credit, which included a $10.0 million standby letter of credit sub-facility. BMO and its respective affiliates have in the past provided, and will in the future provide, lending, commercial banking, cash management services and other advisory services to the Company. These parties have received, and may in the future receive, customary compensation from the Company for such services. No early termination penalties were incurred by the Company in connection with the termination of the Existing Credit Facility.

The foregoing description of the Existing Credit Facility does not purport to be complete and is qualified in its entirety by reference to the Existing Credit Facility, which was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 24, 2017, and is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth above under the heading "— New Credit Facilities" under Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference in this Item 2.03.

Item 3.03. Material Modification to Rights of Security Holders.

As noted above under the heading "— New Credit Facilities" under Item 1.01 of this Current Report on Form 8-K, the Credit Agreement limits the Company's payment of future dividends and distributions and share repurchases by the Company.

Item 7.01. Regulation FD Disclosure.

On October 3, 2018, the Company issued a press release announcing the entry into the Merger Agreement to acquire all of the outstanding shares of capital stock of Lime Energy. A copy of the press release is attached as Exhibit 99.1 hereto and is hereby incorporated by reference in its entirety. The

information in this Item 7.01 and the attached Exhibit 99.1 to this Current Report on Form 8-K is being furnished (not filed) pursuant to Item 7.01 of Form 8-K.

Item 8.01. Other Events.

About Lime Energy

Lime Energy designs and implements energy efficiency programs for its utility clients targeted to commercial customers of Lime Energy's utility clients. Lime Energy's programs help these businesses use less energy through the upgrade of existing equipment with new, more energy efficient equipment. This service allows the utility clients to delay investments in transmission and distribution upgrades and new power plants while cost-effectively complying with increasing environmental regulations. The same programs provide benefits to the utility clients' customers in the form of lower energy bills, improved equipment reliability, reduced maintenance costs and a better overall operating environment.

Lime Energy has delivered energy efficiency programs for 10 of the 25 largest electric utilities and five of the 10 largest municipal utilities in the U.S. It focuses on deploying direct install energy efficiency solutions for commercial businesses to improve energy efficiency, reduce energy-related expenditures and lessen the impact of energy use on the environment. These programs include energy efficient lighting upgrades, mechanical upgrades, water conservation measures, building controls, refrigeration, pool pumps, building shell improvements and appliance recycling. Lime Energy's business energy solutions provide a cost-effective avenue for its utility clients to offer products and services to a hard-to-reach customer base, while satisfying aggressive state-mandated energy reduction goals.

Lime Energy's business energy solutions are turnkey solutions under which it contracts with its utility clients to design and market their energy efficiency programs within a defined territory, perform the technical audits, sell the solution to the end-use customer and oversee the implementation of the energy efficiency measures. Lime Energy typically delivers these programs for its utility clients on a performance basis, where Lime Energy is only paid for delivered energy efficiency resources.

For the fiscal year ended December 31, 2017, Lime Energy had revenues of $124.6 million, gross profit of $42.9 million and pre-tax income of $4.7 million. For the six months ended June 30, 2018, Lime Energy had revenues of $73.3 million, gross profit of $23.6 million and pre-tax income of $1.1 million. We expect revenues for Lime Energy for the fiscal year ended December 31, 2018 to be approximately $145.0 million. For the fiscal year ended December 31, 2017, revenue generated from Lime Energy's utility programs associated with Los Angeles Department of Water and Power and Duke Energy Corp. represented 67% of Lime Energy's consolidated revenue. The amounts due from these two utilities represented 43% of outstanding accounts receivable of Lime Energy as of December 31, 2017. For the six months ended June 30, 2018, these utility programs represented 69% of Lime Energy's consolidated revenue. Additionally, Lime Energy's top ten contracts accounted for 96% of its consolidated revenue in fiscal year 2017. The consolidated financial statements for Lime Energy as of and for each of the fiscal years in the three-year period ended December 31, 2017 and as of and for the six months ended June 30, 2018 and 2017 have been included in this Current Report on Form 8-K and are incorporated by reference herein.

The proposed acquisition of Lime Energy is a continuation of our growth strategy for our Energy segment. We commenced providing energy services with the creation of our subsidiary, WES, and its acquisition of Intergy Corporation in fiscal year 2008. Since then, we have grown our Energy segment through organic growth and through the acquisitions by WES of all of the capital stock or substantially all of the assets of Abacus Resource Management Company and 360 Energy Engineers, LLC in January 2015, Genesys Engineering, P.C. in March 2016, Integral Analytics, Inc. in July 2017 and Newcomb Anderson McCormick, Inc. in April 2018.

Through WES and its subsidiaries, we provide specialized, innovative, comprehensive energy solutions to businesses, utilities, state agencies, municipalities, and non-profit organizations in the U.S. Our experienced engineers, consultants and staff help our clients realize cost and energy savings by tailoring efficient and cost-effective solutions to assist them in optimizing their energy spend. Our energy services include comprehensive surveys, program design, master planning, benchmarking analyses, design engineering, construction management, performance contracting, installation, alternative financing, and measurement and verification services.

We believe the acquisition of Lime Energy will further expand our presence in the energy services market and enhance our product offerings. The acquisition of Lime Energy will provide us the opportunity to diversify our geographical presence, including in the southeastern and mid-Atlantic regions of the United States where we currently have limited operations. The transaction will also expand our utility customer base, as Lime Energy delivers energy efficiency programs to some of the largest electric utilities that are not currently our clients. In addition, we believe that the acquisition of Lime Energy will better position us to take advantage of the anticipated upcoming expansions in energy efficiency budgets and contracts in California and the Northeastern United States. Specifically, based on 2018 budget information provided in decisions by the California Public Utilities Commission, we believe that the California market for energy efficiency will be approximately $900 million for 2018. Of this, based on the same sources, we believe that approximately $180 million in contracts are currently outsourced to approximately 100 contractors. Assuming the annual California market for energy efficiency remains constant through 2020, we believe that the amount of such work outsourced will increase to approximately $540 million by 2020 and we expect the number of contractors engaged for this work to decrease during this period. With the addition of Lime Energy and its relationships, we believe that we will be better positioned to pursue such opportunities.

Historical Financial Statements of Lime Energy and Pro Forma Financial Information Related to the Pending Acquisition of Lime Energy

This Current Report on Form 8-K provides:

- the unaudited consolidated financial statements of Lime Energy as of and for the six months ended June 30, 2018 and June 30, 2017, attached as Exhibit 99.2;
- the audited consolidated financial statements of Lime Energy as of and for each year ended December 31, 2017 and 2016, attached as Exhibit 99.3;
- the audited consolidated financial statements of Lime Energy as of and for the year ended December 31, 2015, attached as Exhibit 99.4; and

- the pro forma financial information giving effect to the acquisition of Lime Energy and the entering into of the New Credit Facilities as of and for the six months ended June 29, 2018, and as of and for the year ended December 29, 2017, attached as Exhibit 99.5.

Revision of Prior Period Financial Information and Related Disclosures of Company

The Company is revising its prior period financial information and related disclosures contained in its Annual Report on Form 10-K for the fiscal year ended December 29, 2017 ("2017 Form 10-K") for changes in its segment reporting.

During the three months ended March 30, 2018, the Company revised its segment reporting to conform to changes in its internal management reporting. As a result, in its Quarterly Reports on Form 10-Q for the first and second quarters of fiscal year 2018 (the "Recent Quarterly Reports"), the Company revised its segment reporting to reflect its two current segments: (i) Energy and (ii) Engineering and Consulting. The Company's chief operating decision maker, which continues to be the chief executive officer of the Company, receives and reviews financial information in this format.

The Company is filing this Current Report on Form 8-K to, among other things, provide revised segment reporting financial information with respect to the historical financial information included in 2017 Form 10-K in order to make such historical financial information consistent with the segment presentation set forth in the Company's Recent Quarterly Reports and consistent with how the Company expects to present segment information in its future filings. Accordingly, the Company is presenting this revised segment classification of the 2017 Form 10-K as follows:

- Revised Part I, Item 1. Business, attached as Exhibit 99.6:

- Revised Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, attached as Exhibit 99.7; and

- Revised Part II, Item 8. Financial Statements and Supplementary Data, attached as Exhibit 99.8.

Exhibits 99.6, 99.7 and 99.8 in this Current Report on Form 8-K do not reflect events occurring after the March 9, 2018 filing date of the 2017 Form 10-K and do not modify or update the disclosures therein except to revise for the new segment classification.

Additional Risk Factors Related to the Pending Acquisition of Lime Energy

The Company has provided additional risk factors related to its pending acquisition of Lime Energy, which are attached to this Current Report on Form 8-K as Exhibit 99.9.

Note Regarding Forward-Looking Statements

Statements and other information included in this Current Report on Form 8-K 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 Current Report on Form 8-K, 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 complete its pending acquisition of Lime Energy and, if completed, to obtain the anticipated benefits therefrom, the timing of the closing of the acquisition of Lime Energy, the anticipated borrowings under the New Credit Facilities to fund the acquisition, including the Company's ability to borrow under the Delayed Draw Term Loan Facility, 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 current available information.

Actual results may differ materially from the forward-looking statements for a number of reasons, including the satisfaction of the closing conditions set forth in the Merger Agreement and, if completed, to obtain the anticipated benefits therefrom, the Company's ability to satisfy the conditions precedent to borrowing under the Delayed Draw Term Loan Facility under the Credit Agreement, 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 2017 Form 10-K. 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 six months ended June 30, 2018 and 2017, are being filed as Exhibit 99.2 to this Current Report on Form 8-K 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, are being filed as Exhibit 99.3 to this Current Report on Form 8-K and are incorporated herein by reference.

(3) Audited financial statements of Lime Energy, as of and for the year ended December 31, 2015, are being filed as Exhibit 99.4 to this Current Report on Form 8-K and 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 six months ended June 29, 2018 and as of and for the year ended December 29, 2017, giving effect to the acquisition of Lime Energy and entry into the New Credit Facilities, and the notes thereto, are being filed as Exhibit 99.5 to this Current Report on Form 8-K 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.
10.1	Credit Agreement, dated as of October 1, 2018, by and among Willdan Group, Inc., as Borrower, the Guarantors (as defined therein), the Lenders (as defined therein) from time to time party thereto, BMO Harris Bank N.A., as Arranger and Administrative Agent and MUFG Union Bank, N.A., as Arranger.
10.2	Security Agreement, dated as of October 1, 2018, by and among Willdan Group, Inc. the other Debtors (as defined therein) and BMO Harris Bank N.A.
23.1	Consent of KPMG LLP, independent accountants for the Company for the years ended December 29, 2017, December 30, 2016 and January 1, 2016.
23.2	Consent of CohnReznick LLP, independent accountants for Lime Energy for the years ended December 31, 2017 and 2016.
23.3	Consent of BDO USA, LLP, independent accountants for Lime Energy for the year ended December 31, 2015.
99.1	Press Release of the Company, dated October 3, 2018, regarding the acquisition of Lime Energy.
99.2	Unaudited financial statements of Lime Energy, as of and for the six months ended June 30, 2018 and 2017.
99.3	Audited financial statements of Lime Energy, as of and for the years ended December 31, 2017 and 2016.
99.4	Audited financial statements of Lime Energy, as of and for the year ended December 31, 2015.
99.5	Unaudited pro forma condensed combined balance sheet and statements of operations for the Company as of and for the six months ended June 29, 2018 and as of and for the year ended December 29, 2017, giving effect to the acquisition of Lime Energy and the New Credit Facilities, and the notes thereto.
99.6	Revised Part I, Item 1. Business, from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2017, as filed with the Securities and Exchange Commission on March 9, 2018.

99.7	Revised Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2017, as filed with the Securities and Exchange Commission on March 9, 2018.
99.8	Revised Part II, Item 8. Financial Statements and Supplement, from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2017, as filed with the Securities and Exchange Commission on March 9, 2018.
99.9	Additional Risk Factors Related to the Pending Acquisition of Lime Energy.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 29, 2017 and December 30, 2016; (ii) the Consolidated Statements of Operations for each of the fiscal years in the three-year period ended December 29, 2017; (iii) the Consolidated Statements of Stockholders' Equity for each of the fiscal years in the three-year period ended December 29, 2017; (iv) the Consolidated Statement of Cash Flows for each of the fiscal years in the three-year period ended December 29, 2017; and (v) the Notes to the Consolidated Financial Statements.

* All schedules to the Merger Agreement have been 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: October 3, 2018

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

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

by and among

LIME ENERGY CO.,

WILLDAN ENERGY SOLUTIONS,

LUNA STOCKHOLDER REPRESENTATIVE, LLC,
as Lime Representative

and

LUNA FRUIT, INC.

October 1, 2018

TABLE OF CONTENTS

EXHIBITS AND SCHEDULES

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made and entered into as of October 1, 2018, by and among Willdan Energy Solutions, a California corporation ("Parent"), Luna Fruit, Inc., a Delaware corporation and wholly owned Subsidiary of Parent ("Merger Sub"), Lime Energy Co., a Delaware corporation ("Lime"), and Luna Stockholder Representative, LLC, a Delaware limited liability company, solely in its capacity as representative of the Participating Securityholders (in such capacity, the "Lime Representative").

Recitals

WHEREAS, Parent desires to acquire one hundred percent (100%) of the issued and outstanding shares of capital stock of Lime in a reverse subsidiary merger transaction on the terms and subject to the conditions set forth herein;

WHEREAS, the respective boards of directors of Parent, Merger Sub and Lime have determined that it is advisable and in the best interests of their respective companies and stockholders for Merger Sub to merge with and into Lime, with Lime being the surviving entity (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement, whereby the issued and outstanding shares of Lime Stock shall be converted into the right to receive the Merger Consideration from Parent;

WHEREAS, the board of directors of Lime has determined to recommend that Lime's stockholders approve and adopt this Agreement (the "Lime Recommendation"); and

WHEREAS, Parent, Merger Sub and Lime desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the above and the mutual warranties, representations, covenants, and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE I
TRANSACTIONS AND TERMS OF MERGER

1.1 **Merger.**

Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the DGCL, at the Effective Time, Merger Sub shall be merged with and into Lime. As a result of the Merger, the separate corporate existence of Merger Sub shall cease, and Lime shall continue as the surviving corporation of the Merger (the "Surviving Corporation"). The Merger shall have the effects specified in the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of Lime and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, disabilities and duties of Lime and Merger Sub shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Corporation.

1.2 **Time and Place of Closing.**

Subject to the terms and conditions of this Agreement, the closing of the transactions contemplated hereby (the "Closing") shall take place on the second (2nd) Business Day after the last of the conditions set forth in Article IX (other than those conditions which by their terms are to be satisfied at the Closing, but subject

to the satisfaction or waiver of such conditions at the Closing) have been satisfied or waived, at the offices of Nelson Mullins Riley and Scarborough LLP, One Wells Fargo Center, 301 S. College Street, Charlotte, NC 28202, or at such other time and place as the Parties may mutually agree; provided, however, that in no event shall the Closing take place prior to October 17, 2018, unless the Parties otherwise mutually agree in writing. The Closing may be effected by electronic or other transmission of signature pages as mutually agreed by the Parties.

1.3 **Effective Time.**

Subject to the terms and conditions of this Agreement, at the Closing, Parent and Merger Sub shall cause a certificate of merger reflecting the Merger in the form attached hereto as Exhibit F (the "Certificate of Merger") to be filed with the Delaware Secretary of State, in accordance with the relevant provisions of the DGCL, and shall make all other filings or recordings required under the DGCL. The Merger shall become effective when the Certificate of Merger has been filed with the Delaware Secretary of State or at such later time as may be mutually agreed upon by Parent and Lime in writing and specified in the Certificate of Merger (the effective time of the Merger being hereinafter referred to as the "Effective Time").

ARTICLE II
TERMS OF MERGER

2.1 **Certificate of Incorporation.**

The certificate of incorporation of Lime shall be amended and restated at the Effective Time in the form attached hereto as Exhibit A, and as so amended and restated, shall be the certificate of incorporation of the Surviving Corporation until otherwise duly amended or repealed.

2.2 **Bylaws.**

The bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation until otherwise duly amended or repealed; provided, that the name of the corporation set forth therein shall be changed to the name of Lime.

2.3 **Directors and Officers.**

The directors of Merger Sub in office immediately prior to the Effective Time shall serve as the directors of the Surviving Corporation from and after the Effective Time in accordance with the Surviving Corporation's bylaws, until the earlier of their death, resignation or removal or otherwise ceasing to be a director. The officers of Merger Sub in office immediately prior to the Effective Time shall serve as the officers of the Surviving Corporation from and after the Effective Time in accordance with the Surviving Corporation's bylaws, until the earlier of their death, resignation or removal or otherwise ceasing to be an officer.

ARTICLE III
MANNER OF CONVERTING SHARES

3.1 **Effect on Lime Stock.**

(a) At the Effective Time, in each case subject to Section 3.1(d), by virtue of the Merger and without any action on the part of the Parties, each share of Lime Stock that is issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares and Extinguished Shares) shall be converted into the right to receive cash in the amount of the Per Share Merger Consideration subject

to withholdings and adjustments as set forth in Sections 3.3, 3.4, 3.6 and Article VIII. By their adoption and approval of this Agreement, each Participating Securityholder acknowledges and agrees that (i) the Certificate of Designation requires that, in connection with the transactions contemplated by this Agreement, the Lime Preferred Holder be paid out of the consideration available for distribution to the stockholders of Lime before any payment is made to the holders of Lime Common Stock, by reason of its ownership of Lime Preferred Stock, an amount in respect of each share of Lime Preferred Stock issued and outstanding immediately prior to the Effective Time equal to the greater of (A) the Minimum Preference Amount and (B) the Preferred Converted Amount; and (ii) this Agreement provides for the consideration payable to the Participating Stockholders in connection with the Merger consistent with the provisions of Subsection 4.1 of the Certificate of Designation, including the allocation and distribution of the Merger Consideration and the Escrow Funds and the limitations on indemnification set forth in Section 8.6(e).

(b) At the Effective Time, all shares of Lime Stock issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist as of the Effective Time, and each certificate previously representing any such shares of Lime Stock (the "Certificates") and any book-entry shares previously representing any such shares of Lime Stock (the "Book-Entry Shares") shall thereafter represent only the right to receive the Per Share Merger Consideration subject to withholdings and adjustments as set forth in Sections 3.3, 3.4, 3.6 and Article VIII.

(c) If, prior to the Effective Time, the outstanding shares of Lime Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, or if a record date prior to the Effective Time has been established with respect to any such change in capitalization, then an appropriate and proportionate adjustment shall be made to the Per Share Merger Consideration.

(d) Each share of Lime Stock issued and outstanding immediately prior to the Effective Time and owned by any of the Parties or their respective Subsidiaries shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, shall be cancelled and retired without payment of any consideration, and shall cease to exist (the "Extinguished Shares").

(e) At the Effective Time, each share of common stock, par value $0.001 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one duly authorized, validly issued, fully paid and nonassessable share of common stock, par value $0.0001 per share, of the Surviving Corporation, and such shares shall, immediately following the Merger, represent all of the issued and outstanding capital stock of the Surviving Corporation.

(f) Notwithstanding anything in this Agreement to the contrary, shares of Lime Stock outstanding immediately prior to the Effective Time and held by a stockholder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such shares in compliance with Section 262 of the DGCL (8 Del. C. § 262) (the "Dissenting Shares") shall not be converted into the right to receive any portion of the applicable consideration for Lime Stock set forth in this Section 3.1, and shall instead constitute the right to receive only the payment of the appraised value of such shares as provided by Section 262 of the DGCL. If any such stockholder fails to perfect or otherwise waives, withdraws or loses such stockholder's right to appraisal under Section 262 of the DGCL, then the right of such stockholder to receive such payment in respect of such Dissenting Shares shall cease and such Dissenting Shares shall be deemed to have been converted, as of the Effective Time, into and shall be exchangeable solely for the right to receive the applicable consideration for Lime Stock set forth in this Section 3.1, subject to compliance with Section 3.3. In such event, Parent

shall promptly pay to the Exchange Agent all amounts withheld from the Exchange Fund pursuant to Section 3.2(a)(iii)(3) with respect to such Dissenting Shares, which amounts shall become part of the Exchange Fund. Within ten (10) days after the Effective Time, the Surviving Corporation shall notify each stockholder who has complied with Section 262 of the DGCL and not voted in favor of or consented to the Merger that the Merger has become effective. For the avoidance of doubt, from and after the Effective Time, the Surviving Corporation shall be responsible for the payment of any and all amounts payable in connection with the Merger pursuant to Section 262 of DGCL to each stockholder holding Dissenting Shares.

3.2 **Payments at Closing.**

(a) At the Closing, Parent shall pay, or cause to be paid, to Acquiom Financial LLC (the "Exchange Agent") by wire transfer in immediately available funds (without any withholding or deduction of any kind except as otherwise provided for in this Agreement) the following:

(i) the amount of $600,000 (the "Indemnity Escrow Amount") for deposit into an escrow account (the "Indemnity Escrow Account"), as set forth in Section 3.7, for the purpose of securing the obligations of the Participating Securityholders under Article VIII of this Agreement, to be held for the periods and distributed as provided for in the escrow agreement in substantially the form set forth as Exhibit B (the "Escrow Agreement");

(ii) the amount of $250,000 (the "Adjustment Escrow Amount") for deposit into an escrow account (the "Adjustment Escrow Account"), as set forth in Section 3.7, for the purpose of securing the obligations of the Participating Securityholders under Section 3.6 of this Agreement, to be held for the periods and distributed as provided in the Escrow Agreement; and

(iii) for exchange in accordance with Section 3.3, an amount (the "Exchange Fund") equal to the Merger Consideration minus (1) the Adjustment Escrow Amount, minus (2) the Indemnity Escrow Amount, minus (3) an amount equal to the aggregate amounts that would be payable in connection with the Merger to each stockholder holding Dissenting Shares in respect of such Dissenting Shares if such stockholder had not demanded appraisal, and minus (4) the Representative Amount. The Exchange Agent shall deliver the Exchange Fund as contemplated by Section 3.3, and the Exchange Fund shall not be used for any other purpose.

(b) At the Closing, Parent shall pay, or cause to be paid on behalf of Lime, (i) all Transaction Expenses set forth in invoices with respect thereto delivered by Lime at least two (2) Business Days prior to the Closing by wire transfer of immediately available funds to account(s) designated in such invoices; and (ii) all Closing Indebtedness by wire transfer of immediately available funds to the account(s) designated by the holders of such Closing Indebtedness in payoff letters provided pursuant to Section 9.2(g).

(c) At the Closing, Parent shall deliver to the Lime Representative (on behalf of the Participating Securityholders) $1,000,000, by wire transfer of immediately available funds to the account(s) designated in writing by the Lime Representative, for the purposes of paying directly, or reimbursing the Lime Representative for, any Third Party expenses pursuant to this Agreement and the other Transaction Documents including to satisfy potential future obligations of the Lime Representative and/or the Participating Securityholders to the Lime Representative, including expenses of the Lime Representative arising from the defense or enforcement of claims pursuant to Section 3.6 and Article IX (in the aggregate, the "Representative Amount"). The Participating Securityholders will not receive any interest or earnings on the Representative Amount and irrevocably transfer and assign to the Lime Representative any ownership right that they may otherwise have had in any such interest

or earnings. The Lime Representative will not be liable for any loss of principal of the Representative Amount other than as a result of its gross negligence or willful misconduct. The Lime Representative will hold these funds separate from its corporate funds, will not use these funds for its operating expenses or any other corporate purposes and will not voluntarily make these funds available to its creditors in the event of bankruptcy. The Representative Amount shall be retained by the Lime Representative until the Indemnity Escrow Termination Date or, in the event there are any outstanding claims for indemnification as of the Indemnity Escrow Termination Date, the date on which all such claims have been resolved (in either case the "Representative Release Date"). The Lime Representative shall deposit any remaining balance of the Representative Amount with the Exchange Agent, for the benefit of the Participating Securityholders, within three (3) Business Days after the Representative Release Date, and the Exchange Agent shall promptly distribute to each Participating Securityholder such Participating Securityholder's Pro Rata Fraction thereof; provided, that (i) with respect to a Participating Securityholder that is a holder of Exercisable Lime Options, the Lime Representative shall deposit with the Surviving Corporation the amount payable to such Participating Securityholder with respect to such Exercisable Lime Options, and Parent shall cause the Surviving Corporation, through the Surviving Corporation's payroll system, on the first normal payroll date of the Surviving Corporation following such deposit to distribute such amount to such Participating Securityholder, and (ii) in the discretion of the Lime Representative, the Lime Representative may make direct payments to one or more of the Participating Securityholders their respective Pro Rata Fraction thereof, and in the event of (i) or (ii) in the foregoing, the amount deposited with the Exchange Agent shall be reduced accordingly. For tax purposes, the Representative Amount will be treated as having been received and voluntarily set aside by the Participating Securityholders at the time of Closing.

(d) The Parties shall direct the Exchange Agent to pay from the Exchange Fund at Closing (i) to the Surviving Corporation the amount determined in accordance with Section 3.4(a) to be paid to the applicable holders of Exercisable Lime Options via the Surviving Corporation's normal payroll practices; and (ii) to the holder of the Lime Warrant the amount determined in accordance with Section 3.4(b).

3.3 **Exchange Procedures.**

(a) Unless different timing is agreed to in writing by Parent and Lime, as soon as reasonably practicable after the Effective Time, but in any event no more than five (5) Business Days after the Effective Time, Parent shall cause the Exchange Agent to mail to the former stockholders of Lime appropriate transmittal materials. The letter of transmittal shall provide instructions for the submission of Certificates, or evidence of transfer of Book-Entry Shares, representing, immediately prior to the Effective Time, shares of Lime Stock (or an indemnity satisfactory to Lime, Parent and the Exchange Agent, if any of such Certificates are lost, stolen, or destroyed) to each holder of record of shares of Lime Stock converted into the right to receive the applicable portion of the Merger Consideration at the Effective Time. In the event of a transfer of ownership of shares of Lime Stock represented by one or more Certificates or Book-Entry Shares that are not registered in the transfer records of Lime, the Per Share Merger Consideration payable for such shares as provided in Sections 3.1 may be issued to a transferee, subject to the deductions provided for in Section 3.2(a), if the Certificate or Certificates representing such shares are delivered to the Exchange Agent or such Book-Entry Shares are properly transferred, in each case accompanied by all documents required to evidence such transfer and by evidence reasonably satisfactory to the Exchange Agent that such transfer is proper and that any applicable stock transfer taxes have been paid. In the event any Certificate representing Lime Stock shall have been lost, mutilated, stolen, or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, mutilated, stolen, or destroyed and the posting by such Person of a bond in such amount as Parent may reasonably direct as indemnity against any claim that may be made against it with respect to such certificate, the Exchange Agent shall issue in exchange for

such lost, mutilated, stolen, or destroyed Certificate the Per Share Merger Consideration, subject to the deductions provided for in Section 3.2(a), as provided for in Section 3.1. The Exchange Agent may establish such other reasonable and customary rules and procedures in connection with its duties as it may reasonably deem appropriate. Parent and the Lime Representative (on behalf of the Participating Securityholders) shall each pay one-half all charges and expenses of the Exchange Agent in connection with the distribution of the Merger Consideration as provided in Section 3.1.

(b) Subject to the terms and conditions of this Agreement, after the Effective Time, the Exchange Agent shall promptly (and in any event within five (5) Business Days), upon surrender of a Certificate or Certificates (or an indemnity satisfactory to Lime, Parent and the Exchange Agent, if any of such Certificates are lost, stolen, or destroyed) and a letter of transmittal duly completed and validly executed in accordance with the instructions thereto or receipt of such evidence of transfer of Book-Entry Shares as may be reasonably requested by the Exchange Agent, pay to the holder of such Certificate(s) or Book-Entry Shares from the Exchange Fund their respective aggregate Per Share Merger Consideration due to such holder, subject to the deductions provided for in Section 3.2(a), as provided in Section 3.1, without interest, pursuant to this Section 3.3, and the Certificate(s) shall forthwith be cancelled. The Certificate or Certificates of Lime Stock so surrendered shall be duly endorsed as the Exchange Agent may reasonably require. Parent shall not be obligated to deliver the consideration to which any former holder of Lime Stock is entitled as a result of the Merger until such holder surrenders such holder's Certificate or Certificates for exchange (or an indemnity satisfactory to Lime, Parent and the Exchange Agent, if any of such Certificates are lost, stolen, or destroyed) or provide evidence of transfer of such holder's Book-Entry Shares as provided in this Section 3.3. Any other provision of this Agreement notwithstanding, neither any Parent Entity, nor any Lime Entity, nor the Exchange Agent shall be liable to any holder of Lime Stock for any amounts paid or properly delivered in good faith to a public official pursuant to any applicable abandoned property, escheat, or similar Law.

(c) Each of Parent and the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Lime Stock, Lime Options and the Lime Warrant such amounts, if any, as it is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local, or foreign Tax Law or by any Taxing Authority or Governmental Authority. To the extent that any amounts are so withheld by Parent, the Surviving Corporation, or the Exchange Agent, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Lime Stock, Lime Options and the Lime Warrant, as applicable in respect of which such deduction and withholding was made by Parent, the Surviving Corporation, or the Exchange Agent, as the case may be.

(d) Any portion of the Merger Consideration delivered to the Exchange Agent by Parent pursuant to Section 3.2(a)(iii) that remains unclaimed by the holder of shares of Lime Stock for one (1) year after the Effective Time (as well as any proceeds from any investment thereof) shall be delivered by the Exchange Agent to Parent. Any holder of shares of Lime Stock who has not at that time complied with this Section 3.3 shall thereafter look only to Parent for the consideration in respect of each share of Lime Stock such holder holds as determined pursuant to this Agreement without any interest thereon.

(e) Adoption of this Agreement by the stockholders of Lime shall constitute ratification of the appointment of the Exchange Agent.

3.4 **Lime Options and the Lime Warrant.**

(a) At the Effective Time, all rights with respect to any Lime Common Stock issuable pursuant to stock options granted by Lime under the Lime Stock Option Plans that are outstanding immediately prior to the Effective Time, whether or not exercisable, (i) which have an exercise price below the Per Share Merger Consideration applicable to each share of Lime Common Stock (the "Exercisable Lime Options") shall be converted at the Effective Time into an obligation of Parent to pay (or cause to be paid) and a right of the holder to receive, in full satisfaction of any rights in respect of the Exercisable Lime Options held by such holder, a cash payment equal to the product obtained by multiplying (1) the number of shares of Lime Common Stock underlying such Person's Exercisable Lime Options by (2) the Per Share Merger Consideration applicable to each share of Lime Common Stock, subject to the deductions provided for in Section 3.2(a), less the exercise price per share under such option, subject to withholdings and adjustments as set forth in Section 3.6 and Article VIII, and (ii) which have an exercise price at or above the Per Share Merger Consideration applicable to each share of Lime Common Stock (such stock options, together with the Exercisable Options, the "Lime Options") shall be terminated and the holders thereof shall have no right to receive any portion of the Merger Consideration in respect thereof. The amount determined in accordance with the foregoing shall be paid to the Surviving Corporation, to be paid to the applicable holder of an Exercisable Lime Option via the Surviving Corporation's normal payroll practices.

(b) At the Effective Time, all rights with respect to Lime Common Stock issuable pursuant to that certain Warrant to Purchase Stock dated as of July 24, 2015, issued by Lime to Heritage Commerce Corp. (the "Lime Warrant") to the extent outstanding immediately prior to the Effective Time, whether or not exercisable, shall be converted at the Effective Time into an obligation of Parent to pay (or cause to be paid) and a right of the holder to receive, in full satisfaction of any rights in respect of the Lime Warrant, a cash payment equal to the product obtained by multiplying (1) the number of shares of Lime Common Stock underlying the Lime Warrant by (2) the Per Share Merger Consideration (net of the deductions provided for in Section 3.2(a)) applicable to each share of Lime Common Stock less the exercise price per share under the Lime Warrant, subject to withholdings and adjustments as set forth in Section 3.6 and Article VIII. The amount determined in accordance with the foregoing shall be paid to the holder of the Lime Warrant on the Closing Date.

(c) Lime's board of directors or its compensation committee shall make any adjustments or amendments to or make such determinations with respect to the Lime Options and the Lime Warrant necessary to effect the foregoing provisions of this Section 3.4; provided that, prior to the End Date, Lime shall not amend, terminate or restate (or waive enforcement of) that certain Warrant Termination Agreement, by and between Heritage Commerce Corp. and Lime, or those certain Option Termination Agreements, by and between certain Lime stock option recipients and Lime, each dated as of the date of this Agreement and entered into in connection with this Agreement, without the prior written consent of Parent (not to be unreasonably conditioned, delayed or withheld). For avoidance of doubt, the Parties acknowledge and agree that the Lime Warrant and all Lime Options terminated in accordance with such Option Termination Agreements shall be deemed to be outstanding immediately prior to the Effective Time for purposes of Sections 3.4(a) and 3.4(b) above and, in each such case, shall entitle the holders thereof to the portion of the Merger Consideration determined in accordance with such Warrant Termination Agreement, such Option Termination Agreements and Sections 3.4(a) and 3.4(b).

3.5 **Rights of Former Lime Stockholders.**

At the Effective Time, the stock transfer books of Lime shall be closed as to holders of Lime Stock and no transfer of Lime Stock by any holder of such shares shall thereafter be made or recognized. Until surrendered for exchange in accordance with the provisions of Section 3.3, each Certificate and each Book-Entry Share theretofore representing shares of Lime Stock (other than Certificates representing Dissenting Shares or Extinguished Shares), shall from and after the Effective Time represent for all purposes only the

right to receive the Per Share Merger Consideration, without interest, as provided in Article III, subject to withholdings and adjustments as set forth in Sections 3.3, 3.4, 3.6 and Article VIII.

3.6 **Post-Closing Adjustments to Merger Consideration.**

(a) Not less than three (3) Business Days prior to the Closing Date, Lime shall prepare and deliver to Parent a written schedule (the "Estimated Closing Statement"), in substantially the form attached hereto as Exhibit C, together with reasonably detailed calculations of the components thereof, setting forth Lime's good faith calculations, as of the Closing, of the (I) (i) Tangible Assets (excluding Cash), and (ii) Tangible Liabilities (excluding Indebtedness) (the result of subtracting clause *(ii)* from clause *(i)* of the foregoing, the "Tangible Net Asset Value"), (II) the result of the Tangible Net Asset Value minus the Target TNAV, which result shall be an amount (which may be a negative number) designated the "TNAV Delta", (III) Closing Indebtedness, (IV) Transaction Expenses, (V) Closing Cash, (VI) Closing Accrued Compensation, (VII) Closing Material Rebates, and (VIII) resulting calculation of the Merger Consideration. The Estimated Closing Statement shall be prepared, and all components thereof shall be calculated, in conformity with GAAP and, to the extent in conformity with GAAP, in accordance with Lime's historical practices and methodologies and in a manner consistent with the illustrative calculation of Tangible Net Asset Value in substantially the form attached hereto as Exhibit D (the "Closing Adjustment Illustration"); provided, however, that in the event of a conflict between (A) GAAP, (B) the historical practices and methodologies of Lime and (C) the accounting principles, rules, methods, practices, and procedures used in the Closing Statement Illustration, the latter, in each case, of (A), (B) and (C), shall control. Upon the delivery of the Estimated Closing Statement, Lime shall make available to Parent and its Representatives the work papers (subject to the execution of customary work paper access letters, if requested) and other books and records used in preparing the Estimated Closing Statement.

(b) Within sixty (60) calendar days following the Closing, Parent shall prepare and deliver to the Lime Representative a written schedule (the "Closing Statement") setting forth Parent's good faith calculations, as of the Closing, of the (I) Tangible Net Asset Value and TNAV Delta, (II) Closing Indebtedness, (III) Transaction Expenses, (IV) Closing Cash, (V) Closing Accrued Compensation, (VI) Closing Material Rebates, and (VII) resulting calculation of the Merger Consideration; provided, that if Parent fails to provide such written schedule to the Lime Representative within such 60-day period, then at the Lime Representative's election, the Estimated Closing Statement shall be deemed to be the Closing Statement (without modification) and shall be final, binding and conclusive for all purposes hereunder; provided further that nothing herein shall relieve Parent from its obligation to prepare and deliver such written schedule to the Lime Representative in accordance with this Section 3.6(b). The Closing Statement shall be prepared,

and all components thereof shall be calculated, in conformity with GAAP and in accordance with Lime's historical practices and methodologies and in a manner consistent with the Closing Adjustment Illustration and shall not include any changes in assets or liabilities as a result of purchase accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated by this Agreement; provided, however, that in the event of a conflict between (A) GAAP, (B) the historical practices and methodologies of Lime and (C) the accounting principles, rules, methods, practices, and procedures used in the Closing Statement Illustration, the latter, in each case, of (A), (B) and (C), shall control. Following the Closing, Parent shall provide the Lime Representative and its Representatives reasonable access (including by electronic delivery of documents), during regular business hours, in such a manner as to not unreasonably interfere with the normal operations of Parent or the Surviving Corporation (and subject to the execution of customary work paper access letters and a customary confidentiality agreement mutually acceptable to Parent and the Lime Representative, in each case if reasonably requested), work papers and books and records utilized in the preparation of the Closing Statement and the employees and Representatives of Parent, the Surviving Corporation and their Affiliates solely for the purpose of

assisting the Lime Representative in its review of the Closing Statement and the calculations contained therein. The parties agree that the purpose of preparing the Closing Statement and determining the Tangible Net Asset Value, Closing Indebtedness, Transaction Expenses, Closing Cash, Closing Accrued Compensation and Closing Material Rebates contemplated by this Section 3.6 is to calculate the Merger Consideration, and such processes are not intended to permit the introduction of new or different judgments, accounting methods, policies, principles, practices, procedures, classifications or estimation methodologies for the purpose of preparing the Closing Statement or determining the Tangible Net Asset Value, Closing Indebtedness, Transaction Expenses, Closing Cash, Closing Accrued Compensation and Closing Material Rebates.

(c) If the Lime Representative disagrees with the calculations in the Closing Statement, the Lime Representative shall notify Parent of such disagreement in writing (the "Dispute Notice") within thirty (30) days after delivery of the Closing Statement. The Dispute Notice must set forth in reasonable detail (i) any item on the Closing Statement which the Lime Representative believes has not been prepared in accordance with this Agreement and the Lime Representative's determination of the amount of such item (to the extent possible) and (ii) the Lime Representative's alternative calculation of the Tangible Net Asset Value, the Closing Indebtedness, the Transaction Expenses, the Closing Cash, the Closing Accrued Compensation and/or the Closing Material Rebates, as the case may be (to the extent possible). Any item or amount that the Lime Representative does not dispute in the Dispute Notice within such 30-day period shall be final, binding and conclusive on the parties for all purposes hereunder. In the event any such Dispute Notice is timely provided, Parent and the Lime Representative shall use commercially reasonable efforts for a period of fifteen (15) days (or such longer period as they may mutually agree) to resolve any disagreements with respect to the calculations included in the Closing Statement that were disputed in the Dispute Notice. If, at the end of such period, the Lime Representative and Parent remain unable to resolve the dispute in its entirety, then the unresolved items and amounts thereof in dispute shall be submitted to Grant Thornton LLP, or if such firm cannot or does not accept such engagement, another nationally recognized independent accounting firm, reasonably acceptable to Parent and the Lime Representative, which shall not be the independent accountants of Parent or Lime (the "Dispute Auditor"). The Dispute Auditor shall determine, based solely on this Agreement, including the definitions of Tangible Net Asset Value (and the definitions of the defined terms contained herein) and this Section 3.6, and the written presentations by the Lime Representative and Parent, and not by independent review, only those items and amounts that remain then in dispute as set forth in the Dispute Notice, and the Dispute Auditor shall not make any other determination. The Lime Representative and Parent shall use commercially reasonable efforts to cause the Dispute Auditor to resolve all amounts in dispute as set forth in the Dispute Notice as soon as practicable (and in any event within forty-five (45) days after the dispute is submitted for its determination) and to set forth its determination in a written statement delivered to the Lime Representative and Parent. A judgment of a court of competent jurisdiction selected pursuant to Section 11.10 hereof may be entered upon the Dispute Auditor's determination. The Dispute Auditor shall have exclusive jurisdiction over, and resorting to the Dispute Auditor as provided in this Section 3.6(c) shall be the only recourse and remedy of the parties against one another with respect to, those items and amounts that remain in dispute under this Section 3.6(c), and neither the Lime Representative nor Parent shall be entitled to seek indemnification or recovery of any attorneys' fees or other professional fees incurred by the Lime Representative or Parent, as the case may be, in connection with any dispute governed by this Section 3.6. The Dispute Auditor shall allocate its fees and expenses between Parent and the Lime Representative according to the degree to which the positions of the respective parties are not accepted by the Dispute Auditor. In no event shall the decision of the Dispute Auditor assign a value to any item greater than the greatest value for such item claimed by either Parent or the Lime Representative or lesser than the smallest value for such item claimed by either Parent or Lime Representative. Any determinations made by the Dispute Auditor pursuant to this Section 3.6 shall be final, non-appealable and binding on the parties hereto, absent manifest error or fraud.

(d) If, upon final determination in accordance with the terms of this Section 3.6 (the date of such final determination, the "Final Adjustment Amount Determination Date"), the adjustment to the Merger Consideration (the "Adjustment Amount") (if any) is a positive number, then the Merger Consideration shall be increased by the amount of the Adjustment Amount. If the Adjustment Amount (if any) is a negative number, the Merger Consideration shall be decreased by the amount of the Adjustment Amount. Any such resulting amount shall be referred to herein as the "Final Adjustment Amount". If the Final Adjustment Amount (if any) is a positive number, within five (5) Business Days after the Final Adjustment Amount Determination Date, Parent shall pay the Final Adjustment Amount due to each of the Participating Securityholders to the Exchange Agent for further distribution to the applicable holders based on each such holder's applicable Pro Rata Fraction of such Final Adjustment Amount; provided, however, that with respect to a Participating Securityholder that is a holder of Exercisable Lime Options, Parent shall cause the Surviving Corporation to pay the amount payable to such Participating Securityholder with respect to such Exercisable Lime Options through the Surviving Corporation's payroll system on the first normal payroll date of the Surviving Corporation following the Final Adjustment Amount Determination Date, and the amount deposited with the Exchange Agent shall be reduced accordingly. Prior to any such distribution of the Final Adjustment Amount to the Participating Securityholders, the Lime Representative shall deliver to Parent and the Exchange Agent an updated Closing Payment Schedule (which need not be certified by an officer of Lime) setting forth the portion of the Adjustment Amount payable to each Participating Securityholder. If the Final Adjustment Amount (if any) is a negative number then within five (5) Business Days after the Final Adjustment Amount Determination Date, Parent and the Lime Representative shall deliver joint written instructions to the Exchange Agent and Parent shall be entitled to recover the absolute value of the Final Adjustment Amount from the Adjustment Escrow Account (it being understood that in no event shall any such recovery be in excess of the then-available amount in the Adjustment Escrow Account).

3.7 **Escrow Funds**

(a) The Indemnity Escrow Amount and the Adjustment Escrow Amount (collectively, the "Escrow Funds") shall be held by the Exchange Agent in accordance with the terms of this Agreement and the terms of the Escrow Agreement. Subject to the terms of the Escrow Agreement, the Escrow Funds shall be held as a trust fund and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of the Exchange Agent or any of the other parties to the Escrow Agreement, and shall be held and disbursed solely for the purposes and in accordance with the terms of this Agreement and the terms of the Escrow Agreement. Any amounts held of the Adjustment Escrow Amount following the Final Adjustment Amount Determination Date shall be released to the Exchange Agent, for payment to the Participating Securityholders in the manner contemplated by Section 3.6(d), five (5) Business Days following the date on which, as applicable, (i) full and final payment is made of any Final Adjustment Amount payable to Parent pursuant to Section 3.6(d) or (ii) a final determination is made pursuant to Section 3.6(d), if any, that no Adjustment Amount is payable to Parent (the "Adjustment Escrow Expiration Date").

(b) The Lime Representative and Parent shall, not later than three (3) Business Days after the Adjustment Escrow Expiration Date, deliver to the Exchange Agent a joint written direction, and the Lime Representative shall deliver to Parent and the Exchange Agent an updated Closing Payment Schedule (which need not be certified by an officer of the Surviving Corporation) setting forth the portion of any distribution of the Adjustment Escrow Amount payable to each Participating Securityholder. Each distribution of cash made from the Adjustment Escrow Amount to each of the Participating Securityholders shall be made in proportion to the respective Pro Rata Fractions of the Participating Securityholders at the time of such distribution.

(c) If there are no outstanding claims or notices of claims, in each case made or given in accordance with Article VIII, for indemnification by any Parent Indemnitee that would be payable from the Indemnity Escrow Account on the date that is fifteen (15) months after the Closing Date (the "Indemnity Escrow Termination Date"), then the Lime Representative and Parent shall promptly (but in any event within two (2) Business Days after the Indemnity Escrow Termination Date) deliver to the Exchange Agent a joint release instruction for release of any remaining amount in the Indemnity Escrow Account to the Participating Securityholders (in accordance with their respective Pro Rata Fractions of such released amounts) in accordance with the terms of the Escrow Agreement; provided, however, that with respect to a Participating Securityholder that is a holder of Exercisable Lime Options, such instruction shall direct the amount payable to such Participating Securityholder with respect to such Exercisable Lime Options to be paid to the Surviving Corporation, which shall promptly pay such amount to such Participating Securityholder through the Surviving Corporation's payroll system on the first normal payroll date following such release.

(d) If there are outstanding claims or notices of claims, in each case made or given in accordance with Article VIII, for indemnification by any Parent Indemnitee that would be payable from the Indemnity Escrow Account as of the Indemnity Escrow Termination Date, then Parent and the Lime Representative shall promptly (but in any event within two (2) Business Days after the Indemnity Escrow Termination Date) deliver to the Exchange Agent a joint release instruction for payment of an amount equal to (x) the amount of any remaining amounts in the Indemnity Escrow Account to the Participating Securityholders in the manner contemplated by Section 3.7(c), less (y) the disputed amount corresponding to each such outstanding claims, in accordance with the Escrow Agreement; provided, that the remaining balance of any amount withheld with respect to each outstanding claim shall be released to the Participating Securityholders (in accordance with their respective Pro Rata Fractions of such released amounts) in the manner contemplated by Section 3.7(c) (i) upon resolution and final satisfaction of each such outstanding claim in accordance with Article VIII and set forth in a joint release instruction delivered by Parent and Lime Representative to the Exchange Agent (which shall be given promptly after the date of such resolution) and (ii) thereafter, upon delivery by Parent and Lime Representative of a joint release instruction to the Exchange Agent for payment of any remaining amounts in the Indemnity Escrow Account, in each case in accordance with the Escrow Agreement.

(e) Any income, gains, losses and expenses of the Escrow Funds shall be included by Parent as taxable income or loss of Parent to the extent allowed under the Code and related Treasury Regulations, and any income and gains of the Escrow Funds shall be available to Parent as part of the Escrow Funds, but if not paid to Parent in connection with an Adjustment Amount in accordance with Section 3.6 shall ultimately be distributable to the Participating Securityholders in accordance with this Agreement and the Escrow Agreement. Parent shall be entitled to a distribution each calendar quarter equal to the product of the amount of any income and gains allocated to Parent for such quarter multiplied by 30%.

(f) The approval of this Agreement by written consent in lieu of a meeting of Lime stockholders, and the acceptance of a portion of the Merger Consideration by the Participating Securityholders, shall constitute approval of the Escrow Agreement and of all of the arrangements relating thereto, including the placement of the Indemnity Escrow Amount and the Adjustment Escrow Amount in the Escrow Funds in accordance with the terms hereof and thereof.

(g) The parties hereto agree to treat any payments made pursuant to Section 3.6 or Article VIII as adjustments to the Merger Consideration for all Tax purposes to the maximum extent permitted by applicable Law.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF LIME

Lime represents and warrants to Parent as follows as of the date of this Agreement and again as of the Closing Date, except as set forth on Lime's Disclosure Memorandum:

4.1 **Organization, Standing, and Power.**

Lime is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Lime has the corporate power and authority to carry on its business as now conducted and to own, lease, and operate its assets. Lime is duly qualified or licensed to transact business as a foreign corporation in good standing in the states of the United States and foreign jurisdictions where the character of its assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions where the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Lime Material Adverse Effect. True and correct copies of the certificate of incorporation and bylaws of Lime have been made available to Parent for its review.

4.2 **Authority of Lime; No Breach By Agreement.**

(a) Lime has the corporate power and authority necessary (i) to execute, deliver, and, other than with respect to the Merger, perform its obligations under this Agreement, and (ii) with respect to the Merger, upon obtaining the Requisite Lime Stockholder Approval, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein, including the Merger, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of Lime, subject to the Requisite Lime Stockholder Approval. Subject to any necessary approvals referred to in Section 9.1(b) and receipt of such Requisite Lime Stockholder Approval, this Agreement represents a legal, valid, and binding obligation of Lime, enforceable against Lime in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought).

(b) Except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (ii) notices or filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), if any, and (iii) the items disclosed on Section 4.2(b) of Lime's Disclosure Memorandum, neither the execution and delivery of this Agreement by Lime, nor the consummation by Lime of the transactions contemplated hereby, will (x) conflict with or result in a breach of any provision of the certificate of incorporation or bylaws (or similar constating documents) of any Lime Entity, or (y) constitute or result in a material default under any Lime Contract, or (z) constitute or result in a material default under any Law or Order applicable to any Lime Entity or any of their material assets.

(c) Except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (ii) notices or filings under the HSR Act, and (iii) the items disclosed on Section 4.2(c) of Lime's Disclosure Memorandum, Lime is not required to obtain any consents or approvals of, or make any filings or registrations with, any Governmental Authority in connection with the execution and delivery by Lime of this Agreement or the consummation by Lime of the transactions contemplated hereby, except when the failure to obtain such consents or approvals or make such filings or registrations would not have a Lime Material Adverse Effect.

4.3 **Capital Stock.**

The authorized capital stock of Lime consists of (i) 50,000,000 shares of Lime Common Stock, par value $0.0001 per share, of which 9,658,465 shares are issued and outstanding as of the date of this Agreement, and (ii) 5,000,000 shares of preferred stock, $0.01 par value per share, of which 10,000 have been designated as Lime Preferred Stock, of which 10,000 shares are issued and outstanding as of the date of this Agreement. All the outstanding shares of capital stock of Lime have been duly and validly issued and are fully paid and non-assessable. Except for the exercise or conversion rights that attach to Lime Options that are listed on Section 4.3 of Lime's Disclosure Memorandum, the Bison Convertible Note and the Lime Warrant, on the date hereof there are no shares of Lime Stock or any other equity security of Lime issuable upon conversion or exchange of any issued and outstanding security of Lime nor are there any rights, options outstanding or other agreements to acquire shares of Lime Stock or any other equity security of Lime nor is Lime contractually obligated to purchase, redeem or otherwise acquire any of its outstanding shares that would survive the Closing. No holder of Lime Stock or holder of Lime Options or the Lime Warrant is entitled to any preemptive or similar rights to subscribe for shares of capital stock of Lime that would survive the Closing.

4.4 **Lime Subsidiaries.**

Lime has no Subsidiaries except as set forth in Section 4.4 of Lime's Disclosure Memorandum, and Lime owns all of the equity interests in each of the Lime Subsidiaries. No capital stock (or other equity interest) of any Lime Subsidiary is or may become required to be issued (other than to another Lime Entity) by reason of any Rights, and there are no Contracts by which any such Subsidiary is bound to issue (other than to another Lime Entity) additional shares of its capital stock (or other equity interests) or Rights or by which any Lime Subsidiary is or may be bound to transfer any shares of the capital stock (or other equity interests) of any such Subsidiary (other than to another Lime Entity). There are no Contracts relating to the rights of any Lime Subsidiary to vote or to dispose of any shares of the capital stock (or other equity interests) of such Lime Subsidiary. Each Lime Subsidiary is duly organized, validly existing, and in good standing under the Laws of the jurisdiction of its formation. Each Lime Subsidiary is duly qualified or licensed to transact business as a foreign entity in good standing in the states of the United States and foreign jurisdictions where the character of its assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Lime Material Adverse Effect.

4.5 **Financial Statements.**

The Lime Financial Statements have been prepared in all material respects in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited interim statements, for the absence of notes) and fairly present in all material respects the consolidated financial position of Lime and each Lime Subsidiary as of the respective dates and for the respective periods covered thereby, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments. True and correct copies of the Lime Financial Statements have been made available to Parent for its review.

4.6 **Absence of Undisclosed Liabilities.**

No Lime Entity has any liabilities required under GAAP to be set forth on a consolidated balance sheet or in the notes thereto that are reasonably likely to have, individually or in the aggregate, a Lime Material Adverse Effect, except liabilities that are (i) accrued or reserved against in the consolidated balance sheet of Lime as of December 31, 2017, included in Lime Financial Statements or reflected in the notes thereto, (ii) incurred in the ordinary course of business consistent with past practices, or (iii) incurred in connection

with the transactions contemplated by this Agreement. Notwithstanding the foregoing, no representation or warranty is made pursuant to this Section 4.6 with respect to any liabilities or obligations relating to or arising from matters that are substantively covered by another representation or warranty contained in this Article IV.

4.7 **Absence of Certain Changes or Events.**

Except as disclosed in Lime Financial Statements delivered prior to the date of this Agreement or as disclosed in Section 4.7 of Lime's Disclosure Memorandum, from June 30, 2018 through the date of this Agreement (i) there have been no events, changes, or occurrences which have had, a Lime Material Adverse Effect, and (ii) since June 30, 2018, the Lime Entities have conducted their respective businesses in the ordinary course of business consistent with past practice.

4.8 **Tax Matters.**

(a) All Lime Entities have filed (or have had filed) all Tax Returns that it was required to file (or to have filed), taking into account any extensions of time to file, and such Tax Returns are true, correct and complete in all material respects. All Taxes of each Lime Entity (whether or not shown as owing on such Tax Returns) have been fully paid or properly accrued in accordance with GAAP. There are no Liens for Taxes upon any of the assets of the Lime Entities. None of the Lime Entities has any unclaimed property that is required to be paid over to a Governmental Authority.

(b) Any Tax that is not yet due and payable by any of the Lime Entities for the periods covered thereby has been properly accrued for on the Lime Financial Statements in accordance with the past custom and practice (if any) of each of the Lime Entities in filing its Tax Returns. Since the date of the Lime Financial Statements, the Lime Entities have not incurred any liability for Taxes arising outside of the ordinary course of business.

(c) No Lime Entity is, as of the date hereof, the subject of a Tax audit or examination with respect to Taxes. No Lime Entity has waived any statute of limitations with respect to Taxes, made any amendments to any Tax Returns since December 31, 2014, or agreed to any extension of time with respect to a Tax assessment or deficiency, which waiver or extension is still outstanding.

(d) No Lime Entity has any current liability for Taxes of any Person (i) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law) or (ii) as a transferee or successor, by contract or otherwise.

(e) No Lime Entity has been a party to a "listed transaction," as such term is defined in Treasury Regulations Section 1.6011-4(b)(2).

(f) All Taxes which each Lime Entity is obligated to withhold from amounts owing to any employee, creditor or Third Party have been properly withheld and fully paid over to the appropriate Governmental Authority.

(g) No claim has been made by any Taxing Authority in a jurisdiction where a Lime Entity has not filed a Tax Return that it is or may be subject to Tax by such jurisdiction. None of the Lime Entities has, or has ever had, a permanent establishment or other taxable presence in any country (other than in such entity's jurisdiction of formation), as determined pursuant to applicable U.S. or non-U.S. law and any applicable Tax treaty or convention. Lime has made available to Parent correct and complete copies of all Tax Returns of the Lime Entities with respect to taxable periods for which the statute of limitations has not expired.

(h) No Lime Entity has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361 of the Code.

(i) None of the Lime Entities is a party to or member of any joint venture, partnership, limited liability company or other arrangement or contract which is treated as a partnership for U.S. federal income Tax purposes.

(j) None of the Lime Entities is, or has been, a U.S. real property holding company (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(k) None of the Lime Entities has made or agreed to make any adjustment under Section 481(a) of the Code (or any corresponding provision of state, local or non-U.S. Tax Law) by reason of a change in accounting method or otherwise, and will not be required to make such an adjustment as a result of the transactions contemplated by this Agreement.

(l) None of the Lime Entities will be required to include any amount in income for taxable periods (or portions thereof) after the Closing Date as a result of (i) entering into any "closing agreement" within the meaning of Section 7121 of the Code (or any similar provision of applicable state, local or non-U.S. Law) on or prior to the Closing Date, (ii) any intercompany transaction or excess loss account described in the Treasury Regulations promulgated pursuant to Section 1502 of the Code (or any corresponding or similar provision of state, local or non-U.S. Law), (iii) any installment sale or open transaction disposition made on or prior to the Closing Date, (iv) any prepaid amount received on or prior to the Closing Date, or (v) election under Section 108(i). None of the Lime Entities has ever (i) made an election under Section 1362 of the Code to be treated as an S corporation for U.S. federal income Tax purposes or (ii) made a similar election under any comparable provision of any state, local or non-U.S. Tax Law.

(m) None of the Lime Entities is a "passive foreign investment company" within the meaning of Section 1297 of the Code, and none of the Lime Entities owns, directly or indirectly, any interests in an entity that is or has been a "passive foreign investment company" within the meaning of Section 1297 of the Code. None of the Lime Entities is a "controlled foreign corporation" within the meaning of Code Section 957 and none of the Lime Entities owns, directly or indirectly, any interests in an entity that is or has been a "controlled foreign corporation" within the meaning of Code Section 957.

(n) None of the Lime Entities has any accumulated post-1986 deferred foreign income as of either November 2, 2017 or December 31, 2017, in each case for purposes of Section 965(a) of the Code. None of the Lime Entities has made an election under Section 965(h)(1) of the Code to pay any net Tax liability under Section 965 of the Code in installments. None of the Lime Entities has engaged in any transaction that could reduce any of the Participating Securityholders' or the Lime Entities' liability under Section 965(a) of the Code.

(o) None of the Lime Entities is a party to any Tax sharing contract or similar arrangement (including an indemnification agreement or arrangement).

(p) All intercompany transactions between or among the Lime Entities have met the requirements of Section 482 of the Code and the regulations thereunder (and any similar provision of applicable state, local or non-U.S. Law), and all such transactions are supported by contemporaneous documentation as defined in Section 6662 of the Code (and any similar provision of applicable state, local or non-U.S. Law).

(q) That portion of the Restructuring completed prior to the Closing will not result in any Taxes for Lime or any of its Affiliates.

(r) None of the Company's net operating losses are subject to any limitations under Section 382 of the Code, other than limitations created by (1) changes of ownership of Lime prior to January 1, 2007, (2) changes of ownership of any acquired Person prior to January 1, 2007, or (3) any of the transactions contemplated by this Agreement.

(s) This Section 4.8 constitutes the sole and exclusive representations and warranties of Lime with respect to Taxes related to the Lime Entities, and no other representation or warranty contained in any other section of this Agreement shall apply to any such Tax matters and no other representation or warranty, express or implied, is being made with respect thereto.

4.9 **Lime Information.**

(a) The notice of action taken by written consent and appraisal rights and information statement to be delivered to Lime's stockholders after Lime obtains the Requisite Lime Stockholder Approval by written consent (the "Information Statement"), will not, when mailed to the stockholders of Lime, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Lime makes no representation or warranty whatsoever with respect to any statements made or incorporated by reference in the Information Statement, or any amendments or supplements thereto, based on information supplied by Parent, Merger Sub or any of Parent's or Merger Sub's Representatives.

(b) All documents that any Lime Entity or any Affiliate thereof is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby has complied as to form in all material respects with the provisions of applicable Law.

4.10 **Assets.**

(a) Except as disclosed in Section 4.10 of Lime's Disclosure Memorandum or as disclosed or reserved against in Lime Financial Statements delivered prior to the date of this Agreement, the Lime Entities have good title, free and clear of any Liens that would reasonably be expected to impair the use of such assets as they are currently being used, to all of the material assets that they own. All material tangible properties used in the businesses of Lime Entities are in good condition, reasonable wear and tear excepted, and are usable in the ordinary course of business consistent with Lime's past practices.

(b) Section 4.10 of Lime's Disclosure Memorandum lists each material insurance policy maintained by Lime as of the date hereof. All of the insurance policies of Lime are in full force and effect, and Lime is not in material default with respect to its obligations under any of such insurance policies, except for such failure to be in full force and effect and for such defaults that would not have a Lime Material Adverse Effect.

4.11 **Intellectual Property.**

(a) Lime and each Lime Subsidiary own, or are licensed to use or otherwise have rights to use, all Intellectual Property used in the conduct of their business as currently conducted.

(b) The conduct of the business of Lime and each Lime Subsidiary as currently conducted, with respect to each item of Intellectual Property owned by Lime or a Lime Subsidiary ("Lime Owned Intellectual Property"), does not infringe upon or misappropriate the Intellectual Property rights of any Third Party. Since December 31, 2015, no Lime Entity has received written notice from any Third Party alleging any material infringement or misappropriation of any Intellectual Property rights of any Third Party.

(c) With respect to each item of Lime Owned Intellectual Property, Lime or a Lime Subsidiary is the owner of the entire right, title and interest in and to such Lime Owned Intellectual Property and is entitled to use such Lime Owned Intellectual Property in the operation of its business as currently conducted. To the Knowledge of Lime, with respect to each item of Intellectual Property licensed to Lime or a Lime Subsidiary ("Lime Licensed Intellectual Property"), Lime or a Lime Subsidiary has the right to use such Lime Licensed Intellectual Property in the operation of its business as currently conducted in accordance with the terms of the license agreement governing such Lime Licensed Intellectual Property.

(d) The Lime Owned Intellectual Property is valid and enforceable and has not been adjudged invalid or unenforceable in whole or in part. To the Knowledge of Lime, no Person is engaging in any activity that infringes upon the Lime Owned Intellectual Property.

(e) Each license of Lime Licensed Intellectual Property is in full force and effect. Neither any Lime Entity, nor to the Knowledge of Lime, any other party to any license of Lime Licensed Intellectual Property is in default under such license.

(f) Neither the execution of this Agreement nor the consummation of any of the transactions contemplated hereby will adversely affect any of Lime or a Lime Subsidiary's rights with respect to the Lime Owned Intellectual Property or Lime Licensed Intellectual Property or cause the termination of any license agreement governing any Lime Licensed Intellectual Property.

(g) This Section 4.11 constitutes the sole and exclusive representations and warranties of Lime with respect to any Intellectual Property matters, and no other representation or warranty contained in any other section of this Agreement shall apply to any such Intellectual Property matters and no other representation or warranty, express or implied, is being made with respect thereto.

4.12 **Environmental Matters.**

(a) The Lime Entities are in compliance with Environmental Laws except for any such non-compliance that would not be material to such Lime Entity.

(b) There is no Litigation pending, and to Lime's Knowledge there is no environmental enforcement action, investigation or Litigation threatened before any Governmental Authority, in which any Lime Entity has been named as a defendant (i) for alleged noncompliance (including by any predecessor) with or liability under any Environmental Law or (ii) relating to the release, discharge, spillage, or disposal into the environment of any Hazardous Material, whether or not occurring at, on, under, adjacent to, or affecting (or potentially affecting) a site currently or formerly owned, leased, or operated by any Lime Entity.

(c) During or, to Lime's Knowledge, prior to the period of any Lime Entity's ownership or operation of any of their respective current properties, there have been no releases, discharges, spillages, or disposals of Hazardous Material in or on such properties.

(d) No Lime Entity is subject to any Contract or Order by or with any Governmental Authority or any Third Party imposing any liability with respect to the foregoing.

(e) There has been no written Third Party environmental site assessment conducted since December 31, 2015, assessing the presence of Hazardous Materials located on any property owned or leased by any Lime Entity that is within the possession or control of any Lime Entity as of the date of this Agreement that has not been provided to Parent prior to the date of this Agreement.

(f) This Section 4.12 constitutes the sole and exclusive representations and warranties of Lime with respect to environmental matters, and no other representation or warranty contained in any other section of this Agreement shall apply to any such matters and no other representation or warranty, express or implied, is being made with respect thereto.

4.13 **Compliance with Laws.**

(a) Each of Lime Entities has in effect all Permits and has made all filings, applications, and registrations with Governmental Authorities that are required for it to own, lease, or operate its assets and to carry on its business as now conducted, and there has occurred no default under any such Permit applicable to their respective businesses or employees conducting their respective businesses (or, to Lime's Knowledge, to any of the Lime Entities' consultants or independent contractors), except in each case where the failure to hold such Permit or to make such filing, application, or registration or such default would not be material to the Lime Entities, taken as a whole.

(b) None of the Lime Entities is in default under any Laws or Orders applicable to its business or employees conducting its business, except where such default would not be material to the Lime Entities, taken as a whole.

(c) Since December 31, 2015, none of the Lime Entities has received any written notification or communication from any Governmental Authority (i) asserting that Lime or any of the Lime Subsidiaries is in default under any of the Permits, Laws, or Orders which such Governmental Authority enforces, or (ii) threatening to revoke any Permits.

(d) There (i) is no material unresolved violation, criticism, or exception by any Governmental Authority with respect to any report or statement relating to any examinations or inspections of Lime or any of the Lime Subsidiaries, (ii) no written notices or correspondence have been received by Lime since December 31, 2015, with respect to formal or informal investigations by, or disputes with, any Governmental Authority with respect to Lime or any of Lime Subsidiary's business, operations, policies or procedures, and (iii) is not any pending or, to Lime's Knowledge, threatened, nor has any Governmental Authority indicated an intention to conduct any, investigation or review of Lime or any Lime Subsidiary.

4.14 **Labor Relations.**

(a) Each Lime Entity is, and during the past (3) three years has been, in compliance in all material respects with all applicable Laws respecting employment, including but not limited to Laws relating to discrimination, harassment, retaliation, terms and conditions of employment, worker classification, wages, hours, termination of employment, occupational safety and health, employee privacy, and employment practices, including the Immigration Reform and Control Act. Each Lime Entity is, and during the past three (3) years has been, in compliance in all material respects with all applicable Laws relating to the engagement of all independent contractors and leased employees. During the past three years, each Lime Entity has not misclassified (i) any employees as exempt under

any applicable Law, including but not limited to minimum wage, overtime compensation, rest period, and/or meal break Laws; and (ii) any worker as independent contractor rather than as employee under any applicable Law, including but not limited to any Tax Laws or any minimum wage, overtime compensation, rest period, and/or meal break Laws. During the prior three (3) years, no Lime Entity or any of their employees, officers or directors (in their capacity as such) has been a party to any Litigation asserting that it or any other Lime Entity has violated any employment Contract or Laws respecting employment, including but not limited to Laws relating to discrimination, harassment, retaliation, terms and conditions of employment, worker classification, wages, hours, termination of employment, occupational safety and health, employee privacy, and employment practices, including the Immigration Reform and Control Act.

(b) No Lime Entity is the subject of any pending or, to Lime's Knowledge, threatened Litigation asserting that it or any other Lime Entity has committed an unfair labor practice (within the meaning of the National Labor Relations Act or comparable state Law) or other violation of state or federal labor or employment Law or seeking to compel it or any other Lime Entity to bargain with any labor organization or other employee representative as to wages or conditions of employment, nor is any Lime Entity a party to any collective bargaining agreement or subject to any bargaining order, injunction, or other Order relating to Lime's relationship or dealings with its employees, any labor organization or any other employee

representative. To Lime's Knowledge, there is no strike, slowdown, picketing, lockout, or other job action or labor dispute involving any Lime Entity pending or threatened and there have been no such actual or threatened actions or disputes in the past three years. To Lime's Knowledge, in the past three years there has not been any attempt by any Lime Entity employees or any labor organization or other employee representative to organize or certify a collective bargaining unit or to engage in any other union organization activity with respect to the workforce of any Lime Entity. Except as disclosed in Section 4.14 of Lime's Disclosure Memorandum, employment of each employee of each Lime Entity is terminable at will by the relevant Lime Entity without any obligation to provide severance benefits or severance pay upon a termination of employment.

(c) To Lime's Knowledge, all of the employees employed in the United States are either United States citizens or are legally entitled to work in the United States under the Immigration Reform and Control Act of 1986, as amended, other United States immigration Laws and the Laws related to the employment of non-United States citizens applicable in the state in which the employees are employed.

(d) Since December 31, 2015, no Lime Entity has effectuated (i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act (the "WARN Act")) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of any Lime Entity; or (ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of any Lime Entity; and no Lime Entity has been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law.

(e) Each Lime Entity has (i) withheld all amounts required by Law or by agreement to be withheld from the wages, salaries and other payments to employees, and is not liable for any arrears of wages, compensation, Taxes, penalties or other sums for failure to comply with any of the foregoing; and (ii) paid in full to all employees, independent contractors and consultants all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees, independent contractors and consultants.

4.15 **Employee Benefit Plans.**

(a) Lime has disclosed in Section 4.15 of Lime's Disclosure Memorandum, and has delivered or made available to Parent prior to the execution of this Agreement, copies of each Employee Benefit Plan currently adopted, maintained by, sponsored in whole or in part by, or contributed or required to be contributed to by any Lime Entity or ERISA Affiliate thereof for the benefit of employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries or under which employees, retirees, former employees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate (each, a "Lime Benefit Plan," and collectively, the "Lime Benefit Plans"). Any of Lime Benefit Plans which is an "employee pension benefit plan," as that term is defined in ERISA Section 3(2), is referred to herein as a "Lime ERISA Plan." Each Lime ERISA Plan which is also a "defined benefit plan" (as defined in Code Section 414(j)) is referred to herein as a "Lime Pension Plan," and is identified as such in Section 4.15 of Lime's Disclosure Memorandum.

(b) Lime has delivered or made available to Parent prior to the execution of this Agreement (i) all trust agreements or other funding arrangements for all Employee Benefit Plans, (ii) all determination letters, rulings, opinion letters, information letters, or advisory opinions issued by the United States Internal Revenue Service ("IRS"), the United States Department of Labor ("DOL") or the Pension Benefit Guaranty Corporation during this calendar year or any of the preceding three calendar years, (iii) any filing or documentation (whether or not filed with the IRS) where corrective action was taken in connection with the IRS EPCRS program set forth in Revenue Procedure 2001-17 (or its predecessor or successor rulings), (iv) annual reports or returns, audited or unaudited financial statements, actuarial reports, and valuations prepared for any Employee Benefit Plan for the current plan year and the three preceding plan years, and (v) the most recent summary plan descriptions and any material modifications thereto.

(c) Each Lime Benefit Plan is in material compliance with the terms of such Lime Benefit Plan, the applicable requirements of the Code, the applicable requirements of ERISA, and in material compliance with any other applicable Laws. Since December 31, 2015, Lime has not received any written communication from any Governmental Authority challenging the compliance of any Lime Benefit Plan with applicable Laws. To Lime's Knowledge, no Lime Benefit Plan is currently being audited by any Governmental Authority for compliance with applicable Laws. Each Lime Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter (or in the case of a master or prototype or volume submitter plan, is subject to a favorable opinion or advisory letter) as to its qualification under the Code, and nothing has occurred with respect to the operation of such Lime Benefit Plan that could reasonably be expected to cause the denial or loss of such qualification.

(d) There has been no material oral or written representation or communication with respect to any aspect of the Employee Benefit Plans made to employees of Lime which is not in accordance with the written or otherwise preexisting terms and provisions of such plans. Neither Lime nor any administrator or fiduciary of any Lime Benefit Plan (or any agent of any of the foregoing) has engaged in any transaction, or acted or failed to act in any manner, which could subject Lime or Parent to any direct or indirect liability (by indemnity or otherwise) for breach of any fiduciary, co-fiduciary, or other duty under ERISA. There are no unresolved claims or disputes under the terms of, or in connection with, Lime Benefit Plans other than claims for benefits which are payable in the ordinary course of business and no action, proceeding, prosecution, inquiry, hearing, or investigation has been commenced with respect to any Lime Benefit Plan.

(e) All Lime Benefit Plan documents and annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports, and summary plan descriptions issued with respect to Lime Benefit Plans are correct and complete in all material respects, have been

timely filed with the IRS or the DOL, and distributed to participants of Lime Benefit Plans (as required by Law), and there have been no changes in the information set forth therein.

(f) To Lime's Knowledge, no "party in interest" (as defined in ERISA Section 3(14)) or "disqualified person" (as defined in Code Section 4975(e)(2)) of any Lime Benefit Plan has engaged in any nonexempt "prohibited transaction" (described in Code Section 4975(c) or ERISA Section 406).

(g) No liability under Title IV of ERISA has been or is expected to be incurred by Lime or its ERISA Affiliates and no event has occurred that could reasonably result in liability under Title IV of ERISA being incurred by Lime or its ERISA Affiliates with respect to any ongoing, frozen, terminated, or other single-employer plan of Lime or the single-employer plan of any ERISA Affiliate. There has been no "reportable event," within the meaning of ERISA Section 4043, for which the 30-day reporting requirement has not been waived by any ongoing, frozen, terminated or other single employer plan of Lime or of an ERISA Affiliate.

(h) No Lime Entity has any liability for retiree health or life benefits under any of Lime Benefit Plans, except to the extent required under Part 6 of Title I of ERISA or Code Section 4980B.

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including severance, unemployment compensation, golden parachute, or otherwise) becoming due to any director or any employee of any Lime Entity from any Lime Entity under any Lime Benefit Plan or otherwise, (ii) increase any benefits otherwise payable under any Lime Benefit Plan, or (iii) result in any acceleration of the time of payment or vesting of any such benefit, or any benefit under any life insurance owned by any Lime Entity or the rights of any Lime Entity in, to or under any insurance on the life of any current or former officer, director, or employee of any Lime Entity, or change any rights or obligations of any Lime Entity with respect to such insurance.

(j) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in connection with any other event(s)) shall give rise to any "excess parachute payment" as defined in Section 280G(b)(1) of the Code or any other amount that would not be deductible under Section 280G of the Code. No Lime Entity maintains any obligation to gross-up or reimburse any individual for any Taxes under Section 4999 of the Code.

(k) No Lime Benefit Plan is or has been funded by, associated with, or related to a "voluntary employee's beneficiary association" within the meaning of Section 501(c)(9) of the Code, a "welfare benefit fund" within the meaning of Section 419 of the Code, a "qualified asset account" within the meaning of Section 419A of the Code or a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA.

(l) Neither Lime nor any of its ERISA Affiliates has had an "obligation to contribute" (as defined in ERISA Section 4212) to, or other obligations or liability in connection with, a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) or 3(37)(A)).

(m) This Section 4.15 constitutes the sole and exclusive representations and warranties of Lime with respect to any employee benefit matters, including with respect to the Lime Benefit Plans, and no other representation or warranty contained in any other section of this Agreement shall apply to any such employee benefit matters and no other representation or warranty, express or implied, is being made with respect thereto.

4.16 **Contracts.**

(a) Except as disclosed in Section 4.16(a) of Lime's Disclosure Memorandum or otherwise reflected in Lime Financial Statements, as of the date of this Agreement none of the Lime Entities is a party to or bound by, (i) Contract or group of related Contracts with a customer that provides annual revenues to any Lime Entity in excess of $2,000,000, (ii) Contract or group of related Contracts with the same party for the purchase of products or services that provide for annual payments by any Lime Entity in excess of $1,000,000, (iii) any employment, severance, termination, consulting, or retirement Contract providing for aggregate payments to any Person in any calendar year in excess of $100,000, (iv) any Contract relating to the borrowing of money by any Lime Entity, or the guarantee by any Lime Entity of any such obligation, having a term of more than ninety days where the amount is in excess of $100,000, (v) any Contract involving Intellectual Property (other than Contracts entered into in the ordinary course with customers or "shrink-wrap" software licenses) providing for payments in any calendar year in excess of $100,000, (vi) any exchange-traded or over-the-counter swap, forward, future, option, cap, floor, or collar financial Contract, or any other interest rate or foreign currency protection Contract or any Contract that is a combination thereof not included on its balance sheet, (vii) any facility leases, (viii) any Contract with any Governmental Authority that provides annual revenues to any Lime Entity in excess of $100,000, (ix) any other Contracts that are material to the operation of any of the Lime Entities and not previously disclosed pursuant to this Section 4.16(a) or (x) any Contract which commits any of the Lime Entities to enter into any of the foregoing Contracts (collectively, the "Lime Contracts").

(b) With respect to each Lime Contract: (i) the Contract is in full force and effect; (ii) no Lime Entity is in default thereunder; and (iii) no other party to any such Contract is, to Lime's Knowledge, in default in any respect or has repudiated or waived any material provision thereunder. Correct and complete copies of all Lime Contracts have been furnished or made available to Parent.

4.17 **Legal Proceedings.**

There is no Litigation pending, or, to the Knowledge of Lime, threatened against any Lime Entity, or to Lime's Knowledge, against any director, officer, employee, or agent of any Lime Entity in their capacities as such or with respect to any service to or on behalf of any Employee Benefit Plan or any other Person at the request of a Lime Entity or Employee Benefit Plan of any Lime Entity, nor are there any Orders or judgments outstanding against any Lime Entity.

4.18 **Brokers and Finders; Opinion of Financial Advisor.**

Except for the Lime Financial Advisors, neither Lime, any Lime Subsidiary or any of their respective agents or Representatives nor, to the Knowledge of Lime, any Participating Securityholder, has employed any broker, finder, or investment banker or incurred any liability for any financial advisory fees, investment bankers fees, brokerage fees or finder's fees in connection with the origination, negotiation, execution or consummation of this Agreement or the transactions contemplated hereby. Lime has received the written opinion of a Lime Financial Advisor, dated as of the date of this Agreement, to the effect that the per-share consideration to be received by the stockholders of Lime taken as a group on a fully diluted basis (accounting for shares of Lime Common Stock to be issued immediately before the Closing as a result of the conversion of the Bison Convertible Note and for the payment of Merger Consideration to the holders of Lime Preferred Stock as if all shares of such Lime Preferred Stock had been converted into Lime Common Stock immediately prior to the Merger) pursuant to the Merger is fair, from a financial point of view, a signed copy of which has been or will be delivered to Parent at Closing. The Lime Financial Advisors will have been paid in full as of the Closing and will have no financial recourse to Parent or any affiliate of Parent under any circumstances in connection with the transactions contemplated by this Agreement.

4.19 **Transactions with Affiliates.**

Other than for compensation received as employees and reimbursement for expenses incurred in the ordinary course of business, no Affiliate of the Lime Entities, no Person with whom any such Affiliate has any direct or indirect relation by blood, marriage or adoption, and no entity in which any such Affiliate or Person owns any beneficial interest, has any interest in: (a) any Contract, arrangement or understanding with any Lime Entities; or (b) any loan arrangement, understanding, agreement or Contract for or relating to the tangible or intangible assets used or currently intended to be used by any Lime Entities.

4.20 **Bank Accounts and Powers of Attorney.**

Section 4.20 of Lime's Disclosure Memorandum sets forth the names and locations of all banks, trusts, companies, savings and loan associations and other financial institutions at which Lime maintains safe deposit boxes, checking accounts, lock box or other accounts of any nature with respect to its business.

4.21 **Section 203 Restrictions.**

Assuming neither Parent nor any of its Affiliates is an "interested stockholder" as defined in Section 203 of the DGCL, the board of directors of Lime has taken all necessary action so that the restrictions on business combinations in Section 203 of the DGCL do not apply to this Agreement or any of the transactions contemplated by this Agreement. Section 203 of the DGCL does not apply to this Agreement or any of the transactions contemplated by this Agreement.

4.22 **Real Property Information.**

(a) The Lime Entities, as applicable, have valid leasehold estates in the real property specified on Section 4.22(a) of Lime's Disclosure Memorandum (collectively, the "Leased Real Properties")**.** The Lime Entities, as applicable, have valid leasehold estates in all Leased Real Properties, in each case free and clear of all Liens other than Permitted Liens. Lime has provided true and correct copies of each lease, sublease, license or occupancy agreement with respect to the Leased Real Properties (each such lease referred to as "Lease", and collectively "Leases"). No Lime Entity holds title to any real property.

(b) With respect to each of the Leased Real Properties: (i) the transaction contemplated by this Agreement does not require the consent of any other party under any of the Leases, except as provided in Section 4.22(b) of Lime's Disclosure Memorandum (if any, the "Landlord Consents"), (ii) each applicable Lime Entity that is party to the applicable Lease is in actual occupancy of the Leased Real Property under such Lease, and the Lime Entity's possession or quiet enjoyment of the Leased Real Properties under the Leases has not been disturbed in any material respect and, to Lime's Knowledge, there are no disputes with respect to any of the Leases, (iii) no security deposit or portion thereof deposited with respect to any of the Leases has been applied in respect of a breach or default under such Lease which has not been redeposited in full, (iv) no Lime Entity has subleased, licensed or otherwise granted any Person the right to use or occupy any of the Leased Real Properties, and (v) except as provided in Section 4.22(b) of Lime's Disclosure Memorandum (1) all work to be performed by any landlord (or Lime Entity) under any Lease on or prior to the date hereof, if any, has been substantially completed in all material respects in accordance with such Lease and accepted by the Lime Entity (or by the landlord, if applicable), and (2) all reimbursements and allowances due or payable to the applicable Lime Entity in connection with any construction or other work performed by the landlord (or by the Lime Entity, as applicable), if any, have been paid and received in full.

(c) To Lime's Knowledge, there are no condemnation proceedings, eminent domain proceedings, real estate tax proceedings, or zoning or other land-use proceedings of any kind pending or threatened against any Leased Real Property.

(d) To Lime's Knowledge, neither the current use and occupancy of the Leased Real Property nor the condition thereof violate in any material respect any applicable deed restrictions or other applicable covenants, restrictions, agreements, site plan approvals or variances or the certificate of occupancy for such improvements.

(e) The Lime Entities have not collaterally assigned or granted any other security interest in any Leased Real Property or any interest therein.

(f) To Lime's Knowledge, there are no material physical or mechanical defects in the condition of the Leased Real Property or any related improvements, and the Leased Real Property and all fixtures, including the roof, foundation, structure, heating, ventilating, plumbing, electrical, and all other mechanical apparatus, are in good working order, ordinary wear and tear excepted.

(g) Lime has received no written notice advising that any utility required for the use and operation of any Leased Real Property has not been installed across public property or valid easements to the boundary lines of the Leased Real Property, or is not connected pursuant to valid permits, and to Lime's Knowledge, all existing utility facilities at each Leased Real Property are adequate to service the Leased Real Property for its current use and are in good operating condition.

(h) To Lime's Knowledge the current use, operation and condition of each Leased Real Property is in material compliance with applicable zoning and land use laws, ordinances and regulations, and, to Lime's Knowledge, all certificates of occupancy, use permits and other licenses or authorizations required in connection with the use of each Leased Real Property are in full force and effect.

(i) None of the Leased Real Property or any part thereof has suffered any material damage by fire or other casualty during the period of Lime's occupancy that has not been restored in all material respects. Lime has not received any written notice from any insurance carrier of any defects or inadequacies at any Leased Real Property, or in any portion thereof, which would adversely affect the insurability thereof or the cost of such insurance.

4.23 **No Additional Representations.**

Except for the representations and warranties made in this Article IV, neither Lime nor any other Person makes any express or implied representation or warranty with respect to Lime or any Lime Subsidiary or their respective businesses, operations, assets, liabilities, conditions (financial or otherwise) or prospects, and Lime hereby disclaims any such other representations or warranties. In particular, without limiting the foregoing disclaimer, except for the representations and warranties made in this Article IV, neither Lime nor any other Person makes or has made any representation or warranty to Parent or any of its Affiliates or Representatives with respect to (i) any financial projection, forecast, estimate, budget or prospect information relating to Lime, any of the Lime Subsidiaries or their respective businesses or (ii) any oral or written information presented to Parent or any of its Affiliates or Representatives in the course of their due diligence investigation of Lime, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to Lime as follows as of the date of this Agreement and again as of the Closing Date:

5.1 **Organization, Standing, and Power.**

Parent is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Merger Sub is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Each of Parent and Merger Sub has the corporate power and authority to carry on its business as now conducted and to own, lease, and operate its assets. Each of Parent and Merger Sub is duly qualified or licensed to transact business as a foreign corporation in good standing in the states of the United States and foreign jurisdictions where the character of its assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions where the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Parent Material Adverse Effect. True and correct copies of the certificate of incorporation and bylaws of Parent and Merger Sub have been made available to Lime for review.

5.2 **Authority of Parent; No Breach By Agreement.**

(a) Each of Parent and Merger Sub has the corporate power and authority necessary (i) to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein, including the Merger, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of each of Parent and Merger Sub, except for the adoption of this Agreement by Parent as the sole stockholder of Merger Sub, which adoption shall occur immediately following the execution of this Agreement. No other approval by stockholders of Parent or Merger Sub or other corporate action is required for the approval and adoption of this Agreement, and the consummation of the Merger or the other transactions contemplated hereby, by Parent and Merger Sub. Subject to any necessary approvals referred to in Section 9.1(b), this Agreement represents a legal, valid, and binding obligation of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought).

(b) Except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (ii) any filings in connection with compliance with the rules and regulations of NASDAQ, (iii) notices or filings under the HSR Act, and (iv) the items disclosed on Section 5.2(b) of Parent's Disclosure Memorandum, neither the execution and delivery of this Agreement by Parent or Merger Sub, nor the consummation by Parent or Merger Sub of the transactions contemplated hereby, will (x) conflict with or result in a breach of any provision of Parent's certificate of incorporation or bylaws or the certificate of incorporation or bylaws of Merger Sub, or (y) constitute or result in a default under any material Contract of any Parent Entity, or (z) constitute or result in a default under any Law or Order applicable to any Parent Entity or any of their material assets, except, in the case of clauses (y) and (z), for any of the foregoing that, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect.

(c) Except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (ii) any filings in connection with compliance with the rules and regulations of Nasdaq, (iii) notices or filings under the HSR Act, and (iv) the items disclosed on Section 5.2(c) of Parent's Disclosure Memorandum, neither Parent nor Merger Sub is required to obtain any consents or approvals

of, or make any filings or registrations with, any Governmental Authority in connection with the execution and delivery by Parent or Merger Sub of this Agreement or the consummation by Parent or Merger Sub of the transactions contemplated hereby, except where the failure to obtain such consents or approvals or make such filings or registrations would not have a Parent Material Adverse Effect.

5.3 **Brokers and Finders.**

Neither Parent or Merger Sub, nor any of their respective Subsidiaries, has employed any broker, finder, or investment banker or incurred any liability for any financial advisory fees, investment bankers fees, brokerage fees or finder's fees in connection with this Agreement or the transactions contemplated hereby.

5.4 **Available Consideration.**

(a) Parent has delivered to Lime a true and complete copy of an executed commitment letter (including all exhibits, schedules, annexes, supplements and term sheets forming part thereof) addressed to Willdan Group, Inc., a Delaware corporation ("Willdan Group"), dated as of September 17, 2018 (the "BMO Commitment Letter"), from each of BMO Harris Bank N.A. and MUFG Union Bank, N.A. (including the assignees thereof permitted in accordance with the terms thereof, collectively, the "Lenders") and the related fee letters (the "Fee Letters" and, together with the BMO Commitment Letter, as any of the same may be amended or modified only in accordance with Section 7.11, collectively, the "Debt Commitment Letter"), which copies of such Fee Letters may be redacted in a customary manner to remove the economic terms and other customarily-redacted provisions set forth therein so long as such redacted information does not contain terms relating to the conditionality or availability of the Debt Financing

or the reduction of the aggregate amount of the Debt Financing, pursuant to which, and subject to the terms and conditions thereof, the Lenders have committed to provide Willdan Group with debt financing for the Merger in the amount set forth therein (the "Debt Financing").

(b) As of the date of this Agreement, the Debt Commitment Letter constitutes legal, valid and binding obligations of Willdan Group and, to the Knowledge of Parent, the other parties thereto, is in full force and effect, and is enforceable against, Willdan Group and, to the Knowledge of Parent, is in full force and effect, and is enforceable against, the other parties thereto, in each case in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought).

(c) As of the date of this Agreement, there are no side letters or other Contracts to which Parent or any of its Affiliates, including Willdan Group, is a party relating to the Debt Financing other than (i) as expressly set forth in the Debt Commitment Letter and the Credit Agreement, dated as of the date hereof, by and among Willdan Group, as borrower, the guarantors party thereto, the several banks and other financial institutions party thereto as lenders, and BMO Harris Bank N.A., as administrative agent, and the Loan Documents related thereto (as defined therein), and (ii) customary engagement letters, customary fee rebate or discount letters and non-disclosure agreements, none of which engagement letters, fee rebate or discount letters or non-disclosure agreements contain any terms or conditions that would add or create additional conditions to the full availability of the Debt Financing on the Closing Date or permit Lenders to reduce the total amount of the Debt Financing.

(d) As of the date of this Agreement, except as expressly set forth in the Debt Commitment Letter, there are no conditions precedent to the obligations of the Lenders to fund the Debt Financing (including pursuant to any "flex" provisions) that would permit the Lenders to reduce the total amount

of the Debt Financing or impose any additional condition precedent to the availability of the Debt Financing.

(e) As of the date of this Agreement, (i) the Debt Commitment Letter has not been amended or modified (and no such amendment or modification is contemplated as of the date of this Agreement by Parent or any of its Affiliates or, to the Knowledge of Parent, by any other party thereto) except as expressly set forth in the Debt Commitment Letter with respect to flex rights or related to the addition of additional financing sources and the provision of rights to such financing sources in accordance with the terms thereof and (ii) the respective commitments set forth in the Debt Commitment Letter have not been withdrawn, terminated or rescinded in any respect (and no Lender has notified Parent or any of its Affiliates of its intention to withdraw, terminate or rescind its commitment set forth in Debt Commitment Letter as of the date of this Agreement). As of the date of this Agreement, no event has occurred which would result in any breach by Willdan Group of, or constitute a default by Willdan Group under (or an event which with notice or lapse of time or both would constitute a breach or default), the Debt Commitment Letter, or, to the Knowledge of Parent, otherwise result in any portion of the Debt Financing contemplated thereby to be unavailable or delayed (assuming satisfaction of the conditions set forth in Sections 9.1 and 9.2). As of the date of this Agreement, assuming satisfaction of the conditions set forth in Sections 9.1 and 9.2, neither Parent nor Willdan Group (i) is aware of any fact or occurrence that makes any of the representations or warranties of Willdan Group in the Debt Commitment Letter inaccurate in any material respect, (ii) has any reason to believe that it or its Affiliates will be unable to satisfy on a timely basis any term or condition of Closing to be satisfied by it or its Affiliates contained in the Debt Commitment Letter, and (iii) has any reason to believe that any portion of the Debt Financing required to consummate the Merger will not be made available to Willdan Group or Parent on the Closing Date, including any reason to believe that the Lenders will not perform their respective funding obligations under the Debt Commitment Letter in accordance with their respective terms and conditions. Willdan Group has fully paid (or caused to be paid) any and all commitment fees and other fees required by the Debt Commitment Letter (including the Fee Letters) to be paid as of the date of this Agreement, and will pay (or cause to be paid) in full any other commitment fees and other fees required to be paid thereunder as and when they become payable.

(f) Assuming funding of the Debt Financing in accordance with the Debt Commitment Letter and assuming satisfaction of the conditions set forth in Sections 9.1 and 9.2, Parent will have at the Closing (i) the financial resources necessary to perform its obligations under this Agreement and the Transaction Documents (including all payments to be made by it hereunder) at the Closing and (ii) immediately available funds in connection with the Debt Financing together with available cash in an aggregate amount (after netting out applicable fees, expenses, original issue discount and similar premiums and charges provided under the Debt Commitment Letter) that will enable Parent to (x) consummate the Merger on the terms contemplated by this Agreement and the other Transaction Documents at the Closing and (y) pay all related fees and expenses and undertake its other obligations at the Closing upon the terms contemplated by this Agreement and the other Transaction Documents.

5.5 **No Litigation.**

There is no action or proceeding pending or, to the Knowledge of Parent or Merger Sub, threatened, against Parent or Merger Sub or their Affiliates which would reasonably be expected to prevent, hinder or delay the consummation of any of the transactions contemplated hereby.

5.6 **No Additional Representations.**

Except for the representations and warranties made in this Article V, neither Parent or Merger Sub nor any other Person makes any express or implied representation or warranty with respect to Parent, Merger Sub,

their respective Subsidiaries or their respective businesses, operations, assets, liabilities, conditions (financial or otherwise) or prospects, and each of Parent and Merger Sub hereby disclaims any such other representations or warranties. In particular, without limiting the foregoing disclaimer, except for the representations and warranties made in this Article V, neither Parent or Merger Sub nor any other Person makes or has made any representation or warranty to Lime or any of its Affiliates or Representatives with respect to (i) any financial projection, forecast, estimate, budget or prospect information relating to Parent, any of its Subsidiaries or their respective businesses or (ii) any oral or written information presented to Lime or any of its Affiliates or Representatives in the course of their due diligence investigation of Parent, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

5.7 **Independent Analysis.**

(a) Parent and Merger Sub have conducted an independent investigation of the financial condition, results of operations, assets, liabilities, properties and projected operations of each of Lime and the Lime Subsidiaries and, in making its determination to proceed with the transactions contemplated by this Agreement, Parent and Merger Sub have relied solely on the results of such investigation and the representations and warranties expressly set forth in Article IV. The representations and warranties expressly set forth in Article IV constitute the sole and exclusive representations and warranties given to Parent and Merger Sub in connection with the transactions contemplated hereby, and Parent and Merger Sub acknowledge and agree that none of Lime, any Lime Subsidiary, any stockholder of Lime, nor any Representative of any of them, is making any representation, warranty, statement or projections whatsoever (whether in the confidential information memorandum or otherwise), express or implied, beyond the representations and warranties expressly set forth in Article IV.

(b) Without limiting the generality of Section 5.7(a), Parent and Merger Sub acknowledge that none of Lime, any Lime Subsidiary, any stockholder of Lime, nor any Representative of any of them, has made any representation, warranty, covenant or statement, express or implied, as to the accuracy or completeness of any memoranda, charts, summaries, presentations or schedules heretofore made available by Lime, any Lime Subsidiary, any stockholder of Lime or any Representative of any of them, to Parent or its Representatives or any other information which is not included in this Agreement. Parent and Merger Sub acknowledge and agree that any cost estimates, forecasts, projections or other predictions or forward-looking information that may have been provided to Parent, Merger Sub or their Representatives were prepared for internal planning purposes only and are not representations or warranties of Lime, and no assurances can be given that any estimated, forecasted, projected or predicted results will be achieved.

ARTICLE VI
CONDUCT OF BUSINESS PENDING CONSUMMATION

6.1 **Affirmative Covenants.**

From the date of this Agreement until the earlier of the Closing or the termination of this Agreement, unless the prior written Consent of Parent shall have been obtained (which Consent shall not be unreasonably withheld, delayed or conditioned), and except as otherwise contemplated herein, Lime shall, and shall cause each of the Lime Subsidiaries to, use commercially reasonable efforts to operate its business in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve intact its business organization.

6.2 **Negative Covenants of Lime.**

From the date of this Agreement until the earlier of the Effective Time or the termination of this Agreement, unless the prior written Consent of Parent shall have been obtained (which Consent shall not be unreasonably withheld, delayed or conditioned), and except as otherwise contemplated herein, Lime covenants and agrees that it shall not do or agree or commit to do, or permit any of the Lime Subsidiaries to do or agree or commit to do, any of the following:

(a) except as set forth on Section 4.4 of Lime's Disclosure Memorandum, amend the certificate of incorporation, bylaws, or other organizational documents of any Lime Entity;

(b) incur any additional debt obligation or other obligation for borrowed money except in the ordinary course of the business of any Lime Entity consistent with past practices, or grant any Lien on any material asset of any Lime Entity (other than Liens in effect as of the date hereof that are disclosed in Lime's Disclosure Memorandum);

(c) repurchase or redeem any shares, or any securities convertible into any shares, of the capital stock of any Lime Entity, or declare or pay any dividend or make any other distribution in respect of Lime's capital stock;

(d) issue, sell, or authorize the issuance or sale of, any additional shares of Lime Stock, any other capital stock of any Lime Entity, or any Right with respect to any Lime Entity, except pursuant to the exercise of Lime Options and the conversion of convertible notes and warrants outstanding as of the date of this Agreement;

(e) except as set forth on Section 4.4 of Lime's Disclosure Memorandum, effect any recapitalization, reclassification, equity split or similar change of capitalization;

(f) except as set forth on Section 4.4 of Lime's Disclosure Memorandum, sell, license, or otherwise dispose of (i) any shares of capital stock of any Lime Subsidiary or (ii) any material portions of its assets other than in the ordinary course of business;

(g) except as (A) contemplated by this Agreement, or (B) as may be required by existing employee Contract or written plan, grant any bonus or material increase in compensation or benefits to the employees, officers or directors of any Lime Entity except as made in the ordinary course of business.

(h) enter into or amend any employment Contract between any Lime Entity and any Person (unless such amendment is required by Law) that such Lime Entity does not have the right to terminate without liability (other than liability for services already rendered), at any time on or after the Effective Time, except (A) in the case of amendments to comply with Section 409A of the Code or (B) as made in the ordinary course of business and after reasonable advance notice to and prior discussion with Parent;

(i) adopt any new employee benefit plan of any Lime Entity or terminate or withdraw from, or make any material change in or to, any existing Lime Benefit Plan, other than any such change that is required by Law or to maintain continuous benefits at current levels or that, based on advice from counsel, is necessary or advisable to maintain the tax qualified status of any such plan;

(j) make any change in any Tax or accounting methods, make or change any Tax election, file any amended Tax Return or file for any Tax refund;

(k) commence any Litigation other than in accordance with past practice, or settle any Litigation involving any liability of any Lime Entity for money damages or restrictions upon the operations of any Lime Entity;

(l) except in the ordinary course of business consistent with past practice, materially modify or amend or terminate any Lime Contract; or

(m) make any capital expenditures in excess of $50,000 and other than expenditures necessary to maintain existing assets in good repair or to make payment of necessary Taxes or as disclosed in Section 6.2(m) of Lime's Disclosure Memorandum.

6.3 **Control of the Other Party's Business.**

Prior to the Closing, nothing contained in this Agreement (including, without limitation, Sections 6.1 or 6.2) shall give Parent or Merger Sub directly or indirectly, the right to control or direct the operations of Lime, and nothing contained in this Agreement shall give Lime, directly or indirectly, the right to control or direct the operations of Parent or Merger Sub. Prior to the Closing, each Party shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over it and its Subsidiaries' respective operations.

ARTICLE VII
ADDITIONAL AGREEMENTS

7.1 **Stockholder Approvals.**

(a) Lime shall use its reasonable best efforts to secure the Requisite Lime Stockholder Approval as expeditiously as possible following the execution of this Agreement, and in any event within twenty-four (24) hours following the execution of this Agreement. Promptly (but in all events within 48 hours) following the receipt of the Requisite Lime Stockholder Approval, Lime shall deliver to Parent a certificate executed on behalf of Lime by its secretary and certifying that the Requisite Lime Stockholder Approval has been obtained by written consent. Lime shall also promptly (but in all events within eight (8) Business Days following the date of this Agreement) send, pursuant to Sections 228 and 262(d) of the DGCL, a written notice to all stockholders of Lime that did not execute the Requisite Lime Stockholder Approval informing them that this Agreement was adopted and approved by the stockholders of Lime and that appraisal rights are available for their shares of Lime Common Stock pursuant to Section 262 of the DGCL (which notice shall include a copy of such Section 262), and shall, as soon as practicable, inform Parent of the date on which such notice was sent.

(b) Neither Lime's board of directors nor any committee thereof shall, except as permitted by this Agreement: (i) withdraw, qualify or modify, or propose publicly to withdraw, qualify or modify, in each case in a manner adverse to Parent, the Lime Recommendation or (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal (each, an "Adverse Recommendation Change"). Notwithstanding the foregoing, at any time prior to obtaining the Requisite Lime Stockholder Approval, the board of directors of Lime may make an Adverse Recommendation Change if such board of directors determines in good faith (after consultation with outside legal counsel) that such action is required by its fiduciary duties to the stockholders of Lime under applicable Law, except that no Adverse Recommendation Change may be made in response to a Superior Proposal until after the third Business Day following Parent's receipt of written notice (a "Notice of Adverse Recommendation") from Lime advising Parent that the board of directors of Lime or a committee of such board intends to make such an Adverse Recommendation Change and specifying the material terms and conditions of such Superior Proposal (it being understood and agreed

that any amendment to the financial terms or any other material term of such Superior Proposal shall require a new Notice of Adverse Recommendation and a new three Business Day period). In determining whether to make an Adverse Recommendation Change in response to a Superior Proposal, the board of directors of Lime shall take into account any changes to the terms of this Agreement proposed by Parent during such three-day period in response to a Notice of Adverse Recommendation.

(c) Lime shall provide to Parent (i) prompt notice upon receipt by Lime of any demands for payment of the fair value of shares of Lime Common Stock and any withdrawals of such demands or other instruments related to such demands served pursuant to the DGCL and received by Lime and (ii) the right (but not the obligation) to direct all negotiations and proceedings with respect to such demands under the DGCL. Lime shall not, except with the prior written consent of Parent, or as otherwise required under the DGCL, voluntarily make, or cause or permit to be made, any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand in respect of any Dissenting Shares.

7.2 **Other Offers, etc.**

(a) From the date of this Agreement through the first to occur of the Effective Time or termination of this Agreement, Lime shall not, and shall cause its Affiliates and Representatives not to, directly or indirectly (i) solicit or initiate, or knowingly encourage, induce or facilitate, the making, submission, or announcement of any proposal that constitutes an Acquisition Proposal, or (ii) participate in any discussions (except to notify a Third Party of the existence of restrictions provided in this Section 7.2) or negotiations regarding, or disclose or provide any nonpublic information with respect to, or knowingly facilitate any inquiries or the making of any proposal that constitutes an Acquisition Proposal, or (iii) enter into any agreement (including any agreement in principle, letter of intent or understanding, merger agreement, stock purchase agreement, asset purchase agreement, or share exchange agreement, but excluding a confidentiality agreement of the type described below) relating to any Acquisition Transaction; provided, however, that prior to the Requisite Lime Stockholder Approval, this Section 7.2 shall not prohibit a Lime Entity from furnishing nonpublic information regarding any Lime Entity to, or entering into a confidentiality agreement or discussions or negotiations with, any Person in response to a bona fide, unsolicited written Acquisition Proposal submitted by such Person if: (A) the Acquisition Proposal did not result from a breach of this Section 7.2 by any Lime Entity or Representative or Affiliate thereof, (B) Lime's board of directors shall have determined in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes or is reasonably likely to result in a Superior Proposal, (C) Lime's board of directors concludes in good faith, after consultation with its outside counsel, that the failure to take such action would be inconsistent with its fiduciary duties under applicable Law to Lime and its stockholders, (D) (1) Lime gives Parent prompt (but in no event later than twenty-four (24) hours) notice (which notice may be oral, and, if oral, shall be subsequently confirmed in writing) (x) of Lime's receipt of any Acquisition Proposal and (y) of Lime's furnishing nonpublic information to, or entering into discussions or negotiations with, such Person, and (2) Lime receives from such Person an executed

confidentiality agreement containing terms no less favorable to Lime than the terms of the Confidentiality Agreement entered into by Lime and Willdan Group dated as of April 26, 2018, and (E) contemporaneously with or promptly after furnishing any such nonpublic information to such Person, Lime furnishes such nonpublic information to Parent (to the extent such nonpublic information has not been previously furnished by Lime to Parent). In addition to the foregoing, Lime shall keep Parent reasonably informed on a prompt basis of the status and material terms of any such Acquisition Proposal, including any material amendments or proposed amendments as to price and other material terms thereof.

(b) In addition to the obligations of Lime set forth in this Section 7.2, as promptly as reasonably practicable, Lime shall advise Parent of any request received by Lime for nonpublic information which Lime believes is related to a potential Acquisition Proposal, the material terms and conditions of such request or Acquisition Proposal, and the identity of the Person making any such request or Acquisition Proposal.

(c) Lime shall, and shall cause its Affiliates, directors, officers, employees, and Representatives to immediately cease any and all existing activities, discussions, or negotiations with any Persons conducted heretofore with respect to any Acquisition Proposal (other than to advise them of the existence of this Agreement) and shall use and cause to be used commercially reasonable efforts to enforce any confidentiality or similar or related agreement relating to any Acquisition Proposal.

7.3 **Regulatory Filings.**

Parent shall, promptly (and in any event within five (5) Business Days) after the date hereof, make or cause to be made all filings and submissions under any applicable Laws in connection with the consummation of the transactions contemplated herein (which filings and submissions shall seek early termination or the equivalent if available). The Parties acknowledge that initial filings and notices required under the HSR Act were made by each of Parent and Lime on September 7, 2018. In connection with the consummation of the transactions contemplated herein, Parent shall promptly comply with any additional requests for information, including requests for production of documents and production of witnesses for interviews or depositions by any Governmental Authorities. Notwithstanding anything herein to the contrary, Parent shall cooperate in good faith with any Governmental Authorities and undertake promptly any and all action required to complete the transactions contemplated by this Agreement expeditiously and lawfully, including (i) selling or otherwise disposing of, or holding separate and agreeing to sell or otherwise dispose of, assets, categories of assets or businesses of Lime or Parent or their respective Subsidiaries; (ii) terminating existing relationships, contractual rights or obligations of Lime or Parent or their respective Subsidiaries; (iii) terminating any venture or other arrangement; (iv) creating any relationship, contractual rights or obligations of Lime or Parent or their respective Subsidiaries; or (v) effectuating any other change or restructuring of Lime or Parent or their respective Subsidiaries (and, in each case, to enter into agreements or stipulate to the entry of an Order or decree or file appropriate applications with any Governmental Authority in connection with any of the foregoing and in the case of Litigation instituted by or with respect to Lime or its businesses or assets, by consenting to such Litigation instituted by Lime provided, that any such Litigation may, at the discretion of Lime, be conditioned upon consummation of the Merger). Without limiting the generality of the foregoing, if Litigation is threatened or instituted by any Governmental Authority or any other entity challenging the validity or legality or seeking to restrain the consummation of the transactions contemplated by this Agreement, Parent and the Merger Sub shall use their best efforts to avoid, resist, resolve or, if necessary, defend such Litigation and shall afford Lime a reasonable opportunity to participate therein. Parent shall diligently assist and cooperate with Lime in preparing and filing any and all written communications that are to be submitted to any Governmental Authorities in connection with the transactions contemplated hereby and in obtaining any governmental or Third Party consents, waivers, authorizations or approvals which may be required to be obtained by Lime in connection with the transactions contemplated hereby, which assistance and cooperation shall include: (i) timely furnishing to Lime all information concerning Parent and/or its Affiliates that counsel to Lime reasonably determines is required to be included in such documents or would be helpful in obtaining such required consent, waiver, authorization or approval; (ii) promptly providing Lime with copies of all written communications to or from any Governmental Authority relating to any such required consent, waiver, authorization or approval; provided, that such copies may be redacted as necessary to address legal privilege or confidentiality concerns or to comply with applicable Law; and provided, further, that portions of such copies that are competitively sensitive may be designated as “outside antitrust counsel only”; (iii) keeping Lime reasonably informed of any communication received or given in connection with any proceeding by Parent or the

Merger Sub, in each case regarding the Merger; and (iv) permitting Lime to review and incorporate Lime’s reasonable comments in any communication given by it to any Governmental Authority or in connection with any proceeding related to the HSR Act or other applicable Law, in each case regarding the Merger. Neither Parent nor the Merger Sub, on one hand, nor Lime, on the other hand, shall initiate, or participate in any meeting or discussion with any Governmental Authority with respect to any filings, applications, investigation, or other inquiry regarding the Merger or filings under the HSR Act or other applicable Law without giving the other Party reasonable prior notice of the meeting or discussion and, to the extent permitted by the relevant Governmental Authority, the opportunity to attend and participate in such meeting or discussion. Parent shall be responsible for all filing fees under the HSR Act and under any other applicable Laws. Parent shall not, and shall cause its Affiliates not to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any Person or portion thereof, or otherwise acquire or agree to acquire any assets, if the entering into of a definitive agreement relating to or the consummation of such acquisition, merger or consolidation would reasonably be expected to (i) impose any delay in the obtaining of, or increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Authority necessary to consummate the transactions contemplated hereby or the expiration or termination of any applicable waiting period, (ii) increase the risk of any Governmental Authority entering an order prohibiting the consummation of the transactions contemplated hereby, (iii) delay the consummation of the transactions contemplated hereby.

7.4 **Agreement as to Efforts to Consummate.**

Subject to the terms and conditions of this Agreement, each Party agrees to use, and to cause its Subsidiaries to use, its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable under applicable Laws to consummate and make effective, as soon as reasonably practicable after the date of this Agreement, the transactions contemplated by this Agreement, including using its reasonable best efforts to lift or rescind any Order adversely affecting its ability to consummate the transactions contemplated herein and to cause to be satisfied the conditions referred to in Article IX; provided, that nothing herein shall preclude any Party from exercising its rights under this Agreement. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full right, title and possession of and to all rights and property of Merger Sub and Lime, the officers and directors of the Surviving Corporation and Parent may take such action, so long as such action is not inconsistent with this Agreement.

7.5 **Investigation and Confidentiality.**

(a) Prior to the Closing, each Party shall keep the other Party advised of all material developments relevant to its business and the consummation of the Merger and shall permit the other Party to make or cause to be made such investigation of its business and properties (including that of its Subsidiaries) and of their respective financial and legal conditions as the other Party reasonably requests; provided, that such investigation shall be reasonably related to the transactions contemplated hereby and shall not interfere unnecessarily with normal operations.

(b) Each Party shall, and shall cause its advisors and agents to, maintain the confidentiality of all confidential information furnished to it by the other Party concerning its and its Subsidiaries' businesses, operations, and financial positions and shall not use such information for any purpose except in furtherance of the transactions contemplated by this Agreement. If this Agreement is terminated prior to the Closing, each Party shall promptly return or certify the destruction of all documents and copies thereof, and all work papers containing confidential information received from the other Party.

(c) Lime shall use its commercially reasonable efforts to exercise, and shall not waive any of, its rights under confidentiality agreements entered into with Persons which were considering an Acquisition Proposal with respect to Lime to preserve the confidentiality of the information relating to Lime Entities provided to such Persons and their Affiliates and Representatives.

(d) Each Party shall give the other Party notice as soon as practicable after any determination by it of any fact or occurrence relating to the other Party which it has discovered through the course of its investigation and which represents, or is reasonably likely to represent, either a material breach of any representation, warranty, covenant, or agreement of the other Party or which has had or is reasonably likely to have a Lime Material Adverse Effect or a Parent Material Adverse Effect, as applicable.

7.6 **Public Announcements.**

The Parties agree that no public release or announcement concerning this Agreement or the transactions contemplated hereby shall be issued by any Party without the prior Consent of the other Parties (which Consent may not be unreasonably withheld or delayed), except for such release or announcement as may be required by Law or the rules or regulations of an applicable stock exchange, in which case the Party required to make the release or announcement shall use its reasonable best efforts to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance.

7.7 **Employee Benefits and Contracts.**

(a) All persons who are employees of Lime Entities immediately prior to the Effective Time and whose employment is not specifically terminated, if any, at or prior to the Effective Time (a "Continuing Employee") shall, at the Effective Time, become employees of the Surviving Corporation. Except in respect of those employees of Lime Entities separately provided for as set forth in those certain employment agreements dated as of the date of this Agreement to become effective as of the Effective Time, Parent shall, or shall cause the Surviving Corporation to, honor all Lime employment and change of control agreements existing as of the date of this Agreement that have been disclosed to Parent in Section 7.7(a) of Lime's Disclosure Memorandum. All of the other Continuing Employees shall be employed at will, and no contractual right with respect to employment shall inure to such employees because of this Agreement, except as otherwise contemplated by this Agreement.

(b) Except as provided in the last sentence of this Section 7.7(b), as of the Effective Time, Parent shall make available employer-provided health and other employee welfare benefit plans to each Continuing Employee on the same basis as it provides such coverage to Parent employees except that any pre-existing condition, eligibility waiting period, or other limitations or exclusions otherwise applicable under such plans to new employees shall not apply to a Continuing Employee or their covered dependents who were covered under a similar Lime plan at the Effective Time of the Merger. In addition, if any such transition occurs during a plan year, Parent shall use commercially reasonable efforts to cause any such successor Parent Employee Benefit Plan providing health coverage to give credit towards satisfaction of any annual deductible limitation and out-of-pocket maximum applied under such successor plan for any deductible, co-payment and other cost-sharing amounts previously paid by a Continuing Employee respecting his or her participation in the corresponding Lime Employee Benefit Plan during that plan year prior to the transition effective date. Notwithstanding the foregoing, Parent may continue (or cause the Surviving Corporation to continue) Lime's health and other employee welfare benefit plans for each Continuing Employee as in effect immediately prior to the Effective Time.

(c) With respect to employee benefit plans of Parent and its Subsidiaries not addressed in Section 7.7(a) or Section 7.7(b) above, Parent and its Subsidiaries shall make such plans available to each Continuing Employee on the same basis as it provides such coverage to Parent employees and shall take into account for purposes of eligibility, participation, vesting and benefit accrual (except that there shall not be any benefit accrual for past service under any qualified defined benefit pension plan) the service of such employees with Lime and its Subsidiaries as if such service were with Parent and its Subsidiaries. Continuing Employees will retain credit for unused sick leave and vacation pay for unused vacation days for the current year only without carryover of vacation days for prior years, which has been accrued as of the Effective Time. For purposes of determining the entitlement of Continuing Employees to sick leave and vacation pay following the Effective Time, the service of such employees with Lime shall be treated as if such service were with Parent and its Subsidiaries.

(d) Parent shall cause the Closing Accrued Compensation to be paid or discharged after the Effective Time as follows: (i) any and all amounts accrued for bonuses shall be vested compensation as of the Effective Time and shall be paid to the employees to which such accrual relates on or before February 28, 2019, without condition, and (ii) any and all amounts accrued for deferred compensation shall be paid to the employees to which such accrual relates in accordance with each applicable deferred compensation agreement; provided, however, that if any amount of the Closing Accrued Compensation (x) accrued for bonuses is not paid to the applicable employees for any reason on or before February 28, 2019, then the Merger Consideration shall be increased by such amount, which shall be paid to the Participating Securityholders on such date, or (y) accrued for deferred compensation is not paid to the applicable employees for any reason on or before February 1, 2020, then the Merger Consideration shall be increased by such amount, which shall be paid to the Participating Securityholders on such date. Parent shall provide the Lime Representative and its Representatives reasonable access (including by electronic delivery of documents), during regular business hours, in such a manner as to not unreasonably interfere with

the normal operations of Parent or the Surviving Corporation, the applicable books and records of the Surviving Corporation and its Affiliates solely for the purpose of performing audits and reviews with respect to compliance with this Section 7.7(d).

(e) As of the Effective Time, each Continuing Employee shall be eligible to participate in Parent's 401(k) plan with full credit for prior service with Lime for purposes of eligibility and vesting, and otherwise subject to applicable eligibility requirements as set forth in the 401(k) plan of Lime in existence as of the date of this Agreement.

(f) No officer, employee, or other Person (other than the corporate Parties to this Agreement other than the Lime Representative) shall be deemed a Third-Party or other beneficiary of this Section 7.7, and no such Person shall have any right or other entitlement to enforce any provision of this Agreement or seek any remedy in connection with this Agreement (other than in their capacities as Participating Securityholders), except as set forth in Section 7.7. Nothing in this Section 7.7, express or implied, shall be construed to (i) create a right in any Continuing Employee to employment with Parent, Lime or any of their respective Affiliates, (ii) limit the right of Parent, Lime or any of their respective Affiliates to amend or terminate any employee benefit plan, or (iii) be treated as establishing or amending any employee benefit plan or arrangement of Parent, Lime or any of their respective Affiliates.

7.8 **Directors and Officers Indemnification.**

(a) For a period of six years after the Effective Time (or, in the case of Claims that have not been resolved prior to the sixth anniversary of the Effective Time, until such Claims are finally resolved), Parent shall indemnify, defend, and hold harmless the present and former directors and executive officers of Lime Entities (each, an "D&O Indemnitee") against all liabilities (other than

Losses incurred by such D&O Indemnitees in connection with the indemnification obligations of the Participating Securityholders pursuant to Article VIII) arising out of, resulting from or related to any claim, action, suit, proceeding, investigation or other legal proceeding, whether civil, criminal, administrative or investigative or investigation (each, a "Claim"), in which a D&O Indemnitee is, or is threatened to be made, a party or witness or arising out of the fact that such Person is or was a director or officer of Lime (or, at Lime's request, of another Person, including as a trustee of or in a similar capacity with respect to, an employee benefit plan, prior to the Effective Time) if such Claim pertains to any matter of fact arising, existing or occurring at or before the Effective Time (including the Merger and the other transactions contemplated hereby), regardless of whether such Claim is asserted or claimed before, or after, the Effective Time, to the extent required by applicable Law or by the certificate of incorporation or bylaws of Lime in effect as of the Effective Time. Parent shall promptly pay reasonable expenses (including reasonable attorneys' fees) in advance of the final disposition of any such Claim to each D&O Indemnitee to the fullest extent permitted by applicable Law upon receipt of an undertaking to repay such advance payments if he or she shall be adjudicated to be not entitled to indemnification under this Section 7.8(a). Parent shall not have any obligation hereunder to any D&O Indemnitee when and if a court of competent jurisdiction shall determine, and such determination shall have become final and non-appealable, that the indemnification of such D&O Indemnitee in the manner contemplated hereby is prohibited by applicable Law. For a period of six years after the Effective Time and at all times subject to applicable Law, the Parent shall not (and shall not cause or permit the Surviving Corporation or any of the Lime Subsidiaries to) amend or modify in any way adverse to the D&O Indemnitees, or to the beneficiaries thereof, the exculpation and indemnification provisions set forth in the certificate of incorporation or bylaws of Lime in effect as of the Effective Time.

(b) Prior to the Effective Time, Parent shall purchase an extended reporting period endorsement under Lime Entities' existing directors' and officers' liability insurance coverage ("Lime D&O Policy") for acts or omissions occurring prior to the Effective Time by such directors and officers currently covered by the Lime D&O Policy which shall maintain such Lime D&O Policy in effect for a period of six (6) years after the Effective Time; provided, that Parent shall not be obligated to make aggregate annual premium payments for such six (6)-year period in respect of such policy which exceed 300% of the annual premium payments on Lime's current policy in effect as of the date of this Agreement (the "Maximum Amount"). If the amount of the premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, Parent shall use its reasonable best efforts to maintain the most advantageous policies of directors' and officers' liability insurance obtainable for a premium equal to the Maximum Amount. Prior to the Closing, the Lime Entities shall cause the directors and officers of the Lime Entities to take all reasonable actions required by the insurance carrier necessary to procure such endorsement.

(c) Any D&O Indemnitee wishing to claim indemnification under paragraph (a) of this Section 7.8, upon learning of any such liability, damages, or Litigation, shall promptly notify Parent thereof in writing (provided, that a failure to timely provide such notice shall not relieve Parent of any indemnification obligation unless, and to the extent that, Parent is materially prejudiced by such failure). In the event of any such Litigation (whether arising before or after the Closing), (i) Parent shall have the right to assume the defense thereof and Parent shall not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that if Parent elects not to assume such defense or counsel for the Indemnified Parties advises there are substantive issues which raise conflicts of interest between Parent and the Indemnified Parties, the Indemnified Parties may retain counsel satisfactory to them, and Parent shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received; provided, that Parent shall be obligated pursuant to this paragraph (c) to pay for only one firm of counsel for any D&O Indemnitee in any jurisdiction; (ii) each D&O Indemnitee shall cooperate in good faith in the defense of any such

Litigation; (iii) Parent shall not be liable for any settlement effected without its prior written Consent (which shall not be unreasonably withheld, conditioned or delayed) and (iv) without the prior written Consent of the D&O Indemnitee (which shall not be unreasonably withheld, conditioned or delayed) Parent shall not agree to any settlement which does not provide for a complete and irrevocable release of the D&O Indemnitee.

(d) Parent covenants and agrees that neither it, nor any successors or assigns, shall consolidate with or merge into any other Person where Parent or any such successor or assign shall not be the continuing or surviving Person of such consolidation or merger or transfer all or substantially all of its assets to any Person, unless, in each case, proper provision shall have been made to ensure that the successors and assigns of Parent shall assume the obligations set forth in this Section 7.8.

(e) The provisions of this Section 7.8 are intended to be for the benefit of and shall be enforceable by, each D&O Indemnitee and their respective heirs and legal and personal representatives.

7.9 **Payoff Letters and Lien Releases.**

From the date hereof until the earlier of the termination of this Agreement and the Closing Date, Lime shall use commercially reasonable efforts to deliver to Parent customary payoff letters in connection with the repayment of the indebtedness set forth in Section 7.9 of Lime's Disclosure Memorandum and to make arrangements for the holders of such indebtedness to deliver, subject to the receipt of the applicable payoff amounts, customary Lien releases to Parent as soon as practicable before the Closing.

7.10 **Tax Matters.**

(a) All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) shall be borne by equally by Parent, on the one hand, and the Participating Securityholders (in accordance with their respective Pro Rata Fraction), on the other hand. Parent shall timely file any Tax Return or other document with respect to such Taxes or fees (and the Participating Securityholders and Lime Representative shall cooperate with respect thereto), notwithstanding anything in this Agreement to the contrary.

(b) Parent shall prepare, or cause to be prepared, all Tax Returns required to be filed by any Lime Entity after the Closing Date with respect to the Pre-Closing Tax Period. Any such income Tax Return shall be prepared in a manner consistent with past practice (unless otherwise required by Law) and without a change of any election or any accounting method and shall be submitted by Parent to the Lime Representative (together with supporting schedules, statements and data and, to the extent requested by the Lime Representative, other supporting documentation) at least thirty (30) days prior to the due date (including extensions) of such Tax Return. Parent will consider in good faith any comments provided by the Lime Representative within twenty (20) days following the receipt of such comments.

(c) In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Taxes that are treated as for and properly allocated to the Pre-Closing Tax Period for purposes of this Agreement shall be:

(i) in the case of Taxes (A) based upon, or related to, income, receipts, profits, wages, capital or net worth, (B) imposed in connection with the sale, transfer or assignment of property,

or (C) required to be withheld, in each such case, deemed equal to the amount which would be payable if the taxable year ended with the Closing Date; and

(ii) in the case of other Taxes, deemed to be the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

(d) In the event any Tax Return or claim for refund results in a refund of Taxes of any Lime Entity for or attributable to any Pre-Closing Tax Period, Parent shall pay (or cause to be paid) to the Participating Securityholders, in accordance with their respective Pro Rata Fraction, any such refund (net of any Taxes incurred in connection with the receipt of such refund and net of any out-of-pocket expenses incurred by the Parent or any Lime Entity in filing such refund claim).

(e) Parent, on the one hand, and the Lime Representative, on the other hand, shall provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this Section 7.10 or in connection with any audit or other proceeding in respect of Taxes of any Lime Entity. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Tax authorities and providing reasonable access to employees or other service providers involved in the preparation of the Tax Returns in question. Each of Parent and the Lime Representative shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of any Lime Entity for any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective Tax periods. Prior to transferring, destroying or discarding any Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of any Lime Entity for any taxable period beginning before the Closing Date, Parent or the Lime Representative (as the case may be) shall provide the other party with reasonable written notice and offer the other party the opportunity to take custody of such materials.

7.11 **Financing.**

(a) Lime shall provide, and shall use reasonable best efforts to cause the Lime Subsidiaries to provide, and shall use commercially reasonable efforts to cause its and their Representatives to provide, in each case at Parent's sole cost and expense (other than with respect to Section 7.11(a)(v)(A)), such cooperation as may reasonably be requested by Parent that is customary and necessary in connection with arranging and obtaining the Financing, including (in each case to the extent that the same is reasonably requested):

(i) in the case of the Debt Financing, assisting in preparation for and participation in marketing efforts (including a reasonable number of lender meetings, due diligence and drafting sessions, presentations and sessions with rating agencies);

(ii) providing (A) Lime Financial Statements and (B) in the case of the Debt Financing, such financial information as is customarily delivered by a borrower and necessary for the preparation of a customary confidentiality information memorandum for senior secured term loan financings, as may be reasonably requested in writing by Parent (excluding, for the avoidance of doubt, any additional financial statements not referenced in clause (A) to Parent);

(iii) if the Closing has not occurred on or prior to November 15, 2018, furnishing Parent and the Lenders with the unaudited consolidated balance sheet of Lime as at the end of, and related unaudited consolidated statements of operations and cash flows of Lime for, the quarter ended September 30, 2018;

(iv) furnishing Parent and, in connection with the Debt Financing, the Lenders with all other financial and other pertinent information regarding the Lime Entities as may be customary for transactions of the type contemplated by the Debt Financing and reasonably requested by Parent or, in connection with the Debt Financing, the Lenders;

(v) executing and delivering the following documents, instruments, certificates or information as may be reasonably requested in connection with the Debt Financing: (A) documents requested by Parent or the Lenders relating to the repayment of existing Indebtedness and the release of related Liens, including customary payoff letters and (to the extent required) evidence that notice of such repayment has been timely delivered to the holders of such Indebtedness; and (B) all documentation and other information required by bank regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act;

(vi) in the case of the Debt Financing, delivering such officer's certificates as are customary in financings of such type (including a certificate of the chief financial officer of Lime with respect to solvency matters) and as are, in the good faith determination of the Person(s) executing such certificates, accurate, and such customary agreements, documents or certificates that facilitate the creation, perfection or enforcement of Liens securing the Debt Financing (including original copies of all certificated securities (with transfer powers executed in blank) as may be reasonably requested by Parent or the Lenders, and executing and delivering any customary guaranty, pledge and security documents and otherwise facilitating the pledging of collateral), provided that no such Lien or pledge shall be effective until Closing;

(vii) upon Parent's reasonable request, taking all Lime Entity actions reasonably necessary to permit the consummation of the Debt Financing; and

(viii) assisting with the preparation of appropriate and customary materials for offering documents (including prospectuses, private placement memoranda and similar documents) required in connection with the Equity Financing and causing its Representatives (including, without limitation, its attorneys and auditors) to review and comment on any such documents and producing, in the case of its auditors, any consents required as a result of including Lime's financial statements and other financial data in any such documents.

(b) Notwithstanding the foregoing: (1) Parent shall ensure that such requested cooperation does not unreasonably interfere with the ongoing business or operations of the Lime Entities (it being understood and agreed that neither any Lime Entity nor any of its Representatives shall be required to take any action that unreasonably interferes with the ongoing business or operations of the Lime Entities); and (2) neither any Lime Entity nor any of its Representatives shall, in connection with the Financing: (A) be required to take any action that would result in a violation of applicable Law or breach of any material contract or arrangement or, except as set forth in clauses (B) and (C) below, subject it to actual or potential liability; (B) have any liability under any Definitive Financing Agreement or any related document or other agreement or document related to the Financing, other than any such liability of the Lime Entities following the Closing or liability for costs or expenses for which the Lime Entities are reimbursed by Parent; (C) be required to incur any other liability in connection with the Financing, other than any other liability incurred by the Lime Entities following

the Closing or liability for costs or expenses for which the Lime Entities are reimbursed by Parent; (D) be required to disclose or provide any information the disclosure of which, in the reasonable judgment of Lime supported by outside legal counsel, is restricted by contract, applicable Law or order of any Governmental Authority, is subject to attorney-client privilege, or would result in the disclosure of any trade secrets of third parties or violate any obligation of the Lime Entities with respect to confidentiality; or (E) be required to make or assist Willdan Group in making any projections in any offering document used in the Equity Financing.

(c) Parent shall, promptly upon request by Lime, reimburse Lime, its Subsidiaries and/or their respective Representatives for all reasonable and documented out-of-pocket fees, costs and expenses, including all reasonable and documented out-of-pocket fees and expenses of outside counsel and other advisors, incurred by Lime, its Subsidiaries or such Representative in connection with the cooperation contemplated by Section 7.11(a) up to an aggregate amount of $200,000; provided that such reimbursement obligations shall not apply to Section 7.11(a)(v)(A). Parent shall indemnify and hold harmless Lime, its Subsidiaries and their respective Representatives (collectively, the "Financing Indemnitees") against any and all Losses (including advancing reasonably attorneys' fees and expenses in advance of the final disposition of any Litigation) directly or indirectly suffered or incurred by the Financing Indemnitees in connection with the Financing, including any information provided in connection therewith (other than information provided by Lime, its Subsidiaries and/or their respective Representatives expressly for use in connection therewith (excluding for this purpose any projections or forward looking statements provided by Lime, its Subsidiaries and/or their respective Representatives) but only to the extent of such Losses directly arising from such information provided by Lime, its Subsidiaries and/or their respective Representatives) or the cooperation by Lime with respect thereto, in each case, other than to the extent arising out of Lime's, its Subsidiaries' or any of their respective Representative's gross negligence, bad faith or willful misconduct. This Section 7.11(c) shall survive the consummation of the transactions contemplated by this Agreement and the Closing and any termination of this Agreement, and is intended to benefit, and may be enforced by, the Financing Indemnitees and their respective heirs, executors, estates, personal representatives, successors and assigns, and shall be binding on all successors and permitted assigns of Parent.

(d) Lime consents to the reasonable use of its and its Subsidiaries' logos in connection with the Financing; provided, however, that such logos shall be used solely in a manner that is not intended or reasonably likely to harm, disparage or otherwise adversely affect Lime or any of its Subsidiaries.

(e) Other than the obligations to cooperate expressly set forth in this Section 7.11, no Lime Entity has any responsibility in relation to any financing that Parent may seek or obtain in connection with the transactions contemplated by this Agreement.

(f) Prior to the Closing, each of Parent and the Merger Sub shall use its reasonable best efforts to take, or cause to be taken, and shall use its reasonable best efforts to cause Willdan Group, its Affiliates and its and their respective Representatives to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and obtain the Debt Financing on the terms and conditions described in the Debt Commitment Letter (including with respect to the exercise of any flex provisions), including using reasonable best efforts to (i) maintain in effect the Debt Commitment Letter, (ii) negotiate and enter into definitive agreements with respect thereto (the "Definitive Financing Agreements") on the terms and conditions contemplated by the Debt Commitment Letter (including any "flex" provisions), and (iii) satisfy on a timely basis (or obtain a

waiver of) all conditions to funding that are applicable to (and within the control of) Parent, Willdan Group and the Merger Sub in order for Parent and Willdan Group to obtain the Debt Financing set forth in the Debt Commitment Letter, and the Definitive Financing Agreements. If all conditions to the Debt Commitment Letter have been satisfied or are capable of being satisfied (other than conditions that, by

their nature, are to be satisfied at the Closing), Parent shall use its reasonable best efforts to cause, and shall use its reasonable best efforts to cause Willdan Group, its Affiliates and its and their Representatives to take, or cause to be taken, the financing sources under the Debt Commitment Letter to fund on the Closing Date the Debt Financing required to consummate the Merger taking into account cash on hand and other sources of funds available to the Parent and Willdan Group.

(g) Parent and the Merger Sub shall give Lime and the Lime Representative prompt written notice of (i) of any amendment, replacement, supplement or other modification or substitution of the Debt Commitment Letter or any related Fee Letters (together with a copy of such amendment but subject to redaction in a customary manner in the case of any Fee Letter), (ii) any breach or threatened breach (or any event or circumstance that, with or without notice, lapse of time or both, would reasonably be expected to give rise to any breach) of the Debt Commitment Letter of which Parent, Willdan Group or the Merger Sub becomes aware, (iii) the receipt by Parent, Willdan Group or Merger Sub, on or prior to the Closing Date, of any notice or other communication (whether oral or in writing) from any financing source with respect to any breach, default, termination or repudiation by any party to the Debt Commitment Letter or any Definitive Financing Agreement, (iv) any material dispute or disagreement between or among any parties to the Debt Commitment Letter of which Parent, Willdan Group or the Merger Sub become aware, and (v) any action or event of which Parent, Willdan Group or the Merger Sub become aware that could reasonably be expected to result in all or a portion of the Debt Financing becoming unavailable in the manner or from the sources contemplated in the Debt Commitment Letter other than, for avoidance of doubt, any reduction equal to, and as a result of, the issuance of additional equity after the date hereof by Parent or Willdan Group, or the failure of all or any portion of the Equity Financing to occur. If any portion of the Debt Financing becomes unavailable in the manner or from the sources contemplated in the Debt Commitment Letter (other than, for avoidance of doubt, any reduction equal to, and as a result of, the issuance of additional equity after the date hereof by Parent or Willdan Group), Parent shall, as promptly as practicable, use its reasonable best efforts to arrange to obtain alternative financing (from the same or alternative sources and on terms and conditions not less favorable to Lime in the aggregate than the terms and conditions in the Debt Commitment Letter) in an amount sufficient to consummate the transactions contemplated by this Agreement and on terms and conditions that comply with Section 7.11(h) as soon as reasonably practicable following the occurrence of such event. Parent and the Merger Sub shall, and shall use their reasonable best efforts to cause Willdan Group and their respective Representatives to, promptly furnish any information reasonably requested by Lime or Lime Representatives relating to the Debt Financing, including with respect to the matters contemplated pursuant to this Section 7.11, and, upon request, otherwise keep Lime and the Lime Representatives reasonably informed of the status of its efforts to arrange the Debt Financing, including any alternative financing as contemplated in this Section 7.11.

(h) Notwithstanding anything contained in this Section 7.11 or in any other provision of this Agreement, each of Willdan Group, Parent and the Merger Sub shall have the right from time to time to amend, restate, replace, supplement or otherwise modify, the Debt Commitment Letter and/or substitute other debt financing for all or any portion of the Debt Financing from the same and/or alternative financing sources; provided, that any such amendment, restatement, replacement, supplement or other modification to or waiver of any provision of the Debt Commitment Letter that amends the Debt Financing and/or substitution of all or any portion of the Debt Financing shall not, without the prior written consent of Lime (which shall not be unreasonably withheld, conditioned or delayed), (i) reduce the aggregate amount of the Debt Financing (including by changing the amount of fees to be paid or original issue discount of the Debt Financing) other than, for avoidance of doubt, any reduction equal to and as a result of, the issuance of additional equity by Parent or Willdan Group after date hereof, (ii) impose new or additional material conditions or contingencies or otherwise expand, amend or modify in any material respect any of the conditions or contingencies to the Debt Financing, or (iii) be reasonably likely to (x) prevent or materially delay or impair the ability of Parent and the

Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement or (y) adversely impact in any material respect the ability of Willdan Group, Parent or the Merger Sub to enforce its rights against the other parties to the Debt Commitment Letter; provided, that Willdan Group, Parent and the Merger Sub may replace, amend, supplement or modify the Debt Commitment Letter for the purpose of adding agents, coagents, lenders, arrangers, joint bookrunners or other Persons that have not executed the Debt Commitment Letter as of the date hereof, in each case in accordance with the Debt Commitment Letter as of the date hereof so long as such replacement, amendment, supplement or modification is otherwise in compliance with this Section 7.11(h). Parent shall not, and shall use reasonable best efforts to cause Willdan Group to not, release or consent to the termination of the obligations of the Lenders and other Persons under the Debt Commitment Letter except for (x) assignments and replacements of an individual lender under the terms of, and in connection with, the syndication of the Debt Financing under the Debt Commitment Letter, or (y) replacements of the Debt Commitment Letter with alternative financing commitments pursuant to this Section 7.11. If the Debt Commitment Letter is replaced, amended, supplemented or modified, including as a result of obtaining alternative financing in accordance with this Section 7.11, or if Willdan Group, Parent or the Merger Sub substitute other debt financing for all or any portion of the Debt Financing in accordance with this Section 7.11, each of Parent and the Merger Sub shall comply, and shall use reasonable best efforts to cause Willdan Group to comply, with its obligations in this Agreement, including this Section 7.11, with respect to the Debt Commitment Letter as so replaced, amended, supplemented or modified to the same extent that Willdan Group, Parent and the Merger Sub were obligated to comply prior to the Debt Commitment Letter be replaced, amended, supplemented or modified.

(i) For purposes of this Agreement (other than with respect to representations made by Parent and the Merger Sub as of the date hereof), references to (i) “Debt Financing” shall include the financing contemplated by the Debt Commitment Letter as permitted to be amended, modified, supplemented, restated, replaced or substituted by Section 7.11(h), (ii) “Debt Commitment Letter” shall also include any fee letters or engagement letters (each of which has been provided to Lime prior to the date hereof) and any amendment, modification, restatement, supplement and replacement or substitution permitted by Section 7.11(h) and (iii) “financing sources” shall include lenders and other financing sources providing the Debt Financing pursuant to any amendment, modification, restatement, supplement and replacement permitted by Section 7.11(h).

(j) Promptly after the date of this Agreement, Willdan Group will use its reasonable best efforts to complete the Debt Financing in amounts as shall be necessary, together with any proceeds from the Equity Financing, to provide to Parent at the Closing the financial resources necessary to perform its obligations under this Agreement and the Transaction Documents (including all payments to be made by it hereunder) at the Closing. Prior to the

Closing, Parent shall give Lime and its Representatives a reasonable opportunity to comment on any filings with the United States Securities and Exchange Commission that reference Lime, the Merger or any of the transactions contemplated hereby.

7.12 **R&W Insurance Policy.**

Parent (or one or more of its Affiliates) at its sole expense has entered into the representation and warranty insurance policies attached hereto as Exhibit E (the "R&W Insurance Policy"). The cost of the premium together with all taxes and application, underwriting or similar or other fees or expenses in connection with obtaining and maintaining the R&W Insurance Policy, including those to bind the policy, shall be paid by Parent. Parent shall not (and shall cause its Affiliates to not) amend, modify, terminate or waive any provision concerning the rights of subrogation contained in any R&W Insurance Policy or any other provision thereof in a manner materially adverse to the Participating Securityholders without the prior written consent of the Lime Representative. In accordance with Article VIII, with respect to any claim for

indemnification under this Agreement for which coverage is available under the R&W Insurance Policy, Parent shall pursue coverage for such claim under such R&W Insurance Policy; provided, that if any claim is refused under such R&W Insurance Policy due to the Fraud of the Lime Entities, Parent may pursue such claim against the Participating Securityholders in accordance with Article VIII; provided, further, that Parent may pursue claims against the Indemnity Escrow Amount, in accordance with Article VIII, with respect to any deductible payable under the R&W Insurance Policy.

7.13 **General Release by Participating Securityholders.**

(a) By their adoption and approval of this Agreement, as well, in certain cases, through separate instruments (including letters of transmittal), and the consummation of the Merger or participating in the Merger and receiving the benefits thereof, including the right to receive the Merger Consideration, each Participating Securityholder agrees to the provisions set forth in this Section 7.13.

(b) Effective as of the Effective Time, each Participating Securityholder, on behalf of himself, herself or itself and each of his, her or its past, present and future Affiliates, firms, corporations, limited liability companies, partnerships, trusts, associations, organizations, Representatives, investors, stockholders, members, partners, trustees, principals, consultants, contractors, family members, heirs, executors, administrators, predecessors, successors and assigns (each, a "Releasing Party" and, collectively, the "Releasing Parties"), absolutely, unconditionally and irrevocably releases, acquits and forever discharges the Lime Entities, their former, present and future Affiliates, parent and subsidiary companies, joint ventures, predecessors, successors and assigns (including Parent, the Surviving Corporation and their respective Affiliates), and their respective former, present and future Representatives, investors, stockholders, members, partners, insurers and indemnitees (collectively the "Released Parties"), of and from any and all manner of action or inaction, cause or causes of action, Litigation, Liens, contracts, promises, liabilities or damages (whether for compensatory, special, incidental or punitive damages, equitable relief or otherwise) of any kind or nature whatsoever, past, present or future, at law, in equity or otherwise (including with respect to conduct which is negligent, grossly negligent, willful, intentional, with or without malice, or a breach of any duty, Law or rule), whether known or unknown, whether fixed or contingent, whether concealed or hidden, whether disclosed or undisclosed, whether liquidated or unliquidated, whether foreseeable or unforeseeable, whether anticipated or unanticipated, whether suspected or unsuspected, which such Releasing Parties, or any of them, ever have had or ever in the future may have against the Released Parties, or any of them, and which are based on acts, events or omissions occurring up to and including the Effective Time (the "Released Claims"); provided, however, that solely with respect to Parent and its Affiliates (excluding the Lime Entities) and their respective former, present and future Representatives, investors, stockholders, members, partners, insurers and indemnitees, the foregoing release shall apply solely to those Released Claims arising in such Participating Securityholder's capacity as a holder of Lime Stock or Lime Options, and additionally in the case of Bison, arising in Bison's capacity as a lender to Lime, and not in any other capacity; provided further that the foregoing release shall not release, impair or diminish, and the term "Released Claims" shall not include, in any respect any rights of: (i) the Participating Securityholders in connection with this Agreement or any other Transaction Document; (ii) the Releasing Parties to indemnification, reimbursement or advancement of expenses under the provisions of the organizational documents of the Lime Entities (or any directors' and officers' liability insurance policy maintained by the Lime Entities in respect of the same); provided that such rights to indemnification, reimbursement or advancement of expenses do not relate to Losses incurred by such Releasing Parties in connection with the indemnification obligations of the Participating Securityholders set forth in Section 8.1 of this Agreement; or (iii) the Releasing Parties to accrued and unpaid salary and benefits for any period prior to the Closing or any vested rights under any profit sharing, 401(k), vacation, paid time off, health, vision, dental or any other or similar plan or arrangement of Lime. For the purpose of implementing a full and complete release and discharge of

the Released Parties, each Participating Securityholder, on behalf of himself, herself or itself and each Releasing Party, expressly acknowledges (a) that the foregoing release is intended to include in its effect all claims which such Participating Securityholder or any Releasing Party does not know or suspect to exist in his, her or its favor against any of the Released Parties (including unknown and contingent claims), (b) that the foregoing release expressly contemplates the extinguishment of all such claims (except to the extent expressly set forth herein), (c) that the laws of many states provide substantially the following: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR;" (d) acknowledges that such provisions are designed to protect a party from waiving claims which it does not know exist or may exist, (e) nonetheless agrees that, effective as of the Effective Time, such Participating Securityholder and each Releasing Party shall be deemed to waive any such provision, and (f) that no Participating Securityholder or Releasing Party, and no controlled Affiliate of any of them, shall (i) institute a mediation, arbitration, lawsuit or other legal proceeding based upon, arising out of, or relating to any of the Released Claims, (ii) participate, assist, or cooperate in any such proceeding, or (iii) encourage, assist or solicit any Third Party to institute any such proceeding.

ARTICLE VIII
INDEMNITY

8.1 **Indemnification by Participating Securityholders.**

Subject to the limits and other terms and conditions of this Article VIII, from and after the Closing, each Participating Securityholder, severally but not jointly, shall indemnify and hold Parent and its Affiliates (including, from and after the Closing, the Lime Entities) and each of their respective officers, directors, shareholders, managers, members, employees, successors and permitted assigns (each a "Parent Indemnitee" and collectively, the "Parent Indemnitees") harmless against and in respect of such Participating Securityholder's Pro Rata Fraction of Losses, which such Parent Indemnitee has suffered, incurred or become subject to arising out of, based upon or otherwise in respect of:

(a) any inaccuracy in or breach of any representation or warranty made in Sections 4.1, 4.2(a), 4.3, 4.4, 4.8 and 4.18 (collectively, the "Fundamental and Tax Reps");

(b) any inaccuracy in or breach of any representation or warranty other than a Fundamental and Tax Rep, made in Article IV;

(c) all Taxes which are unpaid or have not been accrued by one or more of the Lime Entities as of or prior to the Closing Date (A) owed by any Lime Entity for and properly allocable to any Pre-Closing Tax Period, (B) owed by any member of an affiliated, consolidated, combined or unitary group of which any Lime Entity (or any predecessor of any Lime Entity) is or was a member on or prior to the Closing Date as a result of liability arising under Treasury Regulation Section 1.1502-6 or any comparable provisions of foreign, state or local Law which is properly allocable to the Pre-Closing Tax Period, and (C) owed by any Person imposed on any Lime Entity arising under the principles of transferee or successor liability or by contract, arising as a result of an event or transaction occurring before the Closing which is properly allocable to the Pre-Closing Tax Period. For purposes of this Agreement, the amount of any Tax based on or measured by income or receipts of any Lime Entity that is allocable to the portion of a Straddle Period ending on the Closing Date shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose, the Tax period of any partnership or other pass-through entity in which Lime holds a beneficial interest shall be deemed to terminate at such time) and the amount of any other Tax of any Lime Entity that is

allocable to the portion of a Straddle Period ending on the Closing Date shall be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the portion of the Straddle Period that is deemed to end on the Closing Date and the denominator of which is the total number of days in the entire Straddle Period; and

(d) any breach or non-fulfillment of any covenant or obligation of Lime, prior to the Closing, or the Lime Representative, under this Agreement.

8.2 **Indemnification by Parent.**

Subject to the limits and other terms and conditions of this Article VIII, from and after the Closing, Parent shall indemnify and hold the Participating Securityholders and their respective Affiliates, and each of their respective officers, directors, shareholders, managers, members, trustees, employees, successors and permitted assigns (each a "Lime Indemnitee") harmless against and in respect of any and all Losses which such Lime Indemnitee has suffered, incurred or become subject to arising out of, based upon or otherwise in respect of:

(a) any inaccuracy in or breach of any representation or warranty made in Article V; and

(b) any breach or non-fulfillment of any covenant or obligation of Parent or, after the Closing, Lime Entity, under this Agreement.

8.3 **Inter-Party Claims.**

In order for a Parent Indemnitee or a Lime Indemnitee (each, an "Indemnified Party") to be entitled to any indemnification pursuant to this Article VIII, the Indemnified Party shall notify the other Party or Parties from whom such indemnification is sought (the "Indemnifying Party") (or in the case the Indemnifying Party is a Participating Securityholder, the Lime Representative) in writing reasonably promptly after the occurrence of the event giving rise to such Indemnified Party's claim for indemnification, specifying in reasonable detail the basis of such claim and estimated amount of Losses (an "Inter-Party Claim"); provided, however, that failure to give such notification shall not affect the indemnification provided under this Agreement, except to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure, or the indemnification obligations of the Indemnifying Party are materially increased as a result of such failure. Thereafter, the Indemnified Party shall give the Indemnifying Party reasonable access during normal business hours to the books, records and assets of the Indemnified Party which evidence or support such claim or the act, omission or occurrence giving rise to such Inter-Party Claim and the right, upon prior notice during normal business hours, to interview at a mutually convenient time any employee or Representative of the Indemnified Party and its Affiliates related to the act, omission or occurrence giving rise to such Inter-Party Claim (provided that such right of access shall be subject to the Confidentiality Proviso). If the Indemnifying Party disputes its liability with respect to any such claim, the Indemnifying Party and the Indemnified Party shall proceed to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved in accordance with the terms of this Agreement.

8.4 **Third Party Claims.**

(a) In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim made by any Person (other than by an Indemnified Party, which claims are addressed in Section 8.3) against the Indemnified Party (a "Third Party Claim"), such Indemnified Party must notify the Indemnifying Party (or in the case the Indemnifying Party is a Participating Securityholder, the Lime Representative) in writing of the Third Party Claim (which notice shall specify in reasonable detail the events giving rise to such Third Party

Claim and the basis of claiming indemnification hereunder and shall be accompanied by all relevant notices and documents (including court papers) received by the Indemnified Party as of the date thereof) promptly after receipt by such Indemnified Party of notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided under this Agreement, except to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure or the indemnification obligations are materially increased as a result of such failure.

Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, promptly (but in any event within five (5) days) following the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim.

(b) The Indemnified Party shall assume, with the Indemnifying Party being liable for the actual and reasonable costs and expenses (which costs and expenses shall constitute Losses for purposes of this Agreement) of one outside counsel and any local counsel reasonably necessary to defend any such Third Party Claim (but not any costs and expenses allocated to any internal counsel) employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense of such Third Party Claim (other than during any period in which the Indemnified Party shall have failed to give notice of the Third Party Claim as provided above), the defense against such Third Party Claim and shall negotiate or handle such Third Party Claim as necessary; provided, that the Indemnified Party shall allow the Indemnifying Party a reasonable opportunity to participate in the defense of such Third Party Claim at the costs of such Indemnifying Party. The Indemnified Party shall not admit any liability with respect to, settle, compromise or discharge, any Third Party Claim without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld.

(c) The Indemnifying Party may also assume the defense of any Third Party Claim (subject to the limitations set forth below) with counsel selected by the Indemnifying Party; provided, that if any Participating Securityholder is the Indemnifying Party and defends against, negotiates, settles or otherwise handles such Third Party Claim in accordance with this Article VIII, the reasonable attorney's fees and other Losses incurred and paid by the Indemnifying Party in the defense, negotiation, settlement or other handling of such Third Party Claim shall reduce (by the amount thereof) the amount recoverable from the Indemnity Escrow Account by the Indemnified Party. Subject to the foregoing, if the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with such defense. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in such defense and to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood and agreed that the Indemnifying Party shall control such defense.

(d) If the Indemnifying Party chooses to defend or prosecute a Third Party Claim, all the Indemnified Parties shall reasonably cooperate in the defense or prosecution of such Third Party Claim. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the access to and the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim, and making employees and Representatives available on a mutually convenient basis during normal business hours to provide additional information and explanation of any material provided under this Agreement (provided that such right of access shall be subject to the Confidentiality Proviso). If the Indemnifying Party assumes the defense of a Third Party Claim pursuant to the terms of this Agreement, the Indemnifying Party shall not admit any liability with respect to, settle, compromise or discharge, any Third Party Claim without the Indemnified Party's prior written consent, which consent shall not be unreasonably withheld; provided, however, that the Indemnified Party shall agree to any settlement, compromise or discharge of a Third Party Claim that the Indemnifying Party may reasonably recommend and that by its terms (a) obligates the Indemnifying Party to pay the full

amount of Losses in connection with such Third Party Claim and (b) releases the Indemnified Party and its Affiliates completely in connection with such Third Party Claim.

(e) Notwithstanding the foregoing, the Indemnifying Party shall not have the right to assume control of the defense of a Third Party Claim made under this Section 8.4 with respect to which any Participating Securityholder is the Indemnifying Party if (i) such Third Party Claim is made after the date that is fifteen (15) months after the Closing Date (the "Indemnification Period"), unless the survival period applicable to such Third Party Claim has not yet expired in accordance with Section 8.5 or an Indemnified Party otherwise seeks indemnification hereunder with respect to such Third Party Claim, or (ii) Losses in connection with such Third Party Claim are reasonably estimated to exceed the amount for which the Indemnifying Party is obligated to indemnify the Indemnified Party with respect to such Third Party Claim in accordance with this Article VIII.

8.5 **Survival.**

The respective representations, warranties, covenants and agreements of the Parties contained in this Agreement which survive the Closing in accordance with Section 10.4, and the rights of the Parties to seek indemnification with respect thereto in accordance with this Article VIII, shall survive the Closing as follows: (i) claims for breach of representations and warranties pursuant to Section 8.1(b) (other than in respect of Fraud), and the rights of the Parent Indemnitees to seek indemnification with respect thereto, shall survive until and shall expire on the last day of the Indemnification Period, (ii) claims for Fraud, claims for breach of Fundamental and Tax Reps pursuant to Section 8.1(a) and claims under Sections 8.1(c) and 8.1(d) shall each survive for the duration of the later of (A) the applicable statute of limitation for breaches of contract and (B) the applicable statute of limitation for Third Party Claims relating to the applicable indemnity, in each case plus sixty (60) days thereafter, and (iii) in the case of any covenant or agreement of the Parties that, by its terms, requires performance after the Closing, shall survive the Closing in accordance with its terms only for such period as is required for the respective Party to perform under such covenant or agreement. The indemnification obligations under this Article VIII with respect to any inaccuracy or breach of any representation and warranty shall terminate when the survival of the applicable representation and warranty terminates pursuant to this Section 8.5; provided, however, that if a written notice shall have been duly given pursuant to Sections 8.3 or 8.4, as applicable, with respect to a claim for the inaccuracy or breach of any representation and warranty prior to the termination of the applicable survival period, such claim with respect to such representation and warranty shall survive and continue until such claim is finally resolved pursuant to Sections 8.3 or 8.4, as applicable.

8.6 **Certain Limitations on Indemnification.**

(a) Notwithstanding anything to the contrary in this Agreement, the (A) amount of Losses (except for Losses based upon Fraud) that may be recovered by the Parent Indemnitees from the Participating Securityholders pursuant to any and all claims for indemnification made under Section 8.1(b) shall be limited, individually and in the aggregate, on a cumulative basis, to an amount equal to the Indemnity Escrow Amount (the "R&W Cap"), (B) amount of all Losses that may be recovered by the Parent Indemnitees pursuant to any and all claims pursuant to this Article VIII (including pursuant to Sections 8.1(a), 8.1(b), 8.1(c) and 8.1(d) and claims for Fraud) shall be limited, individually and in the aggregate, on a cumulative basis, to the Merger Consideration, and (C) maximum aggregate liability of each Participating Securityholder for any and all Losses pursuant to this Article VIII on a cumulative basis shall be an amount equal to the portion of the Merger Consideration actually received by such Participating Securityholder. Nothing in this Section 8.6 shall be deemed to limit any rights of the Parent Indemnitees as against any insurer under the R&W Insurance Policy. All claims for indemnification made under this Agreement by the Parent Indemnitees shall first be sought and satisfied from the Indemnity Escrow Amount; provided that any amounts recovered by the Parent Indemnitees

pursuant to a claim for indemnification made other than under Section 8.1(b) shall not be counted towards the R&W Cap.

(b) Subject to the other limitations in this Article VIII, the Parent Indemnitees' exclusive recourse for Losses (except for Losses based upon Fraud) pursuant to Section 8.1(b) shall be (i) first, to funds in the Indemnity Escrow Account then available and (ii) second, after the funds in the Indemnity Escrow Account have been exhausted or are no longer available, to the R&W Insurance Policy.

(c) Subject to the other limitations in this Article VIII, the Parent Indemnitees' recourse for Losses pursuant to Sections 8.1(a), 8.1(c) and 8.1(d) shall be (i) first, to the funds in the Indemnity Escrow Account then available and (ii) second, after the funds in the Indemnity Escrow Account have been exhausted or are no longer available, directly against the Participating Securityholders; provided, however, that Parent Indemnities shall be entitled to indemnification directly from the Participating Securityholders only to the extent the amount of the Losses remaining after taking into account clause (i) above exceed the coverage limits of the R&W Insurance Policy.

(d) Notwithstanding anything to the contrary in this Agreement other than the limitations and exclusive remedies set forth in Section 11.15, the amount of Losses (except for Losses based upon Fraud) that may be recovered by the Lime Indemnitees pursuant to any and all claims for indemnification made under Section 8.2 shall be limited, individually and in the aggregate, on a cumulative basis, to an amount equal to the Merger Consideration.

(e) Notwithstanding anything to the contrary in this Agreement, if Losses are to be recovered directly from the Participating Securityholders under Section 7.10 or this Article VIII, then the Parent Indemnitees shall be entitled (and required), subject to the limitations of this Article VIII, to recover Losses directly from each Participating Securityholder, severally and not jointly, as follows:

(i) first, from each Participating Securityholder, up to such Participating Securityholder's Pro Rata Fraction of such amount of Losses as would cause the Preferred Net Merger Consideration to be reduced to, in the aggregate, the aggregate Minimum Preference Amount (such Losses, the "**Tier 1 Excess Losses**");

(ii) next, from each Participating Securityholder other than the Participating Securityholder who was a holder of outstanding shares of Lime Preferred Stock immediately prior to the Effective Time (in its capacity as such, the "**Lime Preferred Holder**"), such Participating Securityholder's Pro Rata Fraction (as adjusted to exclude the aggregate Merger Consideration paid in respect of the Lime Preferred Stock) of such amount of Losses in excess of the Tier 1 Excess Losses that would cause the aggregate Merger Consideration paid to the Participating Securityholders (other than the Lime Preferred Holder) to be reduced to $0 (such Losses, the "**Tier 2 Excess Losses**"); and

(iii) thereafter, from the Lime Preferred Holder, such Losses in excess of the Tier 2 Excess Losses.

For avoidance of doubt, this Section 8.6(e) shall not limit the amount of Losses recoverable against the Lime Preferred Holder in respect of any outstanding shares of Lime Common Stock held by the Lime Preferred Holder immediately prior to the Effective Time.

8.7 **Certain Other Restrictions on Indemnification.**

(a) Notwithstanding anything in this Agreement to the contrary, no Parent Indemnitee shall have any right to indemnification under this Agreement with respect to any Losses to the extent (and only to the extent) such Losses are duplicative of Losses that have previously been recovered hereunder (including, without limitation, under any R&W Insurance Policy).

(b) Notwithstanding anything in this Agreement to the contrary, to the extent that a Loss for which the Parent Indemnitees would otherwise be entitled to indemnification pursuant to Section 8.1 consists of or includes a liability that is included in, pursuant to Section 3.6, the Tangible Net Asset Value, Closing Indebtedness, Transaction Expenses and/or Closing Accrued Compensation, then the calculation of such Loss in respect of such matter shall be reduced by the amount of such liability included in the Tangible Net Asset Value.

(c) Notwithstanding anything in this Agreement to the contrary, the Parent Indemnitees shall not be entitled to indemnification pursuant to Section 8.1(b):

(i) unless and until the aggregate amount of all Losses of the Parent Indemnitees indemnifiable pursuant to Section 8.1(b) exceeds the Threshold, in which case the Parent Indemnitees may make claims for indemnification pursuant to Section 8.1(b) against the Indemnity Escrow Amount only for those Losses in excess of the Threshold; or

(ii) in excess of, in the cumulative aggregate, the Indemnity Escrow Amount (except for Losses based upon Fraud).

Upon payment in full of any Inter-Party Claim pursuant to Section 8.3 or the payment of any judgment with respect to a Third Party Claim pursuant to Section 8.4, the Indemnifying Party shall be subrogated to the extent of such payment to the rights of the Indemnified Party against any Person with respect to the subject matter of such Inter-Party Claim or Third Party Claim, unless (i) the counterparty to the Third Party Claim or Inter-Party Claim is one of the twenty (20) largest customers (based upon the dollar amount of total sales in the then most recently completed fiscal year) or one of the twenty (20) largest suppliers (based upon the dollar amount of total purchases in the then most recently completed fiscal year) of the Indemnified Party (other than any insurance company that has issued an insurance policy that is applicable to such Third Party Claim or Inter-Party Claim) or (ii) the counterparty to the Third Party Claim is a Governmental Authority. The Indemnified Parties shall assign or otherwise reasonably cooperate with the Indemnifying Parties, at the cost and expense of the Indemnified Parties, to pursue any claims against, or otherwise recover amounts from, any Person liable or responsible for any Losses for which indemnification has been received pursuant to this Agreement, unless (x) such Person is one of the twenty (20) largest customers (based upon the dollar amount of total sales in the then most recently completed fiscal year) or one of the twenty (20) largest suppliers (based upon the dollar amount of total purchases in the then most recently completed fiscal year) of the Indemnified Party (other than any insurance company that has issued an insurance policy that is applicable to such claim) or (y) such Person is a Governmental Authority. Notwithstanding anything to the contrary in this

Agreement and subject to rights a Participating Securityholder may have under the Lime D&O Policy, if any Participating Securityholder is the Indemnifying Party, such Participating Securityholder shall not make any claim for contribution from any Lime Entity or any of their respective officers, directors, managers or employees with respect to any indemnity claims arising under or in connection with this Agreement to the extent that any Indemnified Party is entitled to indemnification hereunder for such claim, and each Participating Securityholder waives any such right of contribution from any Lime Entity or any of its respective officers, directors, managers or employees it has or may have in the future.

(d) If and to the extent (a) an Indemnified Party or its Affiliates recognizes any net Indemnification Tax Benefit (as defined below) as a result of any Loss and (b) such Loss has been indemnified in accordance with Sections 8.1 or 8.2 so that the relevant Indemnified Party has been held harmless against and in respect of such Loss, such Indemnified Party shall pay the amount of such Indemnification Tax Benefit to the Indemnifying Party within sixty (60) days of such Indemnification Tax Benefit being recognized by the Indemnified Party (to the extent such Indemnification Tax Benefit is recognized prior to the payment of the Loss, the amount of the Loss shall be reduced by the amount of Indemnification Tax Benefit actually recognized). For this purpose, the Indemnified Party shall be deemed to recognize a tax benefit (an "Indemnification Tax Benefit") if, and to the extent that, the Indemnified Party's liability for Taxes for the taxable year during which the relevant Loss has occurred, calculated by excluding any Tax items attributed to the said Loss, exceeds the Indemnified Party's actual liability for Taxes for such taxable year, calculated by taking into account any actual Tax items attributed to the relevant Loss to the extent such Tax items can be monetized during such taxable year or the following year.

(e) Parent and the Participating Securityholders agree to treat any indemnification payments received pursuant to this Agreement for all Tax purposes as an adjustment to the Merger Consideration to the extent permitted by applicable Law.

8.8 **Calculation and Mitigation of Losses.**

(a) The amount of any Losses for which indemnification is provided under this Article VIII shall be net of any amounts recovered by such Indemnified Party under insurance policies or other collateral sources with respect to such Losses in excess of the sum of (i) reasonable, out-of-pocket costs and expenses relating to collection under such policies or other collateral sources, and (ii) the deductible associated therewith to the extent actually paid; provided, however, that for avoidance of doubt, items (i) and (ii) shall not be taken into account with respect to the R&W Insurance Policy. The Indemnified Parties shall use their commercially reasonable efforts to pursue such insurance policies or collateral sources (which efforts shall not require the initiation of litigation), and in the event the Indemnified Parties receive any recovery, the amount of such recovery shall be applied first, to refund any payments made by the Indemnifying Parties in respect of indemnification claims pursuant to this Article VIII which would not have been so paid had such recovery been obtained prior to such payment (provided that if such payments were made out of the Indemnity Escrow Account and the Indemnity Escrow Account is still in effect, such amounts shall be returned to the Indemnity Escrow Account), and second, any excess to the Indemnified Parties. If a Parent Indemnitee fails to pursue recoveries under any insurance policies or other collateral sources, then the Participating Securityholders shall have the right of subrogation to pursue such insurance policies or other collateral sources and may take any reasonable actions necessary to pursue such rights of subrogation in their name or the name of the party from whom subrogation is obtained. Parent shall reasonably cooperate, and cause its Representatives and Affiliates (including, after the Closing, the successors to the Lime Entities) to reasonably cooperate, with the Participating Securityholders to pursue any such subrogation claim. In the event of any conflict between the provisions of Section 7.12 and this Section 8.8(a), the provision of Section 7.12 shall control.

(b) Each Party's right to indemnification hereunder shall be subject to its obligations under applicable Law, including under common law, to mitigate damages.

(c) Where it is necessary to determine whether a monetary limit or threshold referred to in this Article VIII has been reached or exceeded and the value of the claim is expressed in a currency other than USD, the value of that claim shall be translated into USD at the rate reported by Bloomberg (or if that service ceases to be available, such other service as Parent and the Lime Representative may agree,

acting reasonably) at 5 p.m. on the date on which such claim is settled or finally judicially determined (or, if such day is not a Business Day, on the Business Day immediately preceding such day).

8.9 **Exclusive Post-Closing Remedies.**

The Parties acknowledge, on behalf of themselves and on behalf of the other Indemnified Parties that, from and after the Closing, except as provided in Section 8.10 or 11.15, their sole and exclusive remedy with respect to any breach of any representation, warranty or covenant set forth in or otherwise with respect to the subject matter of, this Agreement shall be pursuant to the indemnification provisions set forth in this Article VIII. In furtherance of the foregoing, each Party hereby waives, on behalf of itself and each of the other Indemnified Parties, to the fullest extent permitted under applicable Law, any and all rights, claims and causes of action (other than rights, claims and causes of action based on Fraud) it may have against any other Parties arising under or based upon this Agreement, any applicable Law or otherwise (except pursuant to the indemnification provisions set forth in this Article VIII and as related to any payment of the Termination Fee, Expense Reimbursement, Tail Fee and Reverse Termination Fee set forth in Section 10.3), including, but not limited to, its right to pursue any action or claim other than as expressly stated in Article VIII or Sections 10.3 and 11.15 of this Agreement.

8.10 **Special Rule for Fraud.**

Nothing in this Agreement shall operate to limit the liability of (a) the Participating Securityholders to Parent for Losses arising from the Fraud of Lime or the Participating Securityholders if any of Lime or the Participating Securityholders is finally determined by a court of competent jurisdiction to have committed Fraud; provided, however, that the limitations set forth in Section 8.6(a)(B) and (C) shall apply with respect thereto, or (b) Parent to the Participating Securityholders for Losses arising from the Fraud of Parent if Parent is finally determined by a court of competent jurisdiction to have committed Fraud against Lime.

ARTICLE IX
CONDITIONS PRECEDENT TO OBLIGATIONS TO CONSUMMATE

9.1 **Conditions to Obligations of Each Party.**

The respective obligations of each Party to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by both Parties pursuant to Section 11.7:

(a) Stockholder Approval. A proposal to adopt this Agreement shall have been adopted by written consent of Lime stockholders holding at least 75% of the combined voting power of the outstanding shares of Lime Common Stock and Lime Preferred Stock, acting by written consent, voting together as a single class (the "Requisite Lime Stockholder Approval").

(b) Governmental Consents. All Consents of any Governmental Authority pursuant to the HSR Act required for the consummation of the Merger and the other transactions contemplated hereby shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or been waived.

(c) Legal Proceedings. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any Law or Order (whether temporary, preliminary or permanent) that is in effect and prohibits the consummation of the Merger.

9.2 **Conditions to Obligations of Parent.**

The obligations of Parent to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by Parent pursuant to Section 11.7(a):

(a) Representations and Warranties. For purposes of this Section 9.2(a), the accuracy of the representations and warranties set forth in Article IV shall be assessed as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made on and as of the Closing Date (provided, that representations and warranties that refer to the date of this Agreement or other specified date shall speak only as of such date). There shall not exist inaccuracies in the representations and warranties set forth in Article IV, except as a result of changes or events expressly permitted or contemplated herein and except for inaccuracies that, individually and in the aggregate, have not had, and are not reasonably likely to have, a Lime Material Adverse Effect; provided, that for purposes of this sentence only, those representations and warranties which are qualified by references to "material" or "Material Adverse Effect" shall be deemed not to include such qualifications.

(b) Performance of Agreements and Covenants. The agreements and covenants of Lime to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Closing shall have been duly performed and complied with in all material respects (to the extent that such covenants require performance by Lime at or before the Closing).

(c) Officers' Certificate. Lime shall have delivered to Parent a certificate, dated as of the Closing Date and signed on its behalf by its chief executive officer and its chief financial officer, to the effect that the conditions set forth in Section 9.1 as it relates to Lime and in Sections 9.2(a) and 9.2(b) have been satisfied.

(d) Secretary's Certificate. Lime shall have delivered to Parent a certificate of the secretary of Lime, dated as of the Closing Date, certifying as to (i) the incumbency of officers of Lime executing documents executed and delivered in connection herewith, (ii) a copy of the certificate of incorporation of Lime as in effect from the date of this Agreement until the Closing Date, along with a certificate (dated not more than twenty days prior to the Closing Date) of the Secretary of State of the State of Delaware as to the good standing of Lime, (iii) a copy of the bylaws of Lime as in effect from the date of this Agreement until the Closing Date, and (iv) a copy of the resolutions of Lime's board of directors authorizing and approving the applicable matters contemplated hereunder.

(e) No Material Adverse Effect. There shall not have occurred any Lime Material Adverse Effect from the date of this Agreement to the Closing Date.

(f) FIRPTA Certificate. Lime shall have delivered to Parent a certificate conforming to the requirements of Treasury Regulations § 1.1445 2(c) (3) to the effect that Lime is not a United States real property holding corporation.

(g) Payoff Matters. Lime shall have delivered to Parent customary payoff letters in connection with the repayment of the Indebtedness set forth in Section 7.9 of Lime's Disclosure Memorandum and made arrangements for the holders of such Indebtedness to deliver, subject to the receipt of the applicable payoff amounts, customary Lien releases to Parent.

(h) Escrow Agreement. Lime shall have delivered to Parent the Escrow Agreement, duly executed by the Lime Representative

(i) Note Conversion. Lime shall have received from Bison instruments effectuating a full conversion of the Bison Convertible Note into shares of Lime Common Stock as of immediately prior to the Effective Time, contingent and effective upon the Merger.

9.3 **Conditions to Obligations of Lime.**

The obligations of Lime to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by Lime pursuant to Section 11.7(b):

(a) Representations and Warranties. For purposes of this Section 9.3(a), the accuracy of the representations and warranties set forth in Article V shall be assessed as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made on and as of the Closing Date (provided, that representations and warranties that refer to the date of this Agreement or other

specified date shall speak only as of such date). There shall not exist inaccuracies in the representations and warranties set forth in Article V, except as a result of changes or events expressly permitted or contemplated herein and except for inaccuracies that, individually and in the aggregate, have not had, and are not reasonably likely to have, a Parent Material Adverse Effect; provided, that for purposes of this sentence only, those representations and warranties which are qualified by references to "material" or "Material Adverse Effect" shall be deemed not to include such qualifications.

(b) Performance of Agreements and Covenants. The agreements and covenants of Parent and Merger Sub to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Closing shall have been duly performed and complied with in all material respects (to the extent that such covenants require performance Parent or Merger Sub at or before the Closing).

(c) Officers' Certificate. Parent shall have delivered to Lime a certificate, dated as of the Closing Date and signed on its behalf by its chief executive officer and its chief financial officer, to the effect that the conditions set forth in Section 9.1 as it relates to Parent and Merger Sub and in Sections 9.3(a) and 9.3(b) have been satisfied.

(d) Secretary's Certificate. Parent shall have delivered a certificate of the secretary of each of Parent and Merger Sub, dated as of the Closing Date, certifying as to (i) the incumbency of the respective officers of Parent and Merger Sub executing documents executed and delivered in connection herewith, (ii) a copy of the respective certificate of incorporation of Parent and Merger Sub as in effect from the date of this Agreement until the Closing Date, along with a certificate (dated not more than twenty days prior to the Closing Date) of the Secretary of State of the State of Delaware as to the good standing of Parent and Merger Sub, respectively; (iii) a copy of the respective bylaws of Parent and Merger Sub as in effect from the date of this Agreement until the Closing Date, and (iv) a copy of the resolutions of the respective board of directors of Parent and Merger Sub authorizing and approving the applicable matters contemplated hereunder.

(e) No Material Adverse Effect. There shall not have occurred any Parent Material Adverse Effect from the date of this Agreement to the Closing Date.

(f) Escrow Agreement. Parent shall have delivered to Lime the Escrow Agreement, duly executed by each of Parent and the Exchange Agent.

ARTICLE X
TERMINATION

10.1 **Termination.**

Notwithstanding any other provision of this Agreement, and notwithstanding the approval of this Agreement by the stockholders of Lime and/or Parent, this Agreement may be terminated and the Merger abandoned at any time prior to the Closing, in each case (other than Section 10.1(a)) upon written notice by the terminating Party to the other Parties:

(a) By mutual written agreement of Parent and Lime; or

(b) By either Parent or Lime (provided, that the terminating Party is not then in material breach of any representation, warranty, covenant, or other agreement contained in this Agreement) in the event of a breach by the other Party of any representation, warranty, covenant or agreement contained in this Agreement (other than the breaches of Parent or Merger Sub described in Section 10.1(g)), which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching Party of such breach and which breach is reasonably likely to permit such terminating Party to refuse to consummate the transactions contemplated by this Agreement pursuant to the standard set forth in Section 9.2(a) or (b), or Section 9.3(a) or (b), as applicable; or

(c) By either Parent or Lime in the event (i) any Consent of any Governmental Authority required for consummation of the Merger and the other transactions contemplated hereby shall have been denied by final non-appealable action of such authority or if any action taken by such authority is not appealed within the time limit for appeal, (ii) any Law or Order permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger shall have become final and non-appealable, or (iii) the Requisite Lime Stockholder Approval is not obtained by the End Date; or

(d) By either Parent or Lime in the event that the Merger shall not have been consummated by December 31, 2018 (the "End Date"); provided, however, that the right to terminate this Agreement under this Section 10.1(d) shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the proximate cause of or resulted in the failure of the Merger to occur on or before the End Date; provided, further, that if Parent or Lime (as applicable) brings any action to enforce specifically the performance of the terms and provisions hereof by any other Party, then the End Date shall automatically be extended by the later of (i) the amount of time during which such action is pending, plus five (5) Business Days, and (ii) such other time period established by the Governmental Authority presiding over such action; or

(e) By Parent (provided, that Parent is not then in material breach of any representation, warranty, covenant, or other agreement contained in this Agreement) in the event that at any time prior to receipt of the Requisite Lime Stockholder Approval, the Lime board of directors shall have made an Adverse Recommendation Change;

(f) By Lime, prior to the Requisite Lime Stockholder Approval (and provided that Lime has complied in all material respects with Section 7.1 and Section 7.2), in order to enter into a Superior Proposal; or

(g) By Lime, if Parent and Merger Sub breach their obligation to cause the Merger to be consummated within two (2) Business Days after the date the Closing is required to take place pursuant to Section 1.2 (provided, that Lime is not then in material breach of any representation, warranty, covenant, or other agreement contained in this Agreement, including without limitation its obligations

pursuant to Sections 7.4 and 7.11, which breach is the proximate cause of or resulted in the failure of, the Closing to occur within such time period) if such breach arises from (i) a failure by Parent and Merger Sub to receive the proceeds of the Debt Financing or (ii) Parent's or Merger Sub's refusal to accept a new financing commitment that provides for at least the same amount of financing as the Debt Commitment Letter and on terms that are not materially less favorable to Parent and the Merger Sub than the Debt Commitment Letter; provided further that the conditions to Closing set forth in Article IX (other than those conditions which by their terms are to be satisfied at the Closing) have been satisfied or waived.

10.2 **Effect of Termination.**

In the event of the termination and abandonment of this Agreement by either Parent or Lime pursuant to Section 10.1, this Agreement shall have no further effect, except that (i) the provisions of Sections 7.5(b) (Confidentiality), 10.2 (Effect of Termination), 10.3 (Termination Fees), and Article XI (Miscellaneous) shall survive any such termination and abandonment, and (ii) subject to Section 10.3 and Section 11.15, no such termination shall relieve the breaching Party from liability resulting from any willful and material breach by that Party of this Agreement prior to such termination.

10.3 **Termination Fees.**

(a) (i) If (A) Lime validly terminates this Agreement pursuant to Section 10.1(f) of this Agreement, or (B) Parent validly terminates this Agreement pursuant to Section 10.1(e), then in either case Lime shall pay to Parent the sum of $3.6 million (the "Termination Fee") by wire transfer of immediately available funds within five (5) Business Days of the applicable date of termination.

(ii) If Parent validly terminates this Agreement pursuant to Section 10.1(c)(iii), then Lime shall reimburse Parent for all reasonable, documented out-of-pocket costs, fees and expenses incurred on or before the date of such termination, by any of Parent, Merger Sub and any of their respective Representatives and Affiliates, in connection with the evaluation, negotiation, preparation and execution of any of the Transaction Documents and the transactions and arrangements contemplated thereby (the "Expense Reimbursement").

(iii) If Parent validly terminates this Agreement pursuant to Section 10.1(c)(iii) and prior to the date that is twelve (12) months after the date of such termination Lime enters into any definitive acquisition agreement related to an Acquisition Transaction, then Lime shall pay to Parent the positive amount, if any, resulting from subtracting (A) any Expense Reimbursement amounts theretofore paid or payable by Lime to Parent pursuant to subclause (ii) of this Section 10.3(a) from (B) $3.6 million (such resultant amount, the "Tail Fee"), by wire transfer of immediately available funds within five (5) Business Days of the date Lime enters into such definitive acquisition agreement.

(b) If Lime validly terminates this Agreement pursuant to Section 10.1(g), then Parent shall pay or cause to be paid to Lime by wire transfer of immediately available funds a termination fee of $3.6 million (the "Reverse Termination Fee"), which amount shall be paid within five (5) Business Days of the date of such termination by wire transfer of same day funds to the accounts designated by Lime.

(c) The Parties acknowledge that the agreements contained in this Article X are an integral part of the transactions contemplated by this Agreement, and that without these agreements, they would not enter into this Agreement; accordingly, if (i) Lime fails to pay promptly any fee or reimbursement payable by it pursuant to Section 10.3(a), then Lime shall pay to Parent its reasonable costs and expenses (including reasonable attorneys' fees) in connection with collecting such Termination Fee,

Expense Reimbursement or Tail Fee, and (ii) Parent fails to pay promptly any fee payable by it pursuant to Section 10.3(b), then Parent shall pay to Lime its reasonable costs and expenses (including reasonable attorneys' fees) in connection with collecting such Reverse Termination Fee, together, in each of the foregoing cases, with interest on the amount of the applicable fee or reimbursement at the prime annual rate of interest (as published in *The Wall Street Journal*) plus 2% as the same is in effect from time to time from the date such payment was due under this Agreement until the date of payment.

(d) Notwithstanding any other provision of this Agreement, if Lime has the right to terminate this Agreement in accordance with Section 10.1(g), the Reverse Termination Fee shall be the sole and exclusive remedy of Lime and any other Person, against Parent, Merger Sub, Willdan Group, the Debt Financing Sources, and any of their respective former, current, or future general or limited partners, stockholders, managers, members, directors, officers, Affiliates, employees, representatives or agents ("Parent Related Parties"), shall be deemed to be liquidated damages for any and all Losses suffered or incurred by Lime or any other Person in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby and thereby, and upon payment of the Reverse Termination Fee to Lime, none of the Parent Related Parties shall have any further liability or obligation relating to or arising out of this Agreement, any other Transaction Document or the transactions contemplated hereby and thereby, other than the obligations pursuant to Section 7.11(c), which shall survive such termination.

(e) Notwithstanding any other provision of this Agreement, if Parent terminates this Agreement in accordance with Sections 10.1(c)(iii) or 10.1(e) or if Lime terminates this Agreement in accordance with Section 10.1(f) (but only if the Termination Fee is paid in accordance with Section 10.3(a), or the Expense Reimbursement and Tail Fee are, as applicable, paid in accordance with Sections 10.3(a)(ii) and 10.3(a)(iii), respectively), then the Termination Fee (or, as applicable, the Expense Reimbursement and Tail Fee) shall be the exclusive remedies of Parent and Merger Sub and any other Person against Lime, the Lime Representative, the Participating Securityholders and any of their respective former, current, or future general or limited partners, stockholders, managers, members, directors, officers, Affiliates, employees, representatives or agents ("Lime Related Parties"), shall be deemed to be liquidated damages for any and all Losses suffered or incurred by Parent, Merger Sub or any other Person in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby and thereby, and upon payment of the Termination Fee (or, as applicable, the Expense Reimbursement and Tail Fee) to Parent, none of the Lime Related Parties shall have any further liability or obligation relating to or arising out of this Agreement, any other Transaction Document or the transactions contemplated hereby and thereby.

10.4 **Non-Survival of Representations and Covenants.**

Except for Article III (Manner of Converting Shares), Article IV (Lime Representations and Warranties), Article V (Parent Representations and Warranties), Sections 7.7 (Employee Benefits and Contracts), Section 7.8 (Directors and Officers Indemnification), Section 7.11(c), Article VIII (Indemnification), this Article X (Termination) and Article XI (Miscellaneous), which shall survive the Effective Time, but the survival of which shall, in the case of Article IV, Article V and Article VIII, be subject to the limitations set forth in Section 8.5, the respective representations, warranties, obligations, covenants, and agreements of the Parties shall not survive the Effective Time.

ARTICLE XI
MISCELLANEOUS

11.1 **Lime Representative.**

(a) In addition to the other rights and authority granted to the Lime Representative elsewhere in this Agreement, upon and by virtue of obtaining the Requisite Lime Stockholder Approval, all of the Participating Securityholders collectively and irrevocably constitute and appoint the Lime Representative as their agent, attorney-in-fact and representative to act from and after the date hereof and to do any and all things and execute any and all documents which the Lime Representative determines may be necessary, convenient or appropriate to facilitate the consummation of the transactions contemplated by this Agreement or otherwise to perform the duties or exercise the rights granted to the Lime Representative hereunder or any agreements ancillary hereto, including: (i) execution of the documents and certificates pursuant to this Agreement; (ii) receipt and, if applicable, forwarding of notices and communications pursuant to this Agreement; (iii) administration of the provisions of this Agreement; (iv) giving or agreeing to, on behalf of all or any of the Participating Securityholders, any and all consents, waivers, amendments or modifications deemed by the Lime Representative, in its discretion, to be necessary or appropriate under this Agreement and the execution or delivery of any documents that may be necessary or appropriate in connection therewith; (v) subject to the provisions of Section 11.6, amending this Agreement or any of the instruments to be delivered to Parent or the Merger Sub pursuant to this Agreement; (vi) (A) disputing or refraining from disputing, on behalf of each Participating Securityholder relative to any amounts to be received by such Participating Securityholder under this Agreement or any agreements contemplated hereby, any claim made by Parent or the Merger Sub under this Agreement or other agreements contemplated hereby, (B) negotiating and compromising, on behalf of each such Participating Securityholder, any dispute that may arise under, and exercising or refraining from exercising any remedies available under, this Agreement or any other agreement contemplated hereby, and (C) executing, on behalf of each such Participating Securityholder, any settlement agreement, release or other document with respect to such dispute or remedy; (vii) actions on behalf of all Participating Securityholders in all matters relating to Article VIII; and (viii) engaging attorneys, accountants, agents or consultants on behalf of the Participating Securityholders in connection with this Agreement or any other agreement contemplated hereby and paying any fees related thereto.

(b) Notwithstanding Section 11.1(a), in the event that the Lime Representative is of the opinion that it requires further authorization or advice from the Participating Securityholders on any matters concerning this Agreement, the Lime Representative shall be entitled to seek such further authorization from the Participating Securityholders prior to acting on their behalf. In such event, each Participating Securityholder shall vote in accordance with the Pro Rata Fraction of the Merger Consideration paid or payable to such Participating Securityholder in accordance with this Agreement and the authorization of a majority of such Persons shall be binding on all of the Participating Securityholders and shall constitute the authorization of the Participating Securityholders. The appointment of the Lime Representative is coupled with an interest and shall be irrevocable by any Participating Securityholder in any manner or for any reason. This authority granted to the Lime Representative shall not be affected by the death, illness, dissolution, disability, incapacity or other inability to act of any principal pursuant to any applicable Law. Luna Stockholder Representative, LLC, a Delaware limited liability company, hereby accepts its appointment as the initial Lime Representative. Lime, Parent, the Merger Sub and the Exchange Agent shall be entitled to rely on the actions taken by the Lime Representative without independent inquiry into the capacity of the Lime Representative to so act.

(c) The Lime Representative may resign from its position as Lime Representative at any time by written notice delivered to Parent and the Participating Securityholders. If there is a vacancy at any time in the position of the Lime Representative for any reason, such vacancy shall be filled by the majority vote in accordance with the method set forth in Section 11.1(b) above.

(d) All acts of the Lime Representative hereunder in its capacity as such shall be deemed to be acts on behalf of the Participating Securityholders and not of the Lime Representative individually.

The Lime Representative shall not have any liability for any amount owed to Parent by the Participating Securityholders pursuant to this Agreement, including Section 3.6, in its capacity as the Lime Representative. Except as otherwise set forth in this Agreement, the Lime Representative shall not be liable to Lime, the Participating Securityholders or any other Person in its capacity as the Lime Representative, for any liability of a Participating Securityholder or otherwise, or for anything which it may do or refrain from doing in connection with this Agreement or any agreement ancillary hereto. The Lime Representative shall not be liable to the Participating Securityholders, in its capacity as the Lime Representative, for any liability of a Participating Securityholder or otherwise, or for any error of judgment, or any act done or step taken or omitted by it in good faith, or for any mistake in fact or Law, or for anything which it may do or refrain from doing in connection with this Agreement or any agreement ancillary hereto, except in the case of the Lime Representative's gross negligence or willful misconduct as determined in a final and non-appealable judgment of a court of competent jurisdiction. Notwithstanding anything to the contrary in this Agreement, neither Parent nor any of its Affiliates shall in any circumstance be liable to the Participating Securityholders for any act done or step taken or omitted by the Lime Representative. The Lime Representative may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement or its duties or rights hereunder, and it shall incur no liability in its capacity as the Lime Representative to Parent, the Merger Sub, Lime, or the Participating Securityholders and shall be fully protected with respect to any action taken, omitted or suffered by it in good faith in accordance with the advice of such counsel. The Lime Representative shall not by reason of this Agreement have a fiduciary relationship in respect of any Participating Securityholder.

(e) The Lime Representative may use the Representative Amount to pay any fees, costs, expenses or other obligations incurred by the Lime Representative acting in its capacity as such. Without limiting the foregoing, each Participating Securityholder shall, only to the extent of such Participating Securityholder's Pro Rata Fraction of the Representative Amount, indemnify and defend the Lime Representative and hold the Lime Representative harmless against any loss, damage, cost, Losses or expense (including the fees and expenses of counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively, "Representative Losses") actually incurred without fraud, gross negligence or willful misconduct by the Lime Representative (as determined in a final and non-appealable judgment of a court of competent jurisdiction) and arising out of or in connection with the acceptance, performance or administration of the Lime Representative's duties under this Agreement or any agreements ancillary hereto, in each case as such Representative Loss is suffered or incurred. Notwithstanding anything to the contrary in this Agreement, the Lime Representative shall be entitled and is hereby granted the right to set off and deduct from any amounts owed to the Participating Securityholders any unpaid or non-reimbursed Representative Losses at such time as such amounts would otherwise be distributable to the Participating Securityholders.

Additionally, in connection with any unpaid or non-reimbursed Representative Losses, the Lime Representative shall be entitled and is hereby granted the right to direct any funds that would otherwise be actually payable to the Participating Securityholders from the Escrow Funds to itself no earlier than the date such payments are actually made. The Lime Representative may also from time to time submit invoices to the Participating Securityholders covering such Representative Losses, which shall be paid by the Participating Securityholders promptly following the receipt thereof based on their respective Pro Rata Fraction. The foregoing indemnities will survive the Closing, the resignation or removal of the Lime Representative or the termination of this Agreement. Upon the request of any Participating Securityholder, the Lime Representative shall provide such Participating Securityholder with an accounting of all expenses and Losses paid by the Lime Representative in its capacity as such.

11.2 **Definitions.**

(a) Except as otherwise provided herein, the capitalized terms set forth below shall have the following meanings:

"Acquisition Privileged Communications" shall have the meaning as set forth in Section 11.17 of this Agreement.

"Acquisition Proposal" means any proposal (whether communicated to Lime or publicly announced to Lime's stockholders) by any Person (other than Parent or any of its Affiliates) for an Acquisition Transaction.

"Acquisition Transaction" means any transaction or series of related transactions (other than the transactions contemplated by this Agreement) involving: (i) any acquisition or purchase by any Person (other than Parent, Merger Sub or any of their Affiliates) of 25% or more of the total outstanding voting securities of Lime, or any tender offer or exchange offer that if consummated would result in any Person (other than Parent, Merger Sub or any of their Affiliates) beneficially owning 25% or more of the total outstanding voting securities of Lime, or any merger, consolidation, business combination or similar transaction involving Lime pursuant to which the stockholders of Lime immediately preceding such transaction hold less than 75% of the equity interests in the surviving or resulting entity (which includes the parent corporation of any constituent corporation to any such transaction) of such transaction; (ii) any sale or lease (other than in the ordinary course of business), or exchange, transfer, license (other than in the ordinary course of business), acquisition or disposition of 25% or more of the consolidated assets of Lime and the Lime Subsidiaries, taken as a whole; or (iii) any liquidation or dissolution of Lime.

"**Adjustment Amount**" shall have the meaning as set forth in Section 3.6(d) of this Agreement.

"**Adjustment Escrow Account**" shall have the meaning as set forth in Section 3.2(a)(ii) of this Agreement.

"**Adjustment Escrow Amount**" shall have the meaning as set forth in Section 3.2(a)(ii) of this Agreement.

"**Adjustment Escrow Expiration Date**" shall have the meaning as set forth in Section 3.7(a) of this Agreement.

"Adverse Recommendation Change" shall have the meaning as set forth in Section 7.1(b) of this Agreement.

"Affiliate" of a Person means any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person. For purposes of this definition, the term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by Contract or otherwise.

"Agreement" shall have the meaning as set forth in the introduction of this Agreement.

"**Bison**" means Bison Capital Partners IV, LLC.

"Bison Convertible Note" means the Subordinated Secured Convertible Promissory Note due March 24, 2020 issued by Lime in favor of Bison Capital Partners IV, L.P., as first amended and

supplemented by that Amendment dated March 31, 2015, as second amended and supplemented by that Second Amendment dated March 30, 2016, as third amended and supplemented by that Third Amendment dated February 28, 2017, and as fourth amended and supplemented by that and Fourth Amendment dated April 27, 2018..

"BMO Commitment Letter" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

"Book-Entry Shares" shall have the meaning as set forth in Section 3.1(b) of this Agreement.

"Business Day" means a day which is neither a Saturday or Sunday, nor any other day on which banking institutions in New York, New York are authorized or obligated by Law to close.

"Cash" means the aggregate amount of cash and cash equivalents held by the Lime Entities, as determined by reference to their respective general ledger book balances (and not their respective bank balances), and as otherwise determined in accordance with GAAP, consistently applied, *less* (a) the aggregate amount of outstanding checks or drafts of the Lime Entities that have not posted, *plus* (b) the aggregate amount of checks received by the Lime Entities that have not been posted.

"Certificate of Designation" means that certain Certificate of Designation of Lime as filed with the Delaware Secretary of State on December 23, 2014.

"Certificate of Merger" shall have the meaning as set forth in Section 1.3 of this Agreement.

"Certificates" shall have the meaning as set forth in Section 3.1(b) of this Agreement.

"Claim" shall have the meaning as set forth in Section 7.8(a) of this Agreement.

"Closing" shall have the meaning as set forth in Section 1.2 of this Agreement.

"Closing Accrued Compensation" means the aggregate amount of accrued but unpaid compensation of the Lime Entities, as determined in accordance with GAAP, consistently applied, as of immediately before the Closing.

"**Closing Adjustment Illustration**" shall have the meaning as set forth in Section 3.6(a) of this Agreement.

"Closing Cash" means all Cash as of immediately prior to the Closing plus an amount equal to all reasonable and documented out-of-pocket fees, costs and expenses incurred by Lime but not yet reimbursed by Parent in accordance with Section 7.11(c) (and subject to the limitations therein).

"Closing Date" means the date on which the Closing occurs.

"Closing Indebtedness" means the Indebtedness of the Lime Entities outstanding immediately before the Closing; provided, that (a) any item included in Closing Indebtedness shall not be included in "Tangible Liabilities" or "Transaction Expenses" and (b) any item included in "Tangible Liabilities" or "Transaction Expenses" shall not be included in "Closing Indebtedness".

"Closing Material Rebates" means the aggregate amount of earned but unpaid material rebates of the Lime Entities, as determined in accordance with GAAP, as of immediately before the Closing.

"**Closing Share Number**" means the sum of:

(a) the aggregate number of shares of Lime Common Stock outstanding as of immediately prior to the Effective Time (other than Extinguished Shares);

(b) the aggregate number of shares of Lime Common Stock into which the aggregate number of shares of Lime Preferred Stock outstanding as of immediately prior to the Effective Time is convertible immediately prior to the Effective Time in accordance with the terms of the Certificate of Designation;

(c) the aggregate number of shares of Lime Common Stock underlying the Exercisable Lime Options outstanding as of immediately prior to the Effective Time; and

(d) the aggregate number of shares of Lime Common Stock underlying the Lime Warrant.

"**Closing Statement**" shall have the meaning as set forth in Section 3.6(b) of this Agreement.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Confidentiality Proviso" means that any Party whose permission is sought to gain access to a document or information pursuant to this Agreement may, without limitation, withhold any such document or information (or portions thereof) (i) that is subject to the terms of a non-disclosure agreement with, or would, as reasonably determined in writing by such Party's counsel, result in the disclosure of any trade secrets of, a Third Party, (ii) that constitutes privileged attorney-client communications or attorney work product and the transfer of which, or the provision of access to which, as reasonably determined in writing by such Party's counsel, constitutes a waiver of any such privilege, (iii) if the provision of access to such document (or portion thereof) or information, as reasonably determined in writing by such Party's counsel, would reasonably be expected to conflict with applicable Laws or agreements with Governmental Authorities or (iv) that contains information in personnel records the disclosure of which would constitute a breach of applicable Law; provided, however, that in the case of the foregoing clauses (i) through (iv), such Party shall (A) advise the other Party of the nature of any information or documents withheld by such Party, (B) use commercially reasonable efforts to obtain any required consents as are necessary to provide such access or information to the other Party and its Representatives, and (C) otherwise use commercially reasonable efforts to provide such access or information in an alternative manner that does not have any of the foregoing effects (such as the redaction of identifying or confidential information or by providing such access or information solely to outside counsel to avoid the loss of attorney-client privilege, work-product doctrine or other applicable privilege).

"Consent" means any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation by any Person pursuant to any Contract, Law, Order, or Permit.

"Continuing Employee" shall have the meaning as set forth in Section 7.7(a) of this Agreement.

"Contract" shall mean any contract, agreement, lease, note, indenture, mortgage, license, binding instrument, binding commitment or other binding obligation, whether oral or written.

"D&O Indemnitee" shall have the meaning as set forth in Section 7.8(a) of this Agreement.

"Debt Commitment Letter" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

"Debt Financing" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

"Debt Financing Source" shall have the meaning as set forth in Section 11.10 of this Agreement.

"Definitive Financing Agreements" shall have the meaning as set forth in Section 7.11(f) of this Agreement.

"DGCL" means the General Corporation Law of the State of Delaware, as amended.

"**Dispute Auditor**" shall have the meaning as set forth in Section 3.6(c) of this Agreement.

"**Dispute Notice**" shall have the meaning as set forth in Section 3.6(c) of this Agreement.

"Dissenting Shares" shall have the meaning as set forth in Section 3.1(f) of this Agreement.

"DOL" shall have the meaning as set forth in Section 4.15(b) of this Agreement.

"Effective Time" shall have the meaning as set forth in Section 1.3 of this Agreement.

"Employee Benefit Plan" means each pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, share purchase, severance pay, vacation, bonus, retention, change in control or other incentive plan, medical, vision, dental or other health plan, any life insurance plan, flexible spending account, cafeteria plan, vacation, holiday, disability or any other employee benefit plan or fringe benefit plan, including any "employee benefit plan," as that term is defined in Section 3(3) of ERISA and any other plan, fund, policy, program, practice, custom understanding or arrangement providing compensation or other benefits, whether or not such Employee Benefit Plan is or is intended to be (i) covered or qualified under the Code, ERISA or any other applicable Law, (ii) written or oral, (iii) funded or unfunded, (iv) actual or contingent or (v) arrived at through collective bargaining or otherwise.

"End Date" shall have the meaning as set forth in Section 10.1(d) of this Agreement.

"Environmental Laws" means any United States federal, state, local or non-United States laws relating to (i) releases or threatened releases of Hazardous Material or materials containing Hazardous Material; (ii) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Material or materials containing Hazardous Material; or (iii) pollution or protection of the environment, human health or natural resources.

"Equity Financing" shall mean the offer and sale of securities, pursuant to a Form S-3 Registration Statement (333-217356), initially filed on April 18, 2017 with the United States Securities and Exchange Commission pursuant to the Securities Act.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business, whether or not incorporated, which together with a Lime Entity would be treated as a single employer under Code Section 414(b), (c), (m), or (o).

"Escrow Agreement" shall have the meaning as set forth in Section 3.2(a)(i).

"**Escrow Funds**" shall have the meaning as set forth in Section 3.7(a) of this Agreement.

"Estimated Closing Statement" shall have the meaning as set forth in Section 3.6(a) of this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder.

"Exchange Agent" shall have the meaning as set forth in Section 3.2(a) of this Agreement.

"Exchange Fund" shall have the meaning as set forth in Section 3.2(a)(iii) of this Agreement.

"Exercisable Lime Option" shall have the meaning as set forth in Section 3.4(a).

"Exhibits" means the Exhibits so marked, copies of which are attached to this Agreement. Such Exhibits are hereby incorporated by reference herein and made a part hereof, and may be referred to in this Agreement and any other related instrument or document without being attached hereto or thereto.

"Expense Reimbursement" shall have the meaning as set forth in Section 10.3(a) of this Agreement.

"Extinguished Shares" shall have the meaning as set forth in Section 3.1(d) of this Agreement.

"Fee Letters" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

"Final Adjustment Amount" shall have the meaning as set forth in Section 3.6(d) of this Agreement.

"Final Adjustment Amount Determination Date" shall have the meaning as set forth in Section 3.6(d) of this Agreement.

"Financing" means the Debt Financing and Equity Financing, collectively.

"Financing Indemnitees" shall have the meaning as set forth in Section 7.11(c).

"Fraud" means, with respect to any Party, such Party's actual and intentional common law fraud in the making of a representation or warranty, as applicable, with intent to deceive another Party to induce such other Party to enter into this Agreement or consummate the Closing. For avoidance of doubt, "Fraud" is limited to actual fraud and does not include reckless, imputed or constructive fraud or other claims based upon constructive knowledge.

"Fundamental and Tax Reps" shall have the meaning as set forth in Section 8.1(a) of this Agreement.

"GAAP" shall mean generally accepted accounting principles in the United States, consistently applied during the periods involved.

"Governmental Authority" shall mean any federal, state, local, foreign, or other court, board, body, commission, agency, authority or instrumentality, arbitral authority, self-regulatory authority, mediator or tribunal, including Taxing Authorities.

"Hazardous Material" means (i) those substances, chemicals, wastes or other materials defined in or regulated as hazardous, dangerous or toxic substances, materials or wastes under the following United States federal statutes and their state counterparts, as each may be amended from time to time, and all regulations under such statutes and state counterparts: the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide, and Rodenticide Act, the Clean Air Act and any other

Environmental Law; (ii) petroleum and petroleum products, including crude oil and any fractions thereof; (iii) natural gas, synthetic gas, and any mixtures thereof; (iv) polychlorinated biphenyls, asbestos and radon; (v) "source," "special nuclear" and "by-product" material as defined in the Atomic Energy Act; (vi) any other contaminant; and (vii) any substance, material or waste regulated as a hazardous or toxic substance, material or waste by any Governmental Authority pursuant to any Environmental Law.

"HSR Act" shall have the meaning as set forth in Section 4.2(b) of this Agreement.

"Indebtedness" means, as of any particular time with respect to the Lime Entities, without duplication: (a) the outstanding principal amount of, and all interest and other amounts accrued in respect of and all amounts payable at retirement of, (i) any indebtedness for borrowed money of the Lime Entities, (ii) any obligation of the Lime Entities evidenced by bonds, debentures, notes or other similar instruments (other than surety bonds), and (iii) any obligation of the Lime Entities relative to the maximum amount of any letters of credit, bankers' acceptances or similar facilities issued or created for the account of the Lime Entities, in each case solely to the extent drawn upon, (b) all obligations of the Lime Entities to pay the deferred purchase price of property, assets or services (including purchase price adjustments, "holdback" or similar payments, and the maximum amount of any potential earn out payments), other than accounts payable incurred in the ordinary course of business, (c) all obligations secured by any Lien on property owned by the Lime Entities, (d) all obligations of the Lime Entities under any interest rate swap agreement, forward rate agreement, interest rate cap or collar agreement or other similar financial agreement or arrangement entered into for the purpose of limiting or managing interest rate risks, valued at the Closing Date at the termination or fair value thereof (which may be a positive or negative number and a positive number will be deducted from Indebtedness), (e) any obligation of the type referred to in clauses (a) through (d) of another Person the payment of which any Lime Entity has guaranteed or for which any Lime Entity is responsible or liable, directly or indirectly, jointly or severally, as obligor, surety or guarantor, and (f) all premiums, penalties, fees, expenses, breakage costs and change of control payments required to be paid or offered in respect of any of the foregoing on prepayment, as a result of the consummation of the transactions contemplated by this Agreement or in connection with any lender consent. For the avoidance of doubt, Indebtedness shall not include any Tangible Liabilities, Closing Accrued Compensation or Transaction Expenses.

"**Indemnification Period**" shall have the meaning as set forth in Section 8.4(e) of this Agreement.

"Indemnification Tax Benefit" shall have the meaning as set forth in Section 8.7(d) of this Agreement.

"**Indemnified Party**" shall have the meaning as set forth in Section 8.3 of this Agreement.

"**Indemnifying Party**" shall have the meaning as set forth in Section 8.3 of this Agreement.

"**Indemnity Escrow Account**" shall have the meaning as set forth in Section 3.2(a)(i) of this Agreement.

"**Indemnity Escrow Amount**" shall have the meaning as set forth in Section 3.2(a)(i) of this Agreement.

"**Indemnity Escrow Termination Date**" shall have the meaning as set forth in Section 3.7(c) of this Agreement.

"Information Statement" shall have the meaning as set forth in Section 4.9(a) of this Agreement.

"Intellectual Property" means (i) United States, non-United States, and international patents, patent applications and statutory invention registrations, (ii) trademarks, service marks, trade dress, logos, trade names, corporate names and other source identifiers, and registrations and applications for registration thereof, (iii) copyrightable works, copyrights, and registrations and applications for registration thereof, and (iv) confidential and proprietary information, including trade secrets and know-how.

"**Inter-Party Claim**" shall have the meaning as set forth in Section 8.3 of this Agreement.

"IRS" shall have the meaning as set forth in Section 4.15(b) of this Agreement.

"Knowledge" (including references to a Person being aware of a particular matter) as used with respect to (i) Lime means Adam Procell, Philip Luccarelli, Bruce Torkelson and Alexander Castro; (ii) Parent means the chief executive officer, chief financial officer and chief operating officer of

Parent or Willdan Group, in the case of each of (i) and (ii) without any further investigation.

"Landlord Consents" shall have the meaning as set forth in Section 4.22(b) of this Agreement.

"Law" means any federal, state, county, municipal or local, law (including common law), statute, code, ordinance, rule, regulation, Order promulgated, interpreted or enforced by any Governmental Authority.

"Lease" shall have the meaning as set forth in Section 4.22(a) of this Agreement.

"Leased Real Properties" shall have the meaning as set forth in Section 4.22(a) of this Agreement.

"**Lenders**" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, security interest, hypothecation or any other similar encumbrance in respect of such property or asset. Notwithstanding the foregoing, "Lien" shall exclude (i) any restrictions on transfer under Securities Laws, (ii) any license of Intellectual Property, (iii) liens for Taxes that are not yet due and payable or that are being contested in good faith by appropriate proceedings, (iv) statutory liens of landlords and workers', carriers', materialmen's, suppliers' and mechanics' or other like liens incurred in the ordinary course of business, and (v) liens specifically approved in writing by an applicable Party to this Agreement.

"Lime" shall have the meaning as set forth in the introduction of this Agreement.

"Lime Benefit Plan(s)" shall have the meaning as set forth in Section 4.15(a) of this Agreement.

"Lime Common Stock" means the common stock, $0.0001 par value per share, of Lime.

"Lime Contracts" shall have the meaning as set forth in Section 4.16(a) of this Agreement.

"Lime D&O Policy" shall have the meaning as set forth in Section 7.8(b) of this Agreement.

"Lime Entities" means, collectively, Lime and all Lime Subsidiaries, and each individually, a "**Lime Entity**".

"Lime ERISA Plan" shall have the meaning as set forth in Section 4.15(a) of this Agreement.

"Lime Financial Advisor" means Greentech Capital Advisors, LLC and Stout Risius Ross, LLC.

"Lime Financial Statements" means (i) the audited consolidated balance sheets of Lime as of December 31, 2016 and 2017, respectively, and the related audited statements of income, changes in stockholders' equity, and cash flows for each of the fiscal years then ended, and (ii) the consolidated balance sheet of Lime as of June 30, 2018 and related statements of income, changes in stockholders' equity, and cash flows (including related notes and schedules, if any) for the six month period then ended.

"**Lime Indemnitee**" shall have the meaning as set forth in Section 8.2 of this Agreement.

"Lime Licensed Intellectual Property" shall have the meaning as set forth in Section 4.11(c) of this Agreement.

"Lime Material Adverse Effect" means an event, change or occurrence which, individually or together with any other event, change or occurrence, has had or is reasonably expected to have a material adverse effect on (i) the financial position, property, business, assets or results of operations of the Lime Entities, taken as a whole, or (ii) the ability of Lime to perform its material obligations under this Agreement or to consummate the Merger or the other transactions contemplated by this Agreement, provided, that "Lime Material Adverse Effect" shall not be deemed to include the effects of (A) changes Laws or interpretations thereof by Governmental Authorities, (B) changes in GAAP or other applicable accounting principles, (C) actions and omissions of Lime (or any of its Subsidiaries) taken with the prior written Consent of Parent in contemplation of the transactions contemplated hereby, (D) changes in economic conditions generally, including changes in interest rates, credit availability and liquidity, and price levels or trading volumes in securities markets, except to the extent the Lime is materially and adversely affected in a disproportionate manner as compared to other comparable participants in the industry in which Lime operates, (E) public or industry knowledge of the transactions contemplated by this Agreement (including any action or inaction by the employees, customers or vendors of any Lime Entity), (F) the communication by Parent of its plans or intentions with respect to the Lime Entities, (G) compliance with this Agreement on the operating performance of Lime, (H) natural disasters or acts of nature, or (I) hostilities, acts of war, sabotage or terrorism, including cyberwarfare or hacking of computer or cloud-based systems or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions, national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States; provided, that any adverse effects resulting from matters described in any of the foregoing clauses (A) - (I) may be taken into account in determining whether there is or has been a Lime Material Adverse Effect to the extent, and only to the extent, that they have a disproportionate effect on the Lime Entities relative to other participants in the industries or geographies in which the Lime Entities operate "Lime Material Adverse Effect" shall not be deemed to include any decrease in the trading price of the Lime Common Stock on the over-the-counter markets (it being understood that the facts or occurrences giving rise or contributing to any such effect, change or development which affects the trading price, may be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a Lime Material Adverse Effect).

"Lime Options" shall have the meaning as set forth in Section 3.4(a) of this Agreement.

"Lime Owned Intellectual Property" shall have the meaning as set forth in Section 4.11(b) of this Agreement.

"Lime Pension Plan" shall have the meaning as set forth in Section 4.15(a) of this Agreement.

"Lime Preferred Holder" shall have the meaning as set forth in Section 8.6(e)(ii) of this Agreement.

"Lime Preferred Stock" means the Series C Convertible Preferred Stock, $0.01 par value per share, of Lime.

"Lime Recommendation" shall have the meaning as set forth in the Recitals of this Agreement.

"Lime Related Parties" shall have the meaning as set forth in Section 10.3(e) of this Agreement.

"Lime Representative" shall have the meaning as set forth in the Preamble of this Agreement.

"Lime Stock" means the Lime Common Stock and the Lime Preferred Stock.

"Lime Stock Option Plans" means the Lime Energy Co. 2008 Long-Term Incentive Plan and the Lime Energy Co. 2017 Equity Incentive Plan.

"Lime Subsidiaries" means the Subsidiaries of Lime.

"Lime Warrant" shall have the meaning as set forth in Section 3.4(b).

"Lime's Disclosure Memorandum" means the written information entitled "Lime Energy Co. Disclosure Memorandum" delivered with this Agreement to Parent and attached hereto.

"Litigation" means any suit, claim, litigation, arbitration or other dispute resolution proceeding, whether at law or equity, based in contract, tort or otherwise.

"Losses" means any and all direct and actual losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, amounts paid in settlement, costs and expenses of whatever kind (including settlement and court costs and reasonable attorneys' fees and expenses, including fees to enforce the obligations under this Agreement); provided, however, that "Losses" shall not include any punitive or exemplary damages.

"Maximum Amount" shall have the meaning as set forth in Section 7.8(b) of this Agreement.

"Merger" shall have the meaning as set forth in the Recitals of this Agreement.

"Merger Consideration" means an amount of cash equal to the Purchase Price:

(a) plus the TNAV Delta (which for the avoidance of doubt may be a negative number);

(b) plus the Closing Cash;

(c) plus the Closing Material Rebates;

(d) minus the Closing Accrued Compensation;

(e) minus the Closing Indebtedness; and

(f) minus the Transaction Expenses.

"Merger Sub" shall have the meaning as set forth in the introduction of this Agreement.

"Minimum Preference Amount" means, with respect to each share of Lime Preferred Stock that is issued and outstanding immediately prior to the Effective Time, the Original Issue Price (as defined in the Certificate of Designation), plus any Accruing Dividends (as defined in the Certificate of Designation) accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, in each case as determined immediately prior to the Effective Time.

"Notice of Adverse Recommendation" shall have the meaning as set forth in Section 7.1(b) of this Agreement.

"NMRS" shall have the meaning as set forth in Section 11.17 of this Agreement.

"Order" means any administrative decision or award, decree, injunction, judgment, order, quasi-judicial decision or award, directive, ruling, or writ of any Governmental Authority.

"Parent" shall have the meaning as set forth in the introduction of this Agreement.

"Parent Entity" means any of Parent and the Parent Subsidiaries.

"Parent Indemnitee" or **"Parent Indemnitees"** shall have the meaning as set forth in Section 8.1 of this Agreement.

"Parent Material Adverse Effect" means an event, change or occurrence which, individually or together with any other event, change or occurrence, has had or is reasonably expected to have a material adverse effect on the ability of Parent to perform its material obligations under this Agreement or to consummate the Merger or the other transactions contemplated by this Agreement, provided, that "Parent Material Adverse Effect" shall not be deemed to include the effects of (A) changes in Laws or interpretations thereof by Governmental Authorities, (B) changes in GAAP or other applicable accounting principles, (C) actions and omissions of Parent (or any of its Subsidiaries) taken with the prior written Consent of Lime in contemplation of the transactions contemplated hereby, (D) changes in economic conditions generally, including changes in interest rates, credit availability and liquidity, and price levels or trading volumes in securities markets, except to the extent Parent is materially and adversely affected in a disproportionate manner as compared to other comparable participants in the industry in which Parent operates, (E) changes resulting from the announcement or pendency of the transactions contemplated by this Agreement, or (F) compliance with this Agreement on the operating performance of Parent; provided, that any adverse effects resulting from matters described in any of the foregoing clauses (A) - (F) may be taken into account in determining whether there is or has been a Parent Material Adverse Effect to the extent, and only to the extent, that they have a disproportionate effect on Parent relative to other participants in the industries or geographies in which Parent operates. "Parent Material Adverse Effect" shall not be deemed to include any failure to meet analyst projections, in and of itself, or, in and of itself, or the trading price of Parent's common stock (it being understood that the facts or occurrences giving rise or contributing to any such effect, change or development which affects or otherwise relates to the failure to meet analyst financial forecasts or the trading price, as the case may be, may be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a Parent Material Adverse Effect).

"Parent Related Parties" shall have the meaning as set forth in Section 10.3(d) of this Agreement.

"Parent Subsidiaries" means the Subsidiaries of Parent, which shall include any corporation, limited liability company, limited partnership, limited liability partnership or other organization acquired as a Subsidiary of Parent in the future and held as a Subsidiary by Parent at the Effective Time.

"Parent's Disclosure Memorandum" means the written information entitled "Parent's Disclosure Memorandum" delivered with this Agreement to Lime and attached hereto.

"Participating Securityholders" means, the holders of shares of Lime Stock, Exercisable Lime Options and the Lime Warrant, in each case, outstanding as of immediately prior to the Effective Time, other than holders of Extinguished Shares or Dissenting Shares as set forth in Sections 3.1(d) and 3.1(f).

"Party" means Lime, Parent, or Merger Sub, and "Parties" means two or more of such Persons.

"Per Share Merger Consideration" means (a) with respect to each share of Lime Common Stock that is issued and outstanding immediately prior to the Effective Time (including the aggregate number of shares of Lime Common Stock into which the aggregate number of shares of Lime Preferred Stock outstanding as of immediately prior to the Effective Time is convertible immediately prior to the Effective Time in accordance with the terms of the Certificate of Designation, the aggregate number of shares of Lime Common Stock underlying the Exercisable Lime Options outstanding as of immediately prior to the Effective Time, and the aggregate number of shares of Lime Common Stock underlying the Lime Warrant), the quotient obtained by dividing (i) an amount equal to (A) the aggregate amount of Merger Consideration, plus (B) the aggregate exercise price under all Exercisable Lime Options, plus (C) the aggregate exercise price under the Lime Warrant, by (ii) the Closing Share Number; and (b) with respect to each share of Lime Preferred Stock that is issued and outstanding immediately prior to the Effective Time, the Preferred Converted Amount.

"Permit" means any approval, authorization, certificate, license or permit issued by a Governmental Authority of competent jurisdiction, the absence of which or a default under would constitute a Lime Material Adverse Effect.

"Permitted Liens" shall mean (a) Liens for current Taxes and assessments not yet due or being contested in good faith by appropriate proceedings; (b) Liens as reflected in title or other public records relating to the Leased Real Properties; (c) Liens arising from or created by municipal and zoning ordinances; (d) leasehold and occupancy rights and restrictions of tenants under the terms of any Leased Real Property lease; (e) Liens that, individually or in the aggregate, do not materially detract from the value, or impair in any material manner the current use, of the assets subject thereto.

"Person" means a natural person or any legal, commercial or Governmental Authority, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, limited liability company, limited liability partnership, trust, business association, group acting in concert, or any person acting in a representative capacity.

"**Pre-Closing Tax Period**" means any taxable period that ends on or before the Closing Date and the portion of any Straddle Period that ends on the Closing Date.

"Preferred Converted Amount" means, with respect to each share of Lime Preferred Stock that is issued and outstanding immediately prior to the Effective Time, (i) the Per Share Merger Consideration applicable to each share of Lime Common Stock, multiplied by (ii) the number of shares of Lime Common Stock into which such share of Lime Preferred Stock is convertible immediately prior to the Effective Time in accordance with the terms of the Certificate of Designation.

"Preferred Net Merger Consideration" means, with respect to the Lime Preferred Holder, as of any date, (i) the aggregate Per Share Merger Consideration paid in respect of all outstanding shares of Lime Preferred Stock held by the Lime Preferred Holder immediately prior to the Effective Time, less (ii) the aggregate amount of indemnification payments made by the Lime Preferred Holder in respect

of such shares of Lime Preferred Stock as of such date pursuant to and in accordance with Section 7.10(a) or Article VIII.

"Pro Rata Fraction" means, with respect to each Participating Securityholder, an amount equal to the quotient (expressed as a percentage and rounded to four decimal places) of: (a) the Merger Consideration payable to such Participating Securityholder in respect of shares of Lime Stock,

Exercisable Lime Options and the Lime Warrant held by such Participating Securityholder, in each case outstanding as of immediately prior to the Effective Time (if no amounts were withheld for the Escrow Funds or the Representative Amount), divided by (b) the Merger Consideration payable to all Participating Securityholders in respect of shares of Lime Stock, Exercisable Lime Options and the Lime Warrant held by such Participating Securityholders, in each case outstanding as of immediately prior to the Effective Time (if no amounts were withheld for the Escrow Funds or the Representative Amount); provided, however, that (i) with respect to any Losses for which the Lime Preferred Holder is not liable in respect of the outstanding shares of Lime Preferred Stock held by the Lime Preferred Holder immediately prior to the Effective Time solely as a result of and in accordance with Section 8.6(e), solely for purposes of Section 7.10(a) and Article VIII, the Pro Rata Fraction of each Participating Securityholder (including the Lime Preferred Holder) shall be adjusted to remove from the calculation thereof all of the Merger Consideration payable to the Lime Preferred Holder in respect of such shares of Lime Preferred Stock; and (ii) if, on the date of any payment or distribution to the Participating Securityholders of all or any portion of the Representative Amount, the Escrow Funds, the Final Adjustment Amount or any Tax refund in accordance with this Agreement, the Preferred Net Merger Consideration is less than the aggregate Minimum Preference Amount, solely for purposes of such payments or distributions, until such time as the Preferred Net Merger Consideration received by the Lime Preferred Holder (including as a result of such payments or distributions) is at least equal to the aggregate Minimum Preference Amount, the Pro Rata Fraction of each Participating Securityholder shall be adjusted so that the Pro Rata Fraction of the Lime Preferred Holder is 100%.

"Purchase Price" means the sum of US $120,000,000.

"R&W Cap" shall have the meaning as set forth in Section 8.6(a) of this Agreement.

"R&W Insurance Policy" shall have the meaning as set forth in Section 7.12 of this Agreement.

"Released Claims" shall have the meaning as set forth in Section 7.13(b) of this Agreement.

"Released Parties" shall have the meaning as set forth in Section 7.13(b) of this Agreement.

"Releasing Party" or **"Releasing Parties"** shall have the meaning as set forth in Section 7.13(b) of this Agreement.

"Representative" or **"Representatives"** means any investment banker, financial advisor, attorney, accountant, consultant, or other representative or agent of a Person.

"Representative Amount" shall have the meaning as set forth in Section 3.2(c) of this Agreement.

"Representative Losses" shall have the meaning as set forth in Section 11.1(e) of this Agreement.

"Representative Release Date" shall have the meaning as set forth in Section 3.2(c) of this Agreement.

"Requisite Lime Stockholder Approval" shall have the meaning as set forth in Section 9.1(a) of this Agreement.

"Restructuring" means the reorganization, including the dissolution and merger, of certain Lime Subsidiaries, contemplated in Section 4.4 of Lime's Disclosure Memorandum.

"Reverse Termination Fee" shall have the meaning as set forth in Section 10.3(b) of this Agreement.

"Rights" shall mean all options, warrants and other binding obligations of any character by which a Person is bound to issue additional shares of its capital stock or other securities, or securities or rights convertible into or exchangeable for shares of its capital stock or other securities.

"Securities Act" means the Securities Act of 1933, and the rules and regulations promulgated thereunder.

"Securities Laws" means the Securities Act, the Exchange Act, the Investment Company Act of 1940, the Investment Advisors Act of 1940, the Trust Indenture Act of 1939, and the rules and regulations of any Governmental Authority promulgated thereunder.

"**Straddle Period**" means any period for Taxes beginning before and ending after the Closing Date.

"Subsidiaries" of any Person means another Person with respect to which the first Person directly or indirectly owns an amount of the voting securities, other voting ownership or voting partnership interests which (or, if there are no such voting interests, 50% or more of the equity interests of which) is sufficient to elect at least a majority of its board of directors or other governing body.

"Superior Proposal" means any Acquisition Proposal (on its most recently amended or modified terms, if amended or modified) (i) involving the acquisition of at least a majority of the outstanding equity interest in, or all or substantially all of the assets and liabilities of, any Lime Entities and (ii) with respect to which the board of directors of Lime (A) determines in good faith that such Acquisition Proposal, if accepted, is reasonably likely to be consummated, taking into account all legal, financial, regulatory and other aspects of the Acquisition Proposal and the Person making the Acquisition Proposal, and (B) determines in its good faith judgment (based on, among other things, the advice of the Lime Financial Advisor or such other advisor as Lime may use) to be more favorable to Lime's stockholders than the Merger taking into account all relevant factors (including whether, in the good faith judgment of the board of directors of Lime, after obtaining the advice of the Lime Financial Advisor or such other advisor as Lime may use, the Person making such Acquisition Proposal is reasonably able to finance the transaction, and any proposed changes to this Agreement that may be proposed by Parent in response to such Acquisition Proposal).

"Surviving Corporation" shall have the meaning as set forth in Section 1.1 of this Agreement.

"Tail Fee" shall have the meaning as set forth in Section 10.3(a) of this Agreement.

"Tangible Assets" means the aggregate net asset value of all tangible assets of the Lime Entities, excluding the Closing Material Rebates and Closing Cash.

"Tangible Liabilities" means the aggregate value of the total liabilities of the Lime Entities, excluding the Closing Accrued Compensation, Closing Indebtedness and Transaction Expenses and, for avoidance of doubt, any derivative liability related to the Bison Convertible Note.

"Tangible Net Asset Value" shall have the meaning as set forth in Section 3.6(a) of this Agreement.

"Target TNAV" means an amount equal to the product of (a) the aggregate gross revenue of the Lime Entities for the three (3) month period ending as of the last day of the calendar month immediately preceding the calendar month in which the Closing occurs, multiplied by (b) the average TNAV Percentage for the twelve (12) calendar month period ending as of the last day of the calendar month immediately preceding the calendar month in which the Closing occurs, all as set forth in the Closing Adjustment Illustration.

"Tax" or **"Taxes"** means all taxes, charges, fees, levies, imposts, duties, or assessments, including income, gross receipts, excise, employment, sales, use, transfer, recording license, payroll, franchise, severance, documentary, stamp, occupation, windfall profits, environmental, federal highway use, commercial rent, customs duties, capital stock, paid-up capital, profits, withholding, Social Security, single business and unemployment, disability, real property, personal property, registration, *ad valorem*, value added, alternative or add-on minimum, estimated, or other taxes, fees, assessments or charges of any kind whatsoever, imposed or required to be withheld by any Governmental Authority (domestic or foreign), including any interest, penalties, and additions imposed thereon or with respect thereto.

"Tax Return" means any report, return, information return, or other information required to be supplied to a Governmental Authority in connection with Taxes, including any return of an affiliated or combined or unitary group that includes a Party or its Subsidiaries.

"Taxing Authority" means the Internal Revenue Service and any other Governmental Authority responsible for the administration of any Tax.

"Termination Fee" shall have the meaning as set forth in Section 10.3(a) of this Agreement.

"Third Party" means a Person that is not a party to this Agreement or an Affiliate of a party to this Agreement.

"**TNAV Delta**" shall have the meaning as set forth in Section 3.6(a) of this Agreement.

"TNAV Percentage" means, with respect to any calendar month, an amount equal to the quotient (expressed as a percentage and rounded to four decimal places) of (a) the Tangible Net Asset Value as of the end of such calendar month, divided by (b) the aggregate gross revenue of the Lime Entities for the three (3) month period ending as of the end of such calendar month.

"Third Party Claim" shall have the meaning as set forth in Section 8.4(a) of this Agreement.

"Threshold" means an amount equal to 50% of the deductible provided for in the R&W Insurance Policy.

"Tier 1 Excess Losses" shall have the meaning as set forth in Section 8.6(e)(i) of this Agreement.

"Tier 2 Excess Losses" shall have the meaning as set forth in Section 8.6(e)(ii) of this Agreement.

"Transaction Documents" means this Agreement, the Escrow Agreement, the Debt Commitment Letter and all other agreements, instruments and certificates expressly contemplated by this Agreement to be executed and delivered by any party in connection with the consummation of the transactions contemplated by this Agreement.

"Transaction Expenses" means, except to the extent included in Closing Indebtedness, (a) all fees, costs and expenses accrued, incurred or otherwise payable by the Lime Entities (including, without limitation, to the Lime Representative) at or prior to the Closing in connection with the transactions contemplated by this Agreement, including any of the foregoing that are payable in connection with the negotiation, documentation and execution of this Agreement and the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby, (b) one-half of the fees and expenses of the Exchange Agent in accordance with Section 3.3(a), and (c) any commission bonus, change in control bonus, transaction bonus or other similar payment or benefit of any kind payable by any Lime Entity at or prior to Closing contingent upon or payable as a result of or in connection with the consummation of the Merger, including any Transaction Payroll Taxes payable with respect to all such amounts, in the case of each (a), (b) and (c) solely to the extent unpaid as of Closing; provided, that Transaction Expenses shall not include any Transaction Payroll Taxes or any severance payments made to employees who are terminated after the Closing or any fees, costs and expenses payable by Parent or the Merger Sub or any of their respective Affiliates pursuant to the terms of this Agreement (or any Debt Financing), including the purchase of the Lime D&O Policy, any filing fees under the HSR Act or any other antitrust Laws and all other Laws or regulations; provided, further, that (i) any item included in Transaction Expenses shall not be included in "Closing Indebtedness" or "Tangible Liabilities" and (ii) any item included in "Closing Indebtedness" or "Tangible Liabilities" shall not be included in Transaction Expenses.

"**Transaction Payroll Taxes**" means the employer portion of any payroll or employment Taxes incurred or accrued with respect to any bonuses, Exercisable Lime Option exercises by employees of the Lime Entities, or other compensatory payments made in connection with the transactions contemplated by this Agreement.

"WARN Act" shall have the meaning as set forth in Section 4.14(d) of this Agreement.

"Willdan Group" shall have the meaning as set forth in Section 5.4(a) of this Agreement.

(b) Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed followed by the words "without limitation", and such terms shall not be limited by enumeration or example.

11.3 **Expenses.**

Subject to Section 10.3, each of the Parties shall bear and pay all direct costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including filing, registration and application fees, printing fees, and fees and expenses of its own financial or other consultants, investment bankers, accountants, and counsel, and which in the case of Lime, shall be paid at Closing and prior to the Closing.

11.4 **Brokers and Finders.**

In the event of a claim by any broker or finder based upon such broker's representing or being retained by or allegedly representing or being retained by Lime or by Parent, each of Lime and Parent, as the case may be, agrees to indemnify and hold the other Party harmless from any liability in respect of any such claim. Lime has provided Lime Financial Advisor's expected fee for its services as Section 11.4 of Lime's Disclosure Memorandum and shall pay all amounts due thereunder on the Closing Date.

11.5 **Entire Agreement; Third Party Beneficiaries.**

Except as otherwise expressly provided herein, this Agreement and the other Transaction Documents (including the exhibits, disclosure memoranda and schedules referred to herein) constitute the entire agreement between the Parties with respect to the transactions contemplated hereunder and supersede all prior arrangements or understandings with respect thereto, written or oral. Nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the Parties or their respective successors, any rights, remedies, obligations, or liabilities under or by reason of this Agreement other than: (a) the parties identified in Section 7.8 of this Agreement shall be express third party beneficiaries of, and shall be entitled to rely on, Section 7.8 of this Agreement, and (b) that the Debt Financing Sources shall be express third party beneficiaries of Sections 10.3(d), 11.6, 11.8, 11.10, 11.11 and 11.15 of this Agreement.

11.6 **Amendments.**

To the extent permitted by Law, this Agreement may be amended by a formal instrument signed in ink by each of the Parties (and not, for avoidance of doubt, by an email or series of emails), whether before or after the Requisite Lime Stockholder Approval has been obtained; provided, that after Lime's receipt of the Requisite Lime Stockholder Approval, there shall be made no amendment that by law requires stockholder approval without first obtaining such approval; provided further that this Section 11.6 and Sections 10.3(d), 11.8, 11.10, 11.11 and 11.15 of this Agreement may not be amended in a manner adverse to any Debt Financing Source without the prior written consent of such Person.

11.7 **Waivers.**

(a) Prior to or at the Closing, Parent, acting through its board of directors, shall have the right to waive any default in the performance of any term of this Agreement by Lime, to waive or extend the time for the compliance or fulfillment by Lime of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Parent under this Agreement. No such waiver shall be effective unless in writing signed by a duly authorized officer of Parent.

(b) Prior to or at the Closing, Lime, acting through its board of directors, shall have the right to waive any default in the performance of any term of this Agreement by Parent, to waive or extend the time for the compliance or fulfillment by Parent of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Lime under this Agreement. No such waiver shall be effective unless in writing signed by a duly authorized officer of Lime.

(c) The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right of such Party at a later time to enforce the same or any other provision of this Agreement. No waiver of any condition or of the breach of any term contained in this Agreement in one or more instances shall be deemed to be or construed as a further or continuing waiver of such condition or breach or a waiver of any other condition or of the breach of any other term of this Agreement.

11.8 **Assignment.**

Except as expressly contemplated hereby, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party hereto (whether by operation of Law, including by merger or consolidation, or otherwise) without the prior written Consent of the other Party. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns. Notwithstanding the foregoing, Parent, Merger Sub and Surviving Corporation may collaterally assign its respective rights and remedies under this Agreement, without the prior written consent of any other party hereto, to any Debt Financing Source.

11.9 **Notices.**

All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered by hand, properly addressed electronic mail delivery (with confirmation of delivery receipt), by registered or certified mail (postage pre-paid), or by courier or overnight carrier, to the persons at the addresses set forth below (or at such other address as may be provided hereunder), and shall be deemed to have been delivered as of the date so delivered or refused:

Parent:	Willdan Energy Solutions c/o Willdan Group, Inc. 2401 East Katella Avenue, Suite 300 Anaheim, California 92806 Attention: Mike Bieber, President Email: MBieber@willdan.com
Copy to Counsel:	O'Melveny & Myers LLP 400 South Hope Street Los Angeles, CA 90071 Attention: John A. Laco Email: jlaco@omm.com
Lime:	Lime Energy Co. 4 Gateway Center, 4th Floor 100 Mulberry Street Newark, NJ 07102 Attention: Adam Procell, Chief Executive Officer Email: aprocell@lime-energy.com
Copy to Counsel:	Nelson Mullins Riley & Scarborough, LLP One Wells Fargo Center 301 South College Street, 23rd Floor Charlotte, NC 28202 Attention: Lawrence L. Ostema Email: larry.ostema@nelsonmullins.com

11.10 **Governing Law.**

Regardless of any conflict of law or choice of law principles that might otherwise apply, the Parties agree that this Agreement, the Merger and any matter arising out of or in connection with this Agreement or the transactions contemplated thereby shall be governed by and construed in all respects in accordance with the laws of the State of Delaware. Any Litigation instituted by any Party seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought and determined exclusively in Chancery Court in the State of Delaware, and each of the Parties hereby consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such Litigation and irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of the venue of any such Litigation in any such court or that any such litigation which is brought in any such court has been brought in an inconvenient forum. Process in any such Litigation may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each Party agrees that service of notice on such Party as provided in Section 11.9 shall be deemed effective service of process on such Party. Notwithstanding anything in this Section 11.10 to the contrary, each of

the Parties agrees that it will not bring or support any Litigation against the Lenders, any other Persons that have committed to provide or arrange all or any part of the Debt Financing, together with their respective Affiliates, and their respective officers, directors, employees, agents and representatives, and their respective successors and assigns (each such Person, a "Debt Financing Source") in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the Debt Commitment Letter or the performance thereof or the Debt Financing (including the transactions contemplated thereby), in any forum other than the Supreme Court of the State of New York, County of New York, or, if under applicable Law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof). The provisions of this Section 11.10 shall be enforceable by each Debt Financing Source, its Affiliates and their respective successors and permitted assigns.

11.11 **Waiver of Jury Trial.**

Each Party hereby waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in respect of any Litigation or other proceeding arising out of this Agreement, any other Transaction Document, or the transactions contemplated hereby and thereby, including but not limited to any dispute arising out of or relating to the Debt Commitment Letter or the performance or failure to perform thereof.

11.12 **Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11.13 **Captions; Articles and Sections.**

The captions contained in this Agreement are for reference purposes only and are not part of this Agreement. Unless otherwise indicated, all references to particular Articles or Sections shall mean and refer to the referenced Articles and Sections of this Agreement. Disclosure of an item in one of Lime's Disclosure Memorandum or Parent's Disclosure Memorandum, as applicable, shall be deemed to modify both (i) the representations and warranties contained in the section of this Agreement to which it corresponds in number and (ii) any other representation and warranty of Lime or Parent, as applicable, in this Agreement to the extent that it is reasonably apparent from a reading of such disclosure item that it would also qualify or apply to such other representation and warranty.

11.14 **Interpretations.**

Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any Party, whether under any rule of construction or otherwise. No Party to this Agreement shall be considered the drafter. The Parties acknowledge and agree that this Agreement has been reviewed, negotiated, and accepted by all Parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all Parties hereto.

11.15 **Enforcement of Agreement.**

The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, without the necessity of proving actual damages, proving the inadequacy of money damages,

proving the likelihood of success, or (to the extent permitted by Law) posting a bond or other security; provided, however, that if Lime has the right to terminate this Agreement in accordance with Section 10.1(g), then Lime shall not be entitled to specific performance and the Reverse Termination Fee shall be the sole and exclusive remedy of Lime and any other Person, and all other remedies (including without limitation remedies pursuant to Section 8.2, for money damages, or for specific performance or any other equitable remedies) shall be deemed waived against Parent, Merger Sub, or any of their Affiliates for any Loss, liability or obligation relating to or arising out of this Agreement, any other Transaction Document or the transactions contemplated hereby and thereby, and upon payment of the Reverse Termination Fee to Lime, none of Parent, Merger Sub, Lime, any Participating Securityholder or any of their respective Affiliates shall have any further liability or obligation relating to or arising out of this Agreement or any other Transaction Document, or the transactions contemplated hereby or thereby, other than obligations pursuant to Section 7.11(c), which shall survive such termination; provided, further, that if Parent terminates this Agreement in accordance with Sections 10.1(c)(iii) or 10.1(e), or if Lime terminates this Agreement in accordance with Section 10.1(f) then in each case the Termination Fee, Expense Reimbursement and Tail Fees shall be the exclusive remedies of Parent, Merger Sub and any other Person, and all other remedies (including without limitation remedies pursuant to Section 8.1, for money damages, or for specific performance or any other equitable remedies) shall be deemed waived against Lime, the Participating Securityholders, or any of their Affiliates for any Loss, liability or obligation relating to or arising out of this Agreement, any other Transaction Document or the transactions contemplated hereby and thereby, and upon payment of the Termination Fee (or, as applicable, the Expense Reimbursement and Tail Fee) to Parent, none of Lime, any Participating Securityholder, Parent, Merger Sub or any of their respective Affiliates shall have any further liability or obligation relating to or arising out of this Agreement or any other Transaction Document, or the transactions contemplated hereby or thereby. Notwithstanding anything to the contrary herein, Lime, on behalf of itself and its Affiliates and their respective members, partners, stockholders, agents, attorneys, advisors or representatives, agrees that none of the Debt Financing Sources shall have any liability (whether in contract, tort, equity or otherwise) to any such person relating to this Agreement or any of the transactions contemplated herein (including the Debt Financing), waives any rights or claims against any Debt Financing Source in connection with this Agreement (and the transactions contemplated hereby) or the Debt Financing (including the transactions contemplated thereby), whether at law or equity, in contract, in tort or otherwise, and agrees not to commence any action, arbitration, audit hearing, investigation, litigation, petition, grievance, complaint, suit or proceeding against any Debt Financing Source in connection with this Agreement or the transactions contemplated hereunder (including relating to the Debt Financing).

11.16 **Severability.**

Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.17 **Waiver of Conflict.**

Recognizing that Nelson Mullins Riley & Scarborough LLP ("NMRS") has acted as legal counsel to certain holders of Lime Stock and the Lime Entities prior to the Closing, and that NMRS intends to act as legal counsel to certain holders of Lime Stock after the Closing, each of Parent and the Surviving Corporation (including on behalf of Lime) hereby waives, on its own behalf and agrees to cause its Affiliates to waive, any conflicts that may arise in connection with NMRS representing any of the holders of Lime Stock and/or its Affiliates after the Closing as such representation may relate to Parent, Lime or the transactions

contemplated herein. In addition, all communications involving attorney-client confidences between any holders of Lime Stock and its Affiliates in the course of the negotiation, documentation and consummation of the transactions contemplated hereby (collectively, "Acquisition Privileged Communications") shall be deemed to be attorney-client confidences that belong solely to such holders of Lime Stock and their Affiliates (and not Lime). Accordingly, Lime shall not have access to any Acquisition Privileged Communications, or to the files of NMRS relating to such engagement, whether or not the Closing shall have occurred. Without limiting the generality of the foregoing, upon and after the Closing, (i) the applicable holders of Lime Stock and their Affiliates (and not Lime) shall be the sole holders of the attorney-client privilege with respect to such engagement, and neither Lime nor the Surviving Corporation shall be a holder thereof, (ii) to the extent that files of NMRS in respect of such engagement constitute property of the client, only the applicable holders of Lime Stock and their Affiliates (and not Lime) shall hold such property rights and (iii) NMRS shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to Lime by reason of any attorney-client relationship between NMRS and Lime or otherwise. Notwithstanding the foregoing, in the event that a dispute arises between Parent or Lime and a Third Party (other than a party to this Agreement or any of their respective Affiliates) after the Closing, the Surviving Corporation (including on behalf of Lime) may assert the attorney-client privilege to prevent disclosure of confidential communications by NMRS to such Third Party; provided, however, that the Surviving Corporation may not waive such privilege without the prior written consent of the holders of Lime Stock. Parent agrees that it shall not, and that after the Closing it shall cause its Affiliates (including the Surviving Corporation) not to, (i) access or use the Acquisition Privileged Communications, including by way of review of any electronic data, communications or other information, or by otherwise asserting that Parent or any of its Affiliates (including the Surviving Corporation) has the right to waive the attorney-client or other privilege, or (ii) seek to obtain the Acquisition Privileged Communications from NMRS.

11.18 **Release.**

Parent and Merger Sub agree that except as provided for in this Agreement (including, for the avoidance of doubt and without limitation, the obligations and agreements set forth in Articles VII and VIII hereof) or any other Transaction Document, effective as of the Effective Time, Lime shall be deemed to have absolutely, unconditionally and irrevocably, acquitted, released and forever discharged, and shall have caused Lime and the Lime Subsidiaries to absolutely, unconditionally and irrevocably, acquit, release and forever discharge, each Participating Securityholder (whether in such stockholder's capacity as an equityholder, director, officer, employee, representative or otherwise) of and from any and all manner of action or inaction, cause or causes of action, Litigation, Liens, contracts, promises, liabilities or damages (whether for compensatory, special, incidental or punitive damages, equitable relief or otherwise) of any kind or nature whatsoever, past, present or future, at law, in equity or otherwise (including with respect to conduct which is negligent, grossly negligent, willful, intentional, with or without malice, or a breach of any duty, Law or rule), whether known or unknown, whether fixed or contingent, whether concealed or hidden, whether disclosed or undisclosed, whether liquidated or unliquidated, whether foreseeable or unforeseeable, whether anticipated or unanticipated, whether suspected or unsuspected, which any Lime Entity ever has had or ever in the future may have against any such Participating Securityholder which are based on acts, events or omissions occurring up to and including the Effective Time relating to, arising out of or in any way connected with the dealings of Lime or any Lime Subsidiary from the beginning of time through the Closing Date. Parent, Merger Sub and Lime (on behalf of itself and each Lime Subsidiary): (a) expressly acknowledges that the foregoing release is intended to include in its effect all claims any Lime Entity does not know or suspect to exist in its favor (including unknown and contingent claims), (b) acknowledges that the laws of many states provide substantially the following: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR;" (c) acknowledges that such provisions are designed to protect a party from waiving claims

which it does not know exist or may exist, (d) nonetheless agrees that, effective as of the Effective Time, Parent, Merger Sub, Lime and the Lime Subsidiaries shall be deemed to waive any such provision, and (e) further agree that none of Parent, Merger Sub, Lime or any Lime Subsidiary, and no controlled Affiliate of any of them, shall (i) institute a mediation, arbitration, lawsuit or other legal proceeding based upon, arising out of, or relating to any of the released claims, (ii) participate, assist, or cooperate in any such proceeding, or (iii) encourage, assist or solicit any Third Party to institute any such proceeding.

11.19 **Disclosure Memorandum.**

Lime's Disclosure Memorandum shall be construed with and as an integral part of this Agreement to the same extent as if it was set forth verbatim herein. Neither the specification of any dollar amount in any representation or warranty contained in this Agreement nor the inclusion of any specific item in Lime's Disclosure Memorandum is intended to vary the definition of the term "Material Adverse Effect" or to imply that such amount, or higher or lower amounts, or the item so included or other items, are or are not material, and no Party shall use the fact of the setting forth of any such amount or the inclusion of any such item in any dispute or controversy between the Parties as to whether any obligation, item or matter not described herein or included in Lime's Disclosure Memorandum is or is not material for purposes of this Agreement. Unless this Agreement specifically provides otherwise, neither the specification of any item or matter in any representation or warranty contained in this Agreement nor the inclusion of any specific item in Lime's Disclosure Memorandum is intended to imply that such item or matter, or other items or matters, are or are not in the ordinary course of business, and no Party or other express beneficiary hereof shall use the fact of the setting forth or the inclusion of any such item or matter in any dispute or controversy between the Parties or any such beneficiaries as to whether any obligation, item or matter not described herein or included in Lime's Disclosure Memorandum is or is not in the ordinary course of business for purposes of this Agreement. Any document or information that is referred to in Lime's Disclosure Memorandum shall be deemed incorporated in its entirety as if included in Lime's Disclosure Memorandum verbatim. Each section in Lime's Disclosure Memorandum shall be deemed to qualify the corresponding section of this Agreement and any other section of this Agreement to which the application of such disclosure is reasonably apparent.

11.20 **Time is of the Essence.**

Time is of the essence with respect to each and every covenant, agreement, and obligation of the Parties hereunder and under all of the other Transaction Documents.

[signatures appear on next page]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf by its duly authorized officers as of the day and year first above written.

WILLDAN ENERGY SOLUTIONS

By: /s/ Daniel T. Chow
Name: Daniel T. Chow
Title: President, Chief Executive Officer

LUNA FRUIT, INC.

By: /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chief Executive Officer

LIME ENERGY CO.

By: /s/ Adam Procell
Name: Adam Procell
Title: President and Chief Executive Officer

LUNA STOCKHOLDER REPRESENTATIVE, LLC

By: /s/ Andreas Hildebrand
Name: Andreas Hildebrand
Title: Authorized Signatory

Exhibit 10.1

Execution Version

CREDIT AGREEMENT

DATED AS OF OCTOBER 1, 2018,

AMONG

WILLDAN GROUP, INC.,
as the Borrower,

THE GUARANTORS FROM TIME TO TIME PARTY HERETO,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

AND

BMO HARRIS BANK N.A.,
as Administrative Agent

BMO HARRIS BANK N.A., AS JOINT LEAD ARRANGER AND JOINT BOOK RUNNER

MUFG UNION BANK, N.A., AS JOINT LEAD ARRANGER AND JOINT BOOK RUNNER

TABLE OF CONTENTS

CREDIT AGREEMENT

This Credit Agreement is entered into as of October 1, 2018, by and among Willdan Group, Inc., a Delaware corporation (the *"Borrower"*), the direct and indirect Subsidiaries of the Borrower from time to time party to this Agreement as Guarantors, the several financial institutions from time to time party to this Agreement as Lenders, and BMO Harris Bank N.A., a national banking association, as Administrative Agent as provided herein.

PRELIMINARY STATEMENT

WHEREAS, the Borrower has requested, and the Lenders have agreed to extend, certain credit facilities on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. The following terms when used herein shall have the following meanings:

"Acquired Business" means the entity or assets acquired by the Borrower or another Loan Party in an Acquisition after the date hereof.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person (other than a Person that is a Subsidiary), or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Borrower or another Loan Party is the surviving entity.

"Adjusted EBITDA" means, with reference to any Test Period, EBITDA for such Test Period, *plus* (a) non-cash charges and other pro forma adjustments for such Test Period deducted in the determination of Net Income for such Test Period and reasonably acceptable to the Administrative Agent, *plus* (b) fees and expenses paid in connection with the execution, delivery and performance by the Loan Parties of the Loan Documents, *plus* (c) fees and expenses associated with (i) the Luna Acquisition, in an aggregate amount not to exceed $1,000,000, and (ii) other investments permitted pursuant to Section 8.9 (including Permitted Acquisitions) whether or not such investment is consummated, in an aggregate amount not to exceed $500,000 in any Fiscal Year, *plus* (d) fees and expenses related to equity offerings of Borrower in an aggregate amount not to exceed $500,000 in any Fiscal Year, *minus* (e) all amounts included in the calculation of Net Income with respect to such Test Period in respect of non-cash gains and other pro forma adjustments included in the calculation of Net Income with respect to such Test Period. Adjusted

EBITDA shall be calculated on a pro forma basis giving effect to any Permitted Acquisition or disposition of a Subsidiary or business segment during such Test Period and including pro forma cost savings to the extent such cost savings are approved in the reasonable discretion of the Administrative Agent.

"*Adjusted LIBOR*" means, for any Borrowing of Eurodollar Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

"*Administrative Agent*" means BMO Harris Bank N.A., in its capacity as Administrative Agent hereunder, and any successor in such capacity pursuant to Section 10.6.

"*Administrative Questionnaire*" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"*Affiliate*" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; *provided that*, in any event for purposes of this definition, any Person that owns, directly or indirectly, 5% or more of the securities having the ordinary voting power for the election of directors or governing body of a corporation or 5% or more of the partnership or other ownership interest of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

"*Agreement*" means this Credit Agreement, as the same may be amended, modified, restated or supplemented from time to time pursuant to the terms hereof.

"*Anti-Corruption Law*" means the FCPA and any law, rule or regulation of any jurisdiction concerning or relating to bribery or corruption that are applicable to any Loan Party or any Subsidiary or Affiliate.

"*Applicable Margin*" means, with respect to Loans, Reimbursement Obligations, Letter of Credit Fees, and the commitment fees payable under Section 3.1(a), until the first Pricing Date, the rates per annum shown opposite Level V below, and thereafter from one Pricing Date to the next the Applicable Margin means the rates per annum determined in accordance with the following schedule:

LEVEL	TOTAL LEVERAGE RATIO FOR SUCH PRICING DATE	APPLICABLE MARGIN FOR BASE RATE LOANS AND REIMBURSEMENT OBLIGATIONS	APPLICABLE MARGIN FOR LIBOR LOANS AND FINANCIAL LETTER OF CREDIT FEES	APPLICABLE MARGIN FOR PERFORMANCE LETTER OF CREDIT FEES SHALL BE:	APPLICABLE MARGIN FOR REVOLVING CREDIT COMMITMENT FEES
V	Greater than or equal to 3.00 to 1.0 (to the extent the Initial Equity Issuance Trigger Event has not occurred)	3.00%	4.00%	3.00%	0.40%
	Greater than or equal to 3.00 to 1.0 (to the extent the Initial Equity Issuance Trigger Event has occurred)	2.00%	3.00%	2.25%	0.40%
IV	Less than 3.00 to 1.0, and greater than or equal to 2.00 to 1.0	1.50%	2.50%	1.88%	0.35%
III	Less than 2.00 to 1.0, and greater than or equal to 1.50 to 1.0	1.00%	2.00%	1.50%	0.30%
II	Less than 1.50 to 1.0, and greater than or equal to 0.75 to 1.0	0.50%	1.50%	1.13%	0.25%
I	Less than 0.75 to 1.0	0.25%	1.25%	0.94%	0.20%

For purposes hereof, the term "*Pricing Date*" means, for any Fiscal Quarter of the Borrower ending on or after December 28, 2018, the date on which the Administrative Agent is in receipt of the Borrower's most recent financial statements for the Fiscal Quarter then ended, pursuant to Section 8.5(a) or (b). The Applicable Margin shall be established based on the Total Leverage Ratio for the most recently completed Fiscal Quarter and the Applicable Margin established on a Pricing Date shall remain in effect until the next Pricing Date. If the Borrower has not delivered its financial statements by the date such financial statements are required to be delivered under Section 8.5(a) or (b), until such financial statements are delivered, the Applicable Margin shall be the highest Applicable Margin (*i.e.*, Level V shall apply). If the Borrower subsequently delivers

such financial statements before the next Pricing Date, the Applicable Margin shall be determined on the date of delivery of such financial statements and remain in effect until the next Pricing Date. In all other circumstances, the Applicable Margin shall be in effect from the Pricing Date that occurs immediately after the end of the Fiscal Quarter covered by such financial statements until the next Pricing Date. Each determination of the Applicable Margin made by the Administrative Agent in accordance with the foregoing shall be conclusive and binding on the Borrower and the Lenders if reasonably determined. Notwithstanding the foregoing, in the event that any financial statement or compliance certificate delivered pursuant to Sections 8.5(a), (b) or (h) is inaccurate, and such inaccuracy, if corrected, would have led to the imposition of a higher Applicable Margin for any period than the Applicable Margin applied for that period, then (i) the Borrower shall immediately deliver to the Administrative Agent a corrected financial statement and a corrected compliance certificate for that period (the *"Corrected Financials Date"*), (ii) the Applicable Margin shall be determined based on the corrected compliance certificate for that period, and (iii) the Borrower shall immediately pay to the Administrative Agent (for the account of the Lenders that hold the Commitments and Loans at the time such payment is received, regardless of whether those Lenders held the Commitments and Loans during the relevant period) the accrued additional interest owing as a result of such increased Applicable Margin for that period; *provided*, for the avoidance of doubt, such deficiency shall be due and payable as at such Corrected Financials Date and no Default under Section 9.1(a) shall be deemed to have occur with respect to such deficiency prior to such date. This paragraph shall not limit the rights of the Administrative Agent or the Lenders with respect to Section 2.9 and Section 9 hereof, and shall survive the termination of this Agreement until the payment in full in cash of the Obligations.

"*Application*" is defined in Section 2.3(b).

"*Approved Fund*" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"*Assigned Accounts*" is defined in Section 12.2.

"*Assignment and Assumption*" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 13.2(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit H or any other form approved by the Administrative Agent.

"*Authorized Representative*" means those persons shown on the list of officers provided by the Borrower pursuant to Section 7.2 or on any update of any such list provided by the Borrower to the Administrative Agent, or any further or different officers of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Administrative Agent.

"*Bail-In Action*" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"*Bail-In Legislation*" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European

Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"*Bank Product Obligations*" of the Loan Parties means any and all of their obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Bank Products.

"*Bank Products*" means each and any of the following bank products and services provided to any Loan Party by the Administrative Agent, any Lender or any of their respective Affiliates (or by a Person that was the Administrative Agent, a Lender or an Affiliate of the Administrative Agent or a Lender on the Closing Date or the date the agreement evidencing such Bank Product was entered into): (a) credit or charge cards for commercial customers (including, without limitation, "commercial credit cards" and purchasing cards), (b) stored value cards, and (c) depository, cash management, and treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"*Base Rate*" means, for any day, the rate per annum equal to the greatest of: (a) the rate of interest announced or otherwise established by the Administrative Agent from time to time as its prime commercial rate as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not change more than once per day and may not be the Administrative Agent's best or lowest rate), (b) the sum of (i) the Federal Funds Rate for such day, *plus* (ii) 1/2 of 1%, or (c) the LIBOR Quoted Rate for such day *plus* 1.00%. As used herein, the term "*LIBOR Quoted Rate*" means, for any day, the rate per annum equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a one-month interest period as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) as of 11:00 a.m. (London, England time) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) divided by (ii) one (1) minus the Eurodollar Reserve Percentage, *provided* that in no event shall the "LIBOR Quoted Rate" be less than 0.00%.

"*Base Rate Loan*" means a Loan bearing interest at a rate specified in Section 2.4(a).

"*Beneficial Ownership Certification*" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"*Beneficial Ownership Regulation*" means 31 C.F.R. § 1010.230.

"*Benefit Plan*" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise) for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"*Bonding Agreement*" means, collectively, all contractual arrangements entered into by the Borrower or any of its Subsidiaries with providers of bid, performance or payment bonds.

"*Bonds*" means, collectively, all bonds issued by any Surety pursuant to a Bonding Agreement.

"*Borrower*" is defined in the introductory paragraph of this Agreement.

"*Borrowing*" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Lenders under a Facility on a single date and, in the case of Eurodollar Loans, for a single Interest Period. Borrowings of Loans are made and maintained ratably from each of the Lenders under a Facility according to their Percentages of such Facility. A Borrowing is "*advanced*" on the day Lenders advance funds comprising such Borrowing to the Borrower, is "*continued*" on the date a new Interest Period for the same type of Loans commences for such Borrowing, and is "*converted*" when such Borrowing is changed from one type of Loans to the other, all as determined pursuant to Section 2.6. Borrowings of Swingline Loans are made by the Swingline Lender in accordance with the procedures set forth in Section 2.2(b).

"*Business Day*" means any day (other than a Saturday or Sunday) on which banks are not authorized or required to close in Chicago, Illinois and, if the applicable Business Day relates to the advance or continuation of, or conversion into, or payment of a Eurodollar Loan, on which banks are dealing in U.S. Dollar deposits in the interbank eurodollar market in London, England.

"*Capital Expenditures*" means, with respect to any Person for any period, the aggregate amount of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period for the acquisition or leasing (pursuant to a Capital Lease) of fixed or capital assets or additions to property, plant, or equipment (including replacements, capitalized repairs, and improvements) which should be capitalized on the balance sheet of such Person in accordance with GAAP; provided that the following shall be excluded from the foregoing: (i) expenditures incurred in connection with Permitted Acquisitions and the Luna Acquisition, or incurred by the Person acquired in a Permitted Acquisition or the Luna Acquisition, prior to the closing of such Permitted Acquisition or Luna Acquisition, as applicable; (ii) subject to compliance with Section 2.8(b)(ii) hereof to the extent applicable, capital expenditures in respect of the reinvestment of any insurance proceeds (or other similar recoveries, including indemnification payments) paid on account of any loss or damage, or arising from the taking by eminent domain or condemnation, or made with cash proceeds of dispositions; and (iii) expenditures made with cash proceeds from any issuances of Capital Stock of the Borrower or contributions of capital made to the Borrower.

"*Capital Lease*" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee; *provided* that the adoption or issuance of any accounting standards after the Closing Date will not cause any lease that was not or would not have been a Capital Lease prior to such adoption or issuance to be deemed a Capital Lease.

"*Capitalized Lease Obligation*" means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

"*Cash Collateralize*" means, to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the L/C Issuer or Lenders, as collateral for L/C Obligations or obligations of Lenders to fund participations in respect of L/C Obligations, cash or deposit account balances subject to a first priority perfected security interest in favor of the Administrative Agent or, if the Administrative Agent and each applicable L/C Issuer shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each applicable L/C Issuer. "*Cash Collateral*" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"*Cash Equivalents*" means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one (1) year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, (c) commercial paper maturing within one (1) year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (d) certificates of deposit, time deposits, overnight bank deposits or bankers' acceptances maturing within one (1) year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia having at the date of acquisition thereof combined capital and surplus of not less than $250,000,000, (e) deposit accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is fully insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than $250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, *provided* all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System, and (g) investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (f) above.

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or

directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"*Change of Control*" means any of (a) the acquisition by any "*person*" or "*group*" (as such terms are used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of 25% or more of the outstanding capital stock or other equity interests of the Borrower on a fully-diluted basis, (b) the failure of individuals who are members of the board of directors (or similar governing body) of the Borrower on the Closing Date (together with any new or replacement directors whose initial nomination for election was approved by a majority of the directors who were either directors on the Closing Date or previously so approved) to constitute a majority of the board of directors (or similar governing body) of the Borrower, or (c) any "Change of Control" (or words of like import), as defined in any agreement or indenture relating to any issue of Material Indebtedness of any Loan Party or any Subsidiary of a Loan Party, shall occur.

"*Closing Date*" means the date of this Agreement or such later Business Day upon which each condition described in Section 7.2 shall be satisfied or waived in a manner acceptable to the Administrative Agent in its discretion.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"*Collateral*" means all properties, rights, interests, and privileges from time to time subject to the Liens granted to the Administrative Agent, or any security trustee therefor, by the Collateral Documents.

"*Collateral Access Agreement*" means any landlord waiver, warehouse, processor or other bailee letter or other agreement, in form and substance reasonably satisfactory to the Administrative Agent, between the Administrative Agent and any third party (including any bailee, consignee, customs broker, or other similar Person) in possession of any Collateral or any landlord of the Borrower or any Subsidiary for any real property where any Collateral is located, as such landlord waiver, bailee letter or other agreement may be amended, restated, or otherwise modified from time to time.

"*Collateral Account*" is defined in Section 9.4.

"*Collateral Documents*" means the Mortgages, the Security Agreement, and all other mortgages, deeds of trust, security agreements, pledge agreements, assignments, financing statements, control agreements, and other documents as shall from time to time secure or relate to the Secured Obligations or any part thereof.

"*Commitments*" means the Revolving Credit Commitments and the Delayed Draw Term Loan Commitments.

"*Commodity Exchange Act*" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"*Constituent Documents*" means, with respect to any Person, collectively and, in each case, together with any modification of any term thereof, (a) the articles of incorporation, certificate of incorporation, constitution or certificate of formation of such Person, (b) the bylaws, operating agreement or joint venture agreement of such Person, (c) any other constitutive, organizational or governing document of such Person, whether or not equivalent, and (d) any other document setting forth the manner of election or duties of the directors, officers or managing members of such Person or the designation, amount or relative rights, limitations and preferences of any Voting Stock of such Person.

"*Construction Joint Venture*" means an investment made in the ordinary course of business in connection with joint ventures (including legal entity joint ventures) or a similar pooling of efforts in respect of a specific project or series of related specific projects for a limited or fixed duration which is formed to conduct business of the type in which any Loan Party is presently engaged and which procures the services necessary to conduct its business (other than incidental services) through the owners of such joint venture or pooling of efforts or through subcontractors to the owners of such joint venture.

"*Control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"*Controlled Group*" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with any Loan Party, are treated as a single employer under Section 414 of the Code.

"*Credit Event*" means the advancing of any Loan, or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit.

"*Debtor Relief Laws*" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"*Default*" means any event or condition which constitutes an Event of Default or any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"*Defaulting Lender*" means, subject to Section 2.13(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable

default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any L/C Issuer, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within

two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any L/C Issuer or the Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (*provided* that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, at any time after the Closing Date, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.13(b)) upon delivery of written notice of such determination to the Borrower, the L/C Issuer, the Swingline Lender and each Lender.

"*Delayed Draw Term Loan Availability Period*" means the period commencing on the Closing Date through and including December 31, 2018 or such earlier date as the Borrower elects to terminate in full the Delayed Draw Term Loan Commitments in accordance with Section 2.11(b).

"*Delayed Draw Term Loan*" is defined in Section 2.1 and, as so defined, includes a Base Rate Loan or a Eurodollar Loan, each of which is a "*type*" of Delayed Draw Term Loan hereunder.

"*Delayed Draw Term Loan Facility*" means the credit facility for the Delayed Draw Term Loans described in Section 2.1.

"*Delayed Draw Term Loan Commitment*" means, as to any Lender, the obligation of such Lender to make its Delayed Draw Term Loan during the Delayed Draw Term Loan Availability Period in the principal amount not to exceed the amount set forth opposite such Lender's name on

Schedule 2.1/2.2 attached hereto and made a part hereof, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof (including, without limitation, Section 2.11(b) hereof). The Borrower and the Lenders acknowledge and agree that the Delayed Draw Term Loan Commitments of the Lenders aggregate $90,000,000 on the Closing Date.

"*Delayed Draw Term Loan Commitment Fee End Date*" is defined in Section 3.1(d).

"*Delayed Draw Term Loan Maturity Date*" means October 1, 2023.

"*Delayed Draw Term Loan Percentage*" means, for each Lender, the percentage of the Delayed Draw Term Loan Commitments represented by such Lender's Delayed Draw Term Loan Commitment or, if the Delayed Draw Term Loan Commitments have been terminated or have expired, the percentage held by such Lender of the aggregate principal amount of all Delayed Draw Term Loans then outstanding.

"*Delayed Draw Term Note*" is defined in Section 2.10.

"*Designated Disbursement Account*" means the account of the Borrower maintained with the Administrative Agent or its Affiliate and designated in writing to the Administrative Agent as the Borrower's Designated Disbursement Account (or such other account as the Borrower and the Administrative Agent may otherwise agree).

"*Disposition*" means the sale, lease, conveyance or other disposition of Property, other than (a) the sale or lease of inventory in the ordinary course of business, and (b) the sale, transfer, lease or other disposition of Property of a Loan Party to another Loan Party in the ordinary course of its business.

"*Domestic Subsidiary*" means a Subsidiary that is not a Foreign Subsidiary.

"*Earn Out Obligations*" means and includes any cash earn out obligations, performance payments or similar obligations of any Loan Party or any of their Subsidiaries to any sellers arising out of or in connection with an Acquisition, but excluding any working capital adjustments or payments for services or licenses provided by such sellers.

"*EBITDA*" means, with reference to any Test Period, (i) Net Income for such Test Period *plus* all amounts deducted in arriving at such Net Income amount in respect of (a) Interest Expense for such Test Period, (b) federal, state, and local income taxes for such Test Period, (c) depreciation of fixed assets and amortization of intangible assets for such Test Period.

"*EEA Financial Institution*" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"*EEA Member Country*" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"*EEA Resolution Authority*" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"*Eligible Assignee*" means any Person that meets the requirements to be an assignee under Section 13.2(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 13.2(b)(iii)).

"*Eligible Line of Business*" means any business engaged in as of the date of this Agreement by the Borrower or any of its Subsidiaries or any business reasonably related or substantially similar thereto.

"*Environmental Claim*" means any investigation, notice, violation, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (a) pursuant to, or in connection with an actual or alleged violation of, any Environmental Law, (b) in connection with any Hazardous Material, (c) from any abatement, removal, remedial, investigative, corrective or response action in connection with a Hazardous Material, Environmental Law or order of a Governmental Authority or (d) from any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"*Environmental Law*" means any current or future Legal Requirement pertaining to (a) the protection of health, safety and the indoor or outdoor environment, (b) the conservation, management, protection or use of natural resources and wildlife, (c) the protection or use of surface water or groundwater, (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, investigation, remediation or handling of, or exposure to, any Hazardous Material or (e) pollution (including any Release to air, land, surface water or groundwater), and any amendment, rule, regulation, order or directive issued thereunder.

"*Environmental Liability*" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, costs of compliance, penalties or indemnities), of any Loan Party or any Subsidiary of a Loan Party directly or indirectly resulting from or based upon (a) any actual or alleged violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other legally enforceable consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto, and the rules and regulations promulgated thereunder.

"*EU Bail-In Legislation Schedule*" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"*Eurodollar Loan*" means a Loan bearing interest at the rate specified in Section 2.4(b).

"*Eurodollar Reserve Percentage*" means the maximum reserve percentage, expressed as a decimal, at which reserves (including, without limitation, any emergency, marginal, special, and supplemental reserves) are imposed by the Board of Governors of the Federal Reserve System (or any successor) on "*eurocurrency liabilities*", as defined in such Board's Regulation D (or any successor thereto), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the relevant Loans shall be deemed to be "*eurocurrency liabilities*" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"*Event of Default*" means any event or condition identified as such in Section 9.1.

"*Event of Loss*" means, with respect to any Property, any of the following: (a) any loss, destruction or damage of such Property or (b) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or the requisition of the use of such Property.

"*Excess Cash Flow*" means, with respect to any period, the amount (if any) by which (a) EBITDA (but determined for such purposes without giving effect to any extraordinary gains or losses) of the Borrower and its Subsidiaries during such period exceeds (b) the sum of (i) Interest Expense of the Borrower and its Subsidiaries payable in cash during such period, *plus* (ii) federal, state and local income taxes and tax distributions of the Borrower and its Subsidiaries payable in cash during such period, *plus* (iii) the aggregate amount of payments required to be made, and actually made, by the Borrower and its Subsidiaries during such period in respect of all principal on all Indebtedness (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment, acceleration or otherwise, but excluding payments made under the Revolving Facility (except to the extent accompanied by a permanent reduction of the Revolving Credit Commitments) and excluding prepayments of the Term Loans made under Section 2.8), *plus* (iv) the aggregate amount of Unfinanced Capital Expenditures made by the Borrower and its Subsidiaries during such period, *plus* (v) the aggregate amount of payments made in cash by the Borrower and its Subsidiaries during such period in respect of Permitted Acquisitions, except to the extent financed with the proceeds of long-term Indebtedness *plus* (vi) the aggregate amount of Share Repurchases permitted under Section 8.12 that are made by the Borrower during such period.

"*Excluded Deposit Account*" means (a) a deposit account the balance of which consists exclusively of (and is identified when established as an account established solely for the purposes of) (i) withheld income Taxes and federal, state, local or foreign employment Taxes in such amounts as are required in the reasonable judgment of a Loan Party to be paid to the Internal Revenue Service or any other U.S., federal, state or local or foreign government agencies within

the following month with respect to employees of such Loan Party, (ii) amounts required to be paid over to an employee benefit plan pursuant to DOL Reg. Sec. 2510.3-102 on behalf of or for the benefit of employees of any Loan Party, (iii) amounts which are required to be pledged or otherwise provided as security pursuant to any requirement of any Governmental Authority or foreign pension requirement, (iv) amounts to be used to fund payroll obligations

(including, but not limited to, amounts payable to any employment contracts between any Loan Party and their respective employees); and (b) other deposit accounts maintained in the ordinary course of business containing cash amounts that do not exceed at any time $100,000 for any such account and $250,000 in the aggregate for all such accounts under this clause (b), unless requested by the Administrative Agent after the occurrence and during the continuation of an Event of Default.

"*Excluded Equity Issuances*" means (a) the issuance by any Subsidiary of equity securities to the Borrower or any Guarantor, as applicable, (b) the issuance of equity securities by the Borrower to any Person that is an equity holder of the Borrower prior to such issuance (a "*Subject Holder*") so long as such Subject Holder did not acquire any equity securities of the Borrower so as to become a Subject Holder concurrently with, or in contemplation of, the issuance of such equity securities to such Subject Holder, (c) the issuance of equity securities of the Borrower to directors, officers and employees of the Borrower and its Subsidiaries pursuant to employee stock option plans (or other employee incentive plans or other compensation arrangements) approved by the Borrower's Board of Directors, and (d) the issuance of equity securities of the Borrower in order to finance the purchase consideration (or a portion thereof) in connection with a Permitted Acquisition or Capital Expenditures.

"Excluded Property" means (a) any fee-owned real property with a fair market value of less than $500,000 in the aggregate, unless requested by the Administrative Agent after the occurrence and during the continuation of an Event of Default; (b) any leased real property; (c) any intent-to-use trademark application prior to the filing of a "Statement of Use" or "Amendment to Allege Use" with the United States Patent and Trademark Office with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law; (d) any equipment securing purchase money indebtedness or Capitalized Lease Obligations if the granting of a Lien to any third party is prohibited by the agreement(s) setting forth the terms and conditions applicable to such Indebtedness but only if such Indebtedness and the Liens securing the same are permitted by Sections 8.7(b) and 8.8(d) of the Credit Agreement, *provided* that if and when the prohibition which prevents the granting of a Lien in any such Property is removed, terminated or otherwise becomes unenforceable as a matter of law (including, without limitation, the termination of any such security interest resulting from the satisfaction of the Indebtedness secured thereby), and notwithstanding any previous release of Lien provided by the Administrative Agent requested with respect to any such Indebtedness, the Excluded Property will no longer include such Property and the Administrative Agent will be deemed to have, and at all times to have had, a security interest in such property and the Collateral will be deemed to include, and at all times to have included, such Property without further action or notice by any Person; (e) any permit or license issued to any Loan Party as the permit holder or licensee thereof or any lease to which any Loan Party is lessee thereof, in each case only to the extent and for so long as the terms of such permit, license, or lease effectively (after giving effect to Sections 9-406 through 9-409, inclusive, of the Uniform Commercial Code in the applicable

state (or any successor provision or provisions) or any other applicable law) prohibit the creation by such Loan Party of a security interest in such permit, license, or lease in favor of the Administrative Agent or would result in an effective invalidation, termination or breach of the terms of any such permit, license or lease (after giving effect to Sections 9-406 through 9-409, inclusive, of the Uniform Commercial Code in the applicable state (or any successor provision or provisions) or any other applicable law), in each case unless and until any required consents are obtained, *provided* that the Excluded Property will not include, and the Collateral shall include and the security interest granted in the Collateral shall attach to, (x) all proceeds, substitutions or replacements of any such excluded items referred to herein unless such proceeds, substitutions or replacements would constitute excluded items hereunder, (y) all rights to payment due or to become due under any such excluded items referred to herein, and (z) if and when the prohibition which prevents the granting of a security interest in any such Property is removed, terminated, or otherwise becomes unenforceable as a matter of law, the Administrative Agent will be deemed to have, and at all times to have had, a security interest in such property, and the Collateral will be deemed to include, and at all times to have included, such Property without further action or notice by any Person; (f) equity interests of any Foreign Subsidiary which, if granted, would cause a material adverse effect on the applicable Borrower's federal income tax liability, unless requested by the Administrative Agent after the occurrence and during the continuation of an Event of Default, *provided* that Excluded Property shall not include, and the Collateral shall include, (x) non-voting equity interests of a first-tier Foreign Subsidiary owned by any Loan Party and (y) voting equity interests of a first-tier Foreign Subsidiary owned by any Loan Party representing not more than 66% of the total voting power of all outstanding voting equity interests of such Foreign Subsidiary, with equity interests of such Foreign Subsidiary constituting "stock entitled to vote" within the meaning of Treasury regulation section 1.956-2(c)(2) being treated as voting equity interests of such Foreign Subsidiary for purposes of this clause (f); (g) Excluded Deposit Accounts; (h) equity interests of Inactive Subsidiaries and Genesys Engineering, P.C.; and (i) cash deposits subject to a Lien (other than a Lien in favor of the Administrative Agent or any Lender) permitted under, and only to the extent contemplated by, Section 8.8.

"*Excluded Swap Obligation*" means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason not to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the Guarantee of such Guarantor or the grant of such security interest becomes effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes illegal.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having

its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.12) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 4.1 amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 4.1(g), and (d) any withholding Taxes imposed under FATCA.

"*Existing Letters of Credit*" means the letters of credit set forth on Schedule 1.1(a) hereto.

"*Facility*" means any of the Revolving Facility or any Term Loan Facility.

"*FATCA*" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code

"*FCPA*" means the Foreign Corrupt Practices Act, 15 U.S.C. §§78dd-1, et seq.

"*Federal Funds Rate*" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent; *provided* that in no event shall the Federal Funds Rate be less than 0.00%.

"*Financial Officer*" of any Person means the chief executive officer, president, chief financial officer, principal accounting officer, treasurer or controller of such Person.

"*Financial Standby Letters of Credit*" shall mean letters of credit and bank guarantees in which the underlying performance being supported thereby is financial in nature, as determined by the L/C Issuer and the Administrative Agent, which determination shall be conclusive and binding upon the Borrower absent manifest error.

"*Fiscal Month*" means, for the first and second Fiscal Month in any Fiscal Quarter, a four-week period of the Borrower, and for the third Fiscal Month in any Fiscal Quarter, a five-week period of the Borrower, where such week begins on Saturday.

"*Fiscal Quarter*" means a three-Fiscal Month period of the Borrower. For the sake of clarity, the last day of each Fiscal Quarter shall be those dates set forth on Schedule 1.1(a), which schedule shall be updated by the Borrower from time to time upon request of the Administrative Agent.

"*Fiscal Year*" means a four-Fiscal Quarter period of the Borrower, which period commences on the first Saturday after the last Fiscal Month of the Fiscal Year. For the sake of clarity, the Fiscal Year of 2018 commenced on December 30, 2017.

"*Fixed Charge Coverage Ratio*" means, as of the last day of any Test Period, the ratio of (i) Adjusted EBITDA for such Test Period, *less* Unfinanced Capital Expenditures during such Test Period to (ii) Fixed Charges for such Test Period.

"*Fixed Charges*" means, with reference to any Test Period, the sum of (a) all scheduled payments of principal paid or required to be paid during such Test Period with respect to Indebtedness of the Borrower and its Subsidiaries, (b) Interest Expense paid or required to be paid in cash during such Test Period, (c) federal, state, and local income taxes (and franchise taxes in lieu of income taxes) paid or required to be paid in cash by the Loan Parties and their Subsidiaries during such Test Period, and (d) Restricted Payments paid in cash by the Borrower during such Test Period. For purposes of this Agreement, (i) the determination of the amount of Fixed Charges of the type described in clause (a) above for each Test Period through the Test Period ending on or about September 27, 2019 shall include, without limitation, the Scheduled Amortization Amount in lieu of the actual amount of principal paid in respect of the Delayed Draw Term Loans pursuant to Section 2.7(a) during such Test Period, and (ii) clause (b) above for all Test Periods through the Test Period ending on September 30, 2019 shall be deemed to equal (x) the amount of Interest Expense in respect of the Loans hereunder incurred from and after the Closing Date through and including the last day of such Test Period multiplied by (y)(A) 365 divided by (B) the number of calendar days from and including the Closing Date through and including the last date of such Test Period.

"*Foreign Lender*" means a Lender that is not a U.S. Person.

"*Foreign Subsidiary*" means each Subsidiary that (a) is organized under the laws of a jurisdiction other than the United States of America or any state thereof or the District of Columbia, (b) conducts substantially all of its business outside of the United States of America, and (c) has substantially all of its assets outside of the United States of America.

"*Fronting Exposure*" means, at any time there is a Defaulting Lender, (a) with respect to any L/C Issuer, such Defaulting Lender's Percentage of the outstanding L/C Obligations with respect to Letters of Credit issued by such L/C Issuer other than L/C Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swingline Lender,

such Defaulting Lender's Percentage of outstanding Swingline Loans made by the Swingline Lender other than Swingline Loans as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders.

"*Fund*" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"*GAAP*" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards

Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"*Governmental Authority*" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"*Guarantee*" of or by any Person (the "*guarantor*") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; *provided* that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"*Guarantors*" means and includes each Subsidiary of the Borrower (other than Inactive Subsidiaries), and the Borrower, in its capacity as a guarantor of the Secured Obligations of another Loan Party; *provided, however,* that unless otherwise required by the Administrative Agent during the existence of any Event of Default, a Foreign Subsidiary shall not be required to be a Guarantor hereunder if providing such Guaranty Agreement would cause a material adverse effect on the Borrower's federal income tax liability.

"*Guaranty Agreements*" means and includes the Guarantee of the Loan Parties provided for in Section 11 and any other guaranty agreement executed and delivered in order to guarantee

the Secured Obligations or any part thereof in form and substance acceptable to the Administrative Agent.

"*Hazardous Material*" means any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, pollutant, contaminant or material which is hazardous, toxic, or a pollutant and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as "hazardous," "toxic," or a "pollutant" or words of like import pursuant to an Environmental Law.

"*Hazardous Material Activity*" means any activity, event or occurrence involving a Hazardous Material, including, without limitation, the manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation, handling of or corrective or response action to any Hazardous Material.

"*Hedging Agreement*" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; *provided* that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of any Loan Party or its Subsidiaries shall be a Hedging Agreement.

"*Hedging Liability*" means the liability of any Loan Party to the Administrative Agent, any Lender, or any of their respective Affiliates (or to any other counterparty that was the Administrative Agent, a Lender, or any of their respective Affiliates as of the date such Hedging Agreement is entered into) in respect of any Hedging Agreement as such Loan Party may from time to time enter into with any one or more of the Lenders party to this Agreement or their Affiliates, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor); *provided, however,* that, with respect to any Guarantor, Hedging Liability Guaranteed by such Guarantor shall exclude all Excluded Swap Obligations.

"*Hostile Acquisition*" means the acquisition of the capital stock or other equity interests of a Person through a tender offer or similar solicitation of the owners of such capital stock or other equity interests which has not been approved (prior to such acquisition) by resolutions of the board of directors of such Person or by similar action if such Person is not a corporation, or as to which such approval has been withdrawn.

"*Inactive Subsidiary*" means any Subsidiary of the Borrower which has no or only de minimis assets or business operations and generates no revenue. As of the Closing Date, Willdan Infrastructure, a California corporation, Willdan Electrical of NY, Inc., a New York corporation, and Willdan Engineers and Constructors, a California corporation, are the sole Inactive Subsidiaries.

"*Increase*" is defined in Section 2.15 hereof.

"*Increase Date*" is defined in Section 2.15 hereof.

"*Incremental Amendment*" is defined in Section 2.15 hereof.

"*Incremental Term Loan*" is defined in Section 2.15 hereof.

"*Indebtedness*" means for any Person (without duplication) (a) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (b) all indebtedness for the deferred purchase price of property or services (including Earn Out Obligations, but excluding trade accounts payable arising in the ordinary course of business which are not more than sixty (60) days past

due), (c) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (d) all Capitalized Lease Obligations of such Person, (e) all obligations of such Person on or with respect to letters of credit, bankers' acceptances and other extensions of credit whether or not representing obligations for borrowed money, (f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interest in such Person or any other Person or any warrant, right or option to acquire such equity interest, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (g) all net obligations (determined as of any time based on the termination value thereof) of such Person under any interest rate, foreign currency, and/or commodity swap, exchange, cap, collar, floor, forward, future or option agreement, or any other similar interest rate, currency or commodity hedging arrangement, and (h) all Guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

"Indemnified Taxes" means (a) all Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"*Information"* is defined in Section 13.20 hereof.

"*Initial Equity Issuance"* means the first issuance of new equity (other than any Excluded Equity Issuance (other than an issuance of the type described in clause (d) thereof)) by the Borrower at any time following the Closing Date but prior to March 31, 2019.

"*Initial Equity Issuance Trigger Event"* means the Borrower's receipt of Net Cash Proceeds of at least $30,000,000 from the Initial Equity Issuance.

"*Interest Expense"* means, with reference to any Test Period, the sum of all interest charges (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense) of the Borrower and its Subsidiaries for such Test Period determined on a consolidated basis in accordance with GAAP.

"*Interest Payment Date"* means (a) with respect to any Eurodollar Loan, the last day of each Interest Period with respect to such Eurodollar Loan and on the maturity date and, if the applicable Interest Period is longer than three (3) months, on each day occurring every three (3) months after the commencement of such Interest Period, (b) with respect to any Base Rate Loan (other than Swingline Loans), the last day of every calendar month and on the maturity date, and (c) as to any Swingline Loan, (i) bearing interest by reference to the Base Rate, the last day of every calendar month, and on the maturity date and (ii) bearing interest by reference to the Swingline Lender's Quoted Rate, the last day of the Interest Period with respect to such Swingline Loan, and on the maturity date.

"*Interest Period"* means the period commencing on the date a Borrowing of Eurodollar Loans or Swingline Loans (bearing interest at the Swingline Lender's Quoted Rate) is advanced, continued, or created by conversion and ending (a) in the case of Eurodollar Loans, one (1), two (2), three (3), or six (6) months thereafter and (b) in the case of Swingline Loans bearing interest at the Swingline Lender's Quoted Rate, on a date thereafter mutually agreed to by the Borrower and the Swingline Lender, *provided, however,* that:

(i) no Interest Period shall extend beyond the final maturity date of the relevant Loans;

(ii) no Interest Period with respect to any portion of the Term Loans shall extend beyond a date on which the Borrower is required to make a scheduled payment of principal on such Term Loans unless the sum of (a) the aggregate principal amount of such Term Loans that are Base Rate Loans *plus* (b) the aggregate principal amount of such Term Loans that are Eurodollar Loans with Interest Periods expiring on or before such date equals or exceeds the principal amount to be paid on such Term Loans on such payment date;

(iii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, *provided* that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(iv) for purposes of determining an Interest Period for a Borrowing of Eurodollar Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; *provided, however,* that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

"IRS" means the United States Internal Revenue Service.

"*L/C Issuer"* means BMO Harris Bank N.A. or any one of its Affiliates, in its capacity as the issuer of Letters of Credit hereunder, or such other Lender requested by the Borrower (with such Lender's consent) and approved by the Administrative Agent in its sole discretion, in each case together with its successors in such capacity as provided in Section 2.3(h).

"*L/C Obligations"* means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"L/C Sublimit" means $15,000,000, as reduced or otherwise amended pursuant to the terms hereof.

"*Legal Requirement"* means any treaty, convention, statute, law, common law, rule, regulation, ordinance, license, permit, governmental approval, injunction, judgment, order, consent decree or other requirement of any Governmental Authority, whether federal, state, or local.

"*Lenders*" means and includes BMO Harris Bank N.A. and the other Persons listed on Schedule 2.1/2.2 and any other Person that shall have become party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context requires otherwise, the term *"Lenders"* includes the Swingline Lender.

"*Lending Office*" is defined in Section 4.7.

"*Letter of Credit*" is defined in Section 2.3(a).

"*Letter of Credit Fee*" is defined in Section 3.1(b).

"LIBOR" means, for an Interest Period for a Borrowing of Eurodollar Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to the Administrative Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by three (3) or more major banks in the interbank eurodollar market selected by the Administrative Agent for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made as part of such Borrowing, provided that in no event shall "LIBOR" be less than 0.00%.

"*LIBOR Index Rate*" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, as reported on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"*Lien*" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"*Liquidity*" means, with reference to any period, the aggregate amount of Unrestricted Cash of the Loan Parties and undrawn availability under any revolving credit facilities, including the Revolving Facility.

"Loan" means any Revolving Loan, Swingline Loan, or Term Loan, whether outstanding as a Base Rate Loan or Eurodollar Loan or otherwise, each of which is a *"type"* of Loan hereunder.

"*Loan Documents*" means this Agreement, the Notes (if any), the Applications, the Collateral Documents, the Guaranty Agreements, and each other instrument or document to be delivered hereunder or thereunder or otherwise in connection therewith.

"*Loan Party*" means the Borrower and each of the Guarantors.

"*Luna Acquisition*" means the indirect acquisition, by reverse subsidiary merger, of all of the outstanding equity interests of Lime Energy Co. and its Subsidiaries by a Subsidiary of the Borrower pursuant to the Luna Acquisition Agreement.

"*Luna Acquisition Agreement*" means that certain Agreement and Plan of Merger dated as of October 1, 2018 by and among Willdan Energy Solutions, Luna Fruit, Inc., Lime Energy Co. and Luna Stockholder Representative, LLC, including the exhibits and disclosure memoranda thereto, as amended to the extent not inconsistent with clause (c) of the definition of Luna Acquisition Conditions and Section 8.24(d).

"*Luna Acquisition Conditions*" means the satisfaction of each of the following conditions with respect to the consummation of the Luna Acquisition:

(a) no Default shall have occurred and be continuing or would occur as a result of the Luna Acquisition and any Credit Event in connection therewith;

(b) the Luna Acquisition shall have been approved by the Luna Targets' directors and (if necessary) shareholders, and all necessary legal and regulatory approvals with respect to the Luna Acquisition shall have been obtained. There shall be no injunction, temporary restraining order, or other legal action in effect that would prohibit the closing of the Luna Acquisition or the closing and funding under this Agreement;

(c) (i) the Luna Acquisition shall have been consummated in accordance with the Luna Acquisition Agreement, without giving effect to any amendment, modification or waiver by the acquirer thereof or thereunder that in a manner that would materially and adversely affect any Loan Party's ability to repay its indebtedness, obligations and liabilities to the Lenders under the Loan Documents or the financial condition of the Borrower and its Subsidiaries taken as a whole and (ii) the representations and warranties

in the Luna Acquisition Agreement shall be true and correct in all material respects as of the closing date of the Luna Acquisition;

(d) the Borrower shall substantially concurrently with the consummation of the Luna Acquisition comply with the requirements of Sections 11 and 12 with respect to the joinder of the Luna Targets (other than Inactive Subsidiaries) as Guarantors and pledgors hereunder (which shall include, without limitation, a legal opinion in form and substance reasonably satisfactory to the Administrative Agent with respect thereto);

(e) the consolidated balance sheet of the Luna Targets as at December 31, 2017, and the related consolidated statements of income, retained earnings and cash flows of Luna Targets for the fiscal year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of CohnReznick LLP, independent public accountants, and the unaudited interim consolidated balance sheet of the Luna Targets as at the fiscal quarter ended on or about June 30, 2018 (or the unaudited interim consolidated balance sheet of the Luna Targets as at the fiscal quarter ended on or about September 30, 2018 to the extent the same has been delivered to the Administrative Agent), and the related

consolidated statements of income, retained earnings and cash flows of the Luna Targets for the fiscal year-to-date period then ended, heretofore furnished to the Administrative Agent, fairly present in all material respects the consolidated financial condition of the Luna Targets as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with GAAP applied on a consistent basis. No Luna Targets has contingent liabilities which are material to it other than as indicated on such financial statements;

(f) to the extent available at such time, the Borrower shall have delivered to the Administrative Agent the unaudited interim consolidated balance sheet of the Luna Targets as at the fiscal quarter ended on or about September 30, 2018, and the related consolidated statements of income, retained earnings and cash flows of the Luna Targets for the fiscal year-to-date period then ended;

(g) since December 31, 2017, there has been no change in the condition (financial or otherwise) or business prospects of the Luna Targets, taken as a whole, except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect;

(h) after giving effect to the Luna Acquisition and any Credit Event in connection therewith, the Loan Parties and their Subsidiaries, on a consolidated basis, shall be solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business and all businesses in which they are about to engage;

(i) the Borrower shall have executed and delivered to the Administrative Agent a certificate in form and substance reasonably satisfactory to the Administrative Agent certifying as to the satisfaction of the foregoing conditions and containing calculations evidencing that (i) the Borrower and its Subsidiaries' Adjusted EBITDA for the most recently ended twelve (12) months ("*LTM*") for which financial statements are available

on date of the Luna Acquisition is at least $32,800,000 and (ii) the Total Leverage Ratio on the date of the Luna Acquisition does not exceed 4.00 to 1.00, calculated based on LTM Adjusted EBITDA; *provided* that, for purposes of determining compliance with the foregoing conditions, LTM Adjusted EBITDA and the Total Leverage Ratio shall be calculated on a pro forma basis, after giving effect to the Luna Acquisition and any Credit Event in connection therewith; and

(j) the Administrative Agent shall have received a consolidated closing balance sheet of the Borrower (and its Subsidiaries) adjusted to give effect to the transactions contemplated herein (including the Luna Acquisition and the Credit Event in connection therewith) in form and substance reasonably acceptable to the Administrative Agent and certified to by a financial officer of the Borrower.

"*Luna Acquisition Documents*" means the Luna Acquisition Agreement and the Escrow Agreement (as defined in the Luna Acquisition Agreement).

"*Luna R&W Insurance Policy*" has the meaning given to the term "*R&W Insurance Policy*" in the Luna Acquisition Agreement.

"*Luna R&W Insurance Policy Payment*" has the meaning set forth in Section 2.8(b)(vi) hereof.

"*Luna Targets*" means Lime Energy Co., a Delaware corporation, and its Subsidiaries, which at the closing of the Luna Acquisition are expected to be Lime Finance, Inc., a Delaware corporation, and Lime Energy Services Co., a Massachusetts corporation, and may also include Landmark Service Company, LLC, a North Carolina limited liability company, Landmark Electrical and Mechanical Services, LLC, a New York limited liability company, EnerPath International Holding Company, a Delaware corporation, EnerPath Services, Inc., a Michigan corporation, EnerPath, Inc., a California corporation, ADVB Acquisition Corp., a Delaware corporation, Lime Energy Asset Development, LLC, a Delaware limited liability company, Lime Energy Resources, LLC, a Delaware limited liability company, and Lime International Ventures Limited, an entity organized under the laws of Ireland.

"*Material Acquisition*" means a Permitted Acquisition the Total Consideration for which exceeds $10,000,000.

"*Material Adverse Effect*" means (a) a material adverse change in, or material adverse effect upon, the operations, business, Property, or condition (financial or otherwise) of the Borrower or of the Loan Parties and their Subsidiaries taken as a whole, (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document or the rights and remedies of the Administrative Agent and the Lenders thereunder or (ii) the perfection or priority of any Lien granted under any Collateral Document.

"*Material Indebtedness*" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Loan Parties and its Subsidiaries in an aggregate principal amount exceeding $750,000. For purposes of determining Material Indebtedness, the "obligations" of any Loan Party or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"*Minimum Collateral Amount*" means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 105% of the Fronting Exposure of all L/C Issuers with respect to Letters of Credit issued and outstanding at such time and (b) otherwise, an equal or lesser amount determined by the Administrative Agent and the L/C Issuer in their sole discretion.

"*Moody's*" means Moody's Investors Service, Inc.

"*Mortgages*" means, collectively, each mortgage or deed of trust delivered to the Administrative Agent pursuant to Section 12.3, as the same may be amended, modified, supplemented or restated from time to time.

"Net Cash Proceeds" means, as applicable, (a) with respect to any Disposition by a Person, cash and cash equivalent proceeds received by or for such Person's account, net of (i) reasonable direct costs relating to such Disposition, (ii) sale, use, transfer or other transactional taxes paid or payable by such Person as a direct result of such Disposition, and (iii) the principal amount of any Indebtedness permitted hereby which is secured by a prior perfected Lien on the asset subject to such Disposition and is required to be repaid in connection with such Disposition, (b) with respect to any Event of Loss of a Person, cash and cash equivalent proceeds received by or for such Person's account (whether as a result of payments made under any applicable insurance policy therefor or in connection with condemnation proceedings or otherwise), net of reasonable direct costs incurred in connection with the collection of such proceeds, awards or other payments, and (c) with respect to any offering of equity securities of a Person or the issuance of any Indebtedness by a Person, cash and cash equivalent proceeds received by or for such Person's account, net of reasonable legal, underwriting, and other fees and expenses incurred as a direct result thereof.

"*Net Income"* means, with reference to any Test Period, the net income (or net loss) of the Borrower and its Subsidiaries for such Test Period computed on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from Net Income (a) the net income (or net loss) of any Person accrued prior to the date it becomes a Subsidiary of, or has merged into or consolidated with, the Borrower or another Subsidiary, (b) the net income (or net loss) of any Person (other than a Subsidiary) in which the Borrower or any Subsidiary of the Borrower has an equity interest, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any Subsidiary of the Borrower during such Test Period, and (c) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any

contractual obligation (other than under any Loan Document) or requirement of law applicable to such Subsidiary.

"*Net Worth"* means, for any Person and at any time the same is to be determined, total shareholder's equity (including capital stock, additional paid-in capital, and retained earnings after deducting treasury stock) which would appear on the balance sheet of such Person in accordance with GAAP.

"*Non-Consenting Lender"* means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all affected Lenders in accordance with the terms of Section 13.3 and (b) has been approved by the Required Lenders.

"*Non-Defaulting Lender"* means, at any time, each Lender that is not a Defaulting Lender at such time.

"*Note"* and *"Notes"* each is defined in Section 2.10.

"*Obligations"* means all obligations of the Borrower to pay principal and interest on the Loans, all Reimbursement Obligations owing under the Applications, all fees and charges payable hereunder, and all other payment obligations of the Borrower or any other Loan Party arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired.

"OFAC" means the United States Department of Treasury Office of Foreign Assets Control.

"*OFAC Event"* is defined in Section 8.15.

"*OFAC Sanctions Programs"* means all laws, regulations, and Executive Orders administered by OFAC, including without limitation, the Bank Secrecy Act, anti-money laundering laws (including, without limitation, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56 (a/k/a the USA Patriot Act)), and all economic and trade sanction programs administered by OFAC, any and all similar United States federal laws, regulations or Executive Orders (whether administered by OFAC or otherwise), and any similar laws, regulations or orders adopted by any State within the United States.

"*Other Connection Taxes"* means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"*Other Taxes"* means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.12).

"*Participant"* is defined in clause (d) of Section 13.2.

"*Participant Register"* is defined in clause (d) of Section 13.2.

"*Participating Interest"* is defined in Section 2.3(e).

"*Participating Lender"* is defined in Section 2.3(e).

"*PBGC"* means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"*Percentage"* means for any Lender its Revolver Percentage or Delayed Draw Term Loan Percentage, as applicable; and where the term *"Percentage"* is applied on an aggregate basis (including, without limitation, Section 13.4(c)), such aggregate percentage shall be calculated by aggregating the separate components of the Revolver Percentage and Delayed Draw Term Loan Percentage, and expressing such components on a single percentage basis.

"*Performance Standby Letters of Credit*" shall mean all standby letters of credit and bank guarantees other than Financial Standby Letters of Credit, as determined by the Administrative Agent and the L/C Issuer, which determination shall be conclusive and binding upon the Borrower, the Administrative Agent and the L/C Issuer absent manifest error.

"*Permitted Acquisition*" means any Acquisition with respect to which all of the following conditions shall have been satisfied:

(a) the Acquired Business is in an Eligible Line of Business and has its primary operations within the United States of America;

(b) such Acquisition shall be structured as (1) an asset acquisition by a Borrower or Guarantor of all or substantially all of the assets of the Person whose assets are being acquired (or all or substantially all of a line or lines of business of such Person), (2) a merger of the Person to be acquired and into a Borrower or a Guarantor, with such Borrower or Guarantor as the surviving corporation in such merger, or (3) a purchase of no less than 100% of the equity interests of the Person to be acquired by a Borrower or Guarantor;

(c) the Acquisition shall not be a Hostile Acquisition;

(d) the Total Consideration for the Acquired Business shall not exceed $10,000,000 and, when taken together with the Total Consideration for all Acquired Businesses during the term of this Agreement, shall not exceed $35,000,000 in the aggregate;

(e) the Borrower shall have notified the Administrative Agent not less than thirty (30) days (or such shorter period of time acceptable to the Administrative Agent) prior to any such Acquisition and furnished to the Administrative Agent at such time (i) details as to such Acquisition as are reasonably satisfactory to the Administrative Agent (including sources and uses of funds therefor) and (ii) audited financial statements of the Acquired Business or other financial statements of the Acquired Business as reasonably satisfactory to the Administrative Agent;

(f) if a new Subsidiary is formed or acquired as a result of or in connection with the Acquisition, the Borrower shall comply with the requirements of Sections 11 and 12 in connection therewith within the time periods set forth therein to the extent applicable;

(g) the Borrower shall have delivered to the Administrative Agent a certificate with covenant compliance calculations reasonably satisfactory to the Administrative Agent demonstrating that (i) after giving effect to the Acquisition and any Credit Event in connection therewith, (A) no Default shall exist, and (B) the Borrower is in compliance with the financial covenants contained in Section 8.23 on a pro forma basis (for the four (4) consecutive Fiscal Quarters most recently then ended for which financial statements required under Section 8.5 hereof have been delivered to the Administrative Agent as if the Acquisition occurred on the first day of such period and after giving effect to the payment of the purchase price for the Acquired Business); *provided* that, in the case of the Total Leverage Ratio, the Total Leverage Ratio after giving effect to the Acquisition shall not exceed 2.75:1.00, and (ii) solely to the extent the Initial Equity Issuance Trigger Event has not occurred, the Total Leverage Ratio has not exceeded 2.75:1.00 as of the last day of each of the two consecutive (2) Fiscal Quarters most recently then ended for which financial statements required under Section 8.5 hereof have been delivered to the Administrative Agent;

(h) after giving effect to the Acquisition and any Credit Event in connection therewith, the Borrower shall have not less than $10,000,000 of Liquidity;

(i) the Acquired Business must have a positive EBITDA including pro forma cost savings to the extent such cost savings are approved in the reasonable discretion of the Administrative Agent for the twelve most recently completed calendar months;

(j) there shall not have been more than six (6) Permitted Acquisitions in the twelve consecutive Fiscal Month period ended as of the date of such Acquisition; and

(k) any Earn Out Obligations or Seller Notes incurred in connection with such Acquisition shall be subordinated to the Secured Obligations hereunder in a manner reasonably satisfactory to the Administrative Agent.

"*Person*" means any natural Person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"*Plan*" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"*Premises*" means the real property owned or leased by any Loan Party or any Subsidiary of a Loan Party, including without limitation the real property and improvements thereon owned by any Loan Party subject to the Lien of the Mortgages or any other Collateral Documents.

"*Prepayment Percentage*" is defined in Section 2.8(b)(v) hereof.

"*Property*" means, as to any Person, all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included in the most recent balance sheet of such Person and its subsidiaries under GAAP.

"*PTE*" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"*Qualified ECP Guarantor*" means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding $10,000,000 at the time the relevant Guarantee or grant of the relevant security interest becomes effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"*Recipient*" means (a) the Administrative Agent, (b) any Lender, and (c) any L/C Issuer, as applicable.

"*Reimbursement Obligation"* is defined in Section 2.3(c).

"*Related Parties"* means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"*Release"* means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping, or disposing into the indoor or outdoor environment, including, without limitation, the abandonment or discarding of barrels, drums, containers, tanks or other receptacles containing or previously containing any Hazardous Material.

"*Repurchase Conditions"* means with respect to any purchase, redemption or other acquisition or retiring any of the Borrower's capital stock or other equity interests (as contemplated by Section 8.12 hereof) (each a "S*hare Repurchase*"), the following conditions:

(i) after giving effect to such Share Repurchase, the Borrower shall (A) be in compliance with the financial covenants contained in Section 8.23 on a *pro forma* basis, calculated using the then prevailing financial covenant compliance levels permitted as of the last day of the most recently ended Fiscal Quarter for which financial statements were required to be delivered hereunder, and (B) have Liquidity of not less than $10,000,000;

(ii) such Share Repurchase together with all other Share Repurchases made under Section 8.12 following the Closing Date shall not exceed $8,000,000 in the aggregate;

(iii) no Default exists or would arise after giving effect to such Share Repurchase; and

(iv) the Borrower shall have delivered a written certificate to the Administrative Agent in the form attached hereto as Exhibit J signed by a Financial Officer of the Borrower (or in such other form acceptable to the Administrative Agent) certifying that each of the Repurchase Conditions have been satisfied in connection with such Share Repurchase and setting forth in reasonable detail the calculations supporting such certifications in respect of clause (i) of this definition.

"*Required Lenders"* means, at any time, Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders. To the extent provided in the last paragraph of Section 13.3, the Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Lenders at any time; *provided, however,* that at any time there are two or more Lenders that are not Defaulting Lenders, "*Required Lenders"* must include at least two non-affiliated Lenders.

"*Required Revolving Lenders"* means, at any time, Lenders having Revolving Credit Exposures representing more than 50% of the total Revolving Credit Exposures of all Lenders. To the extent provided in the last paragraph of Section 13.3, the Revolving Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Revolving Lenders at any time; *provided, however,* that at any time there are two or more Lenders having Revolving Credit Exposures that are not Defaulting Lenders, "*Required Revolving Lenders*" must include at least two non-affiliated Lenders.

"*Responsible Officer"* of any person means any executive officer or Financial Officer of such Person and any other officer, general partner or managing member or similar official thereof with responsibility for the administration of the obligations of such person in respect of this Agreement.

"*Restricted Payments*" is defined in Section 8.12 hereof.

"*Revolver Percentage"* means, for each Lender, the percentage of the total Revolving Credit Commitments represented by such Lender's Revolving Credit Commitment or, if the Revolving Credit Commitments have been terminated or expired, the percentage of the total Revolving Credit Exposure then outstanding held by such Lender.

"*Revolving Credit Commitment"* means, as to any Lender, the obligation of such Lender to make Revolving Loans and to participate in Swingline Loans and Letters of Credit issued for the account of the Borrower hereunder in an aggregate principal or face amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.1/2.2 attached hereto and made a part hereof, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof (including, without limitation, Section 2.15 hereof). The Borrower and the Lenders acknowledge and agree that the Revolving Credit Commitments of the Lenders aggregate $30,000,000 on the Closing Date.

"*Revolving Credit Commitment Fee"* is defined in Section 3.1(a) hereof.

"*Revolving Credit Exposure"* means, as to any Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Lender's participation in L/C Obligations and Swingline Loans at such time.

"*Revolving Credit Increase"* is defined in Section 2.15 hereof.

"*Revolving Credit Termination Date"* means October 1, 2023, or such earlier date on which the Revolving Credit Commitments are terminated in whole pursuant to Section 2.11, 9.2 or 9.3.

"*Revolving Facility*" means the credit facility for making Revolving Loans and Swingline Loans and issuing Letters of Credit described in Sections 2.2 and 2.3.

"*Revolving Loan*" is defined in Section 2.2 and, as so defined, includes a Base Rate Loan or a Eurodollar Loan, each of which is a "*type*" of Revolving Loan hereunder.

"*Revolving Note*" is defined in Section 2.10.

"*S&P*" means S&P Global Ratings.

"*Scheduled Amortization Amount*" means, for any date of determination, an amount equal to the sum of the next four (4) principal payments on the Delayed Draw Term Loans to become due pursuant to Section 2.7(a) following such date of determination.

"*Secured Obligations*" means the Obligations, Hedging Liability, and Bank Product Obligations, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired (including all interest, costs, fees, and charges after the entry of an order for relief against any Loan Party in a case under the United States Bankruptcy Code or any similar proceeding, whether or not such interest, costs, fees and charges would be an allowed claim against such Loan Party in any such

proceeding); *provided, however,* that, with respect to any Guarantor, Secured Obligations Guaranteed by such Guarantor shall exclude all Excluded Swap Obligations.

"*Security Agreement*" means that certain Security Agreement dated the date of this Agreement among the Loan Parties and the Administrative Agent, as the same may be amended, modified, supplemented or restated from time to time.

"*Seller Note*" means any promissory note or notes issued by a Loan Party to the seller in respect of any Permitted Acquisition as partial consideration in connection with such Permitted Acquisition.

"*Share Repurchase*" is defined in the definition of "*Repurchase Conditions*".

"*Subordinated Debt*" means, collectively, (i) all Seller Notes and Earn Out Obligations permitted under Section 8.7(k) and (l), respectively, and (ii) all other Indebtedness which is subordinated in right of payment to the prior payment of the Secured Obligations pursuant to subordination provisions approved in writing by the Administrative Agent in its reasonable discretion and is otherwise pursuant to documentation that is, which is in an amount that is, and which contains interest rates, payment terms, maturities, amortization schedules, covenants, defaults, remedies and other material terms that are in form and substance, in each case reasonably satisfactory to the Administrative Agent.

"*Subsidiary*" of a Person means any corporation, limited liability company, partnership, association or other entity (x) more than 50% of the outstanding Voting Stock of which is at the time directly or indirectly owned by or (y) that is otherwise under the Control of, such Person or by any one or more other entities which are themselves subsidiaries of such Person. Unless otherwise expressly noted herein, the term "*Subsidiary*" means a Subsidiary of the Borrower or of any of its direct or indirect Subsidiaries. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"*Surety*" means, collectively, any surety party to a Bonding Agreement.

"*Swap Obligation*" means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"*Sweep Depositary*" shall have the meaning set forth in the definition of Sweep to Loan Arrangement.

"*Sweep to Loan Arrangement*" means a cash management arrangement established by the Borrower with the Swingline Lender or an Affiliate of the Swingline Lender, as depositary (in such capacity, the "*Sweep Depositary*"), pursuant to which the Swingline Lender is authorized (a) to make advances of Swingline Loans hereunder, the proceeds of which are deposited by the Swing Lender into a designated account of the Borrower maintained at the Sweep Depositary, and

(b) to accept as prepayments of the Swingline Loans hereunder proceeds of excess targeted balances held in such designated account at the Sweep Depositary, which cash management arrangement is subject to such agreement(s) and on such terms acceptable to the Sweep Depositary and the Swing Lender.

"*Swingline*" means the credit facility for making one or more Swingline Loans described in Section 2.2(b).

"*Swingline Lender*" means BMO Harris Bank N.A., in its capacity as the Lender of Swingline Loans hereunder, or any successor Lender acting in such capacity appointed pursuant to Section 13.2.

"*Swingline Lender's Quoted Rate*" is defined in Section 2.2(b).

"*Swingline Sublimit*" means $10,000,000, as reduced pursuant to the terms hereof.

"*Swingline Loan*" and "*Swingline Loans*" each is defined in Section 2.2(b).

"*Swing Note*" is defined in Section 2.10.

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"*Term Loan*" means, collectively, the Delayed Draw Term Loans and, unless the context shall otherwise require, Incremental Term Loans, and as so defined, includes a Base Rate Loan or a Eurodollar Loan, each of which is a "*type*" of Term Loan hereunder.

"*Term Loan Facility*" means the credit facility for the Delayed Draw Term Loans and, unless the context shall otherwise require, the Incremental Term Loans described in Section 2.1 and Section 2.15, respectively.

"*Test Period*" means, at any time the same is to be determined, the four (4) consecutive Fiscal Quarters of the Borrower and its Subsidiaries most recently ended.

"*Total Consideration*" means, with respect to an Acquisition, the sum (but without duplication) of (a) cash paid or payable in connection with any Acquisition, whether paid at or prior to or after the closing thereof, (b) indebtedness payable to the seller in connection with such Acquisition, including all Seller Notes and all Earn Out Obligations and other future payment obligations subject to the occurrence of any contingency (*provided* that, in the case of any future payment subject to a contingency, such shall be considered part of the Total Consideration to the extent of the reserve, if any, required under GAAP to be established in respect thereof by any Loan Party or any Subsidiary of a Loan Party), (c) the fair market value of any equity securities, including any warrants or options therefor, delivered in connection with any Acquisition, (d) the present value of covenants not to compete entered into in connection with such Acquisition or other future payments which are required to be made over a period of time and are not contingent

upon any Loan Party or its Subsidiary meeting financial performance objectives (exclusive of salaries paid in the ordinary course of business) (discounted at the Base Rate), but only to the extent not included in clause (a), (b) or (c) above, and (e) the amount of indebtedness assumed in connection with such Acquisition.

"*Total Credit Exposure*" means, as to any Lender at any time, the unused Commitments, Revolving Credit Exposure and outstanding Term Loans of such Lender at such time.

"*Total Funded Debt*" means, at any time the same is to be determined, the sum (but without duplication) of (a) all Indebtedness of the Borrower and its Subsidiaries at such time described in clauses (a)-(f), both inclusive, of the definition thereof, and (b) all Indebtedness of any other Person which is directly or indirectly Guaranteed by the Borrower or any of its Subsidiaries or which the Borrower or any of its Subsidiaries has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which the Borrower or any of its Subsidiaries has otherwise assured a creditor against loss, *provided*, *however*, that for the avoidance of doubt, obligations of the Borrower or any of its Subsidiaries with respect to Performance Standby Letters of Credit shall be excluded from the calculation of Total Funded Debt.

"*Total Leverage Ratio*" means, as of the last day of any Test Period, the ratio of (a) Total Funded Debt of the Borrower and its Subsidiaries as of the last day of such Test Period to (b) Adjusted EBITDA of the Borrower and its Subsidiaries for such Test Period.

"*Total Leverage Ratio Adjustment*" is defined in Section 8.23(a).

"*UCC*" means the Uniform Commercial Code of any applicable jurisdiction and, if the applicable jurisdiction shall not have any Uniform Commercial Code, the Uniform Commercial Code as in effect from time to time in the State of New York.

"*Unfinanced Capital Expenditures*" means, with respect to any period, the aggregate amount of Capital Expenditures made by the Borrower and its Subsidiaries during such period to the extent permitted by this Agreement and not financed with proceeds of Indebtedness or with equity securities of the Borrower described in clause (d) of the definition of Excluded Equity Issuances; *provided* that any Capital Expenditures financed under the Revolving Facility shall be considered Unfinanced Capital Expenditures.

"*Unfunded Vested Liabilities*" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"*Unrestricted Cash*" means, at any time the same is to be determined, all cash and cash equivalents of the Loan Parties on deposit with a financial institution and readily accessible by a Loan Party.

"*U.S. Dollars*" and "*$*" each means the lawful currency of the United States of America.

"*U.S. Person*" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"*U.S. Tax Compliance Certificate*" has the meaning assigned to such term in subsection (f) of Section 4.1.

"*Voting Stock*" of any Person means capital stock or other equity interests of any class or classes (however designated) having ordinary power for the election of directors or other similar governing body of such Person, other than stock or other equity interests having such power only by reason of the happening of a contingency.

"*Welfare Plan*" means a "welfare plan" as defined in Section 3(1) of ERISA.

"*Withholding Agent*" means any Loan Party and the Administrative Agent.

"*Write-Down and Conversion Powers*" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2. Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. All references to time of day herein are references to Chicago, Illinois, time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement. The Borrower covenants and agrees with the Lenders that whether or not the Borrower may at any time adopt Accounting Standards Codification 825 or account for assets and liabilities acquired in an acquisition on a fair value basis pursuant to Accounting Standards Codification 805, all

determinations of compliance with the terms and conditions of this Agreement shall be made on the basis that the Borrower has not adopted Accounting Standards Codification 825 or Accounting Standards Codification 805.

Section 1.3. Change in Accounting Principles. If, after the date of this Agreement, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Section 6.5 and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement, either the Borrower or the Required Lenders may by notice to the Lenders and the Borrower, respectively, require that the Lenders and the Borrower negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Borrower and its Subsidiaries shall be the same as if such change had not been made. No delay by the Borrower or the Required Lenders in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles. Without limiting the generality of the foregoing, the Borrower shall neither be deemed to be in compliance with any financial covenant hereunder nor out of compliance with any financial covenant hereunder if such state of compliance or noncompliance, as the case may be, would not exist but for the occurrence of a change in accounting principles after the date hereof.

For the avoidance of doubt, (i) notwithstanding any change in GAAP after the Closing Date that would require lease obligations that would be treated as operating leases as of the Closing Date to be classified and accounted for as Capital Leases or otherwise reflected on the Borrower's consolidated balance sheet, such obligations shall continue to be excluded from the definition of Indebtedness and the definition of Capital Lease and (ii) any lease that was entered into after the date of this Agreement that would have been considered an operating lease under GAAP in effect as of the Closing Date shall be treated as an operating lease for all purposes under this Agreement and the other Loan Documents, and obligations in respect thereof shall be excluded from the definition of Indebtedness for Borrowed Money and the definition of Capital Lease.

SECTION 2. THE FACILITIES.

Section 2.1. Delayed Draw Term Loan Facility. Subject to the terms and conditions hereof, each Lender, by its acceptance hereof, severally agrees to make a loan (individually a "*Delayed Draw Term Loan*" and collectively for all the Lenders the "*Delayed Draw Term Loans*") in U.S. Dollars to the Borrower during the Delayed Draw Term Loan Availability Period in an aggregate principal amount not to exceed such Lender's Delayed Draw Term Loan Commitment. The Delayed Draw Term Loans shall be advanced in a single Borrowing during the Delayed Draw Term Loan Availability Period and shall be made ratably by the Lenders in proportion to their respective Delayed Draw Term Loan Percentages, at which time the Delayed Draw Term Loan Commitments shall expire. As provided in Section 2.6(a) hereof, the Borrower may elect that the Delayed Draw Term Loans be outstanding as Base Rate Loans or Eurodollar Loans. No amount repaid or prepaid on any Delayed Draw Term Loan may be borrowed again.

Section 2.2. Revolving Facility.

(a) *Revolving Credit Commitments.* Subject to the terms and conditions hereof, each Lender, by its acceptance hereof, severally agrees to make a loan or loans (individually a "*Revolving Loan*" and collectively for all the Lenders the "*Revolving Loans*") in U.S. Dollars to the Borrower from time to time on a revolving basis up to the amount of such Lender's Revolving Credit Commitment, subject to any reductions thereof pursuant to the terms hereof, before the Revolving Credit Termination Date. The sum of the aggregate principal amount of Revolving Loans, Swingline Loans, and L/C Obligations at any time outstanding shall not exceed the Revolving Credit Commitments in effect at such time. Each Borrowing of Revolving Loans shall be made ratably by the Lenders in proportion to their respective Revolver Percentages. As provided in Section 2.6(a), the Borrower may elect that each Borrowing of Revolving Loans be either Base Rate Loans or Eurodollar Loans. Revolving Loans may be repaid and the principal amount thereof reborrowed before the Revolving Credit Termination Date, subject to the terms and conditions hereof.

(b) *Swingline Loans.* (i) *Generally*. Subject to the terms and conditions hereof, as part of the Revolving Facility, the Swingline Lender may, in its sole discretion, make loans in U.S. Dollars to the Borrower under the Swingline (individually a *"Swingline Loan"* and collectively the *"Swingline Loans"*) which shall not in the aggregate at any time outstanding exceed the Swingline Sublimit. Swingline Loans may be availed of from time to time and borrowings thereunder may be repaid and used again during the period ending on the Revolving Credit Termination Date. Except to the extent the Swingline Lender agrees to a lower amount, each Swingline Loan shall be in a minimum amount of $100,000 or such greater amount which is an integral multiple of $50,000; *provided* that, for the avoidance of doubt, the foregoing minimum amounts shall not apply to Swingline Loans made pursuant to a Sweep to Loan Arrangement. Each Swingline Loan shall bear interest until maturity (whether by acceleration or otherwise) at a rate per annum equal to either (x) the rate per annum for Base Rate Loans under the Revolving Facility as from time to time in effect or (y) the Swingline Lender's Quoted Rate (computed on the basis of a year of 360 days for the actual number of days elapsed) pursuant to subsection (ii) below. Interest on each Swingline Loan shall be due and payable by the Borrower on each Interest Payment Date and on the Revolving Credit Termination Date.

(ii) *Requests for Swingline Loans*. The Borrower shall give the Administrative Agent prior notice (which may be written or oral) no later than 3:00 p.m. (Chicago time) on the date upon which the Borrower requests that any Swingline Loan be made, of the amount and date of such Swingline Loan, and, if applicable, the Interest Period requested therefor. The Administrative Agent shall promptly advise the Swingline Lender of any such notice received from the Borrower. Thereafter, the Swingline Lender shall notify the Administrative Agent (who shall thereafter promptly notify the Borrower) whether or not it has elected to make such Swingline Loan. If the Swingline Lender agrees to make such Swingline Loan, it may in its discretion quote an interest rate to the Borrower at which the Swingline Lender would be willing to make such Swingline Loan available to the Borrower for the Interest Period so requested (the rate so quoted for a given Interest Period being herein referred to as *"Swingline Lender's Quoted Rate"*). The Borrower acknowledges and agrees that the interest rate quote is given for immediate and irrevocable acceptance. If the Borrower does not so immediately accept the Swingline Lender's Quoted Rate

for the full amount requested by the Borrower for such Swingline Loan, the Swingline Lender's Quoted Rate shall be deemed immediately withdrawn. If the Swingline Lender's Quoted Rate is not accepted or otherwise does not apply, such Swingline Loan shall bear interest at the rate per annum for Base Rate Loans under the Revolving Facility as from time to time in effect. Subject to the terms and conditions hereof, the proceeds of each Swingline Loan extended to the Borrower shall be deposited or otherwise wire transferred to the Borrower's Designated Disbursement Account or as the Borrower, the Administrative Agent, and the Swingline Lender may otherwise agree. Anything contained in the foregoing to the contrary notwithstanding, the undertaking of the Swingline Lender to make Swingline Loans shall be subject to all of the terms and conditions of this Agreement (provided that the Swingline Lender shall be entitled to assume that the conditions precedent to an advance of any Swingline Loan have been satisfied unless notified to the contrary by the Administrative Agent or the Required Lenders).

(iii) *Refunding Swingline Loans*. Without regard to the notice requirements of Section 2.6(a) or minimum borrowing amounts under Section 2.5 and in its sole and absolute discretion, the Swingline Lender may at any time, on behalf of the Borrower (which hereby irrevocably authorizes the Swingline Lender to act on its behalf for such purpose) and with notice to the Borrower and the Administrative Agent, request each Lender to make a Revolving Loan in the form of a Base Rate Loan in an amount equal to such Lender's Revolver Percentage of the amount of the Swingline Loans outstanding on the date such notice is given (which Loans shall thereafter bear interest as provided for in Section 2.4(a)). Unless an Event of Default described in Section 9.1(j) or 9.1(k) exists with respect to the Borrower, regardless of the existence of any other Event of Default, each Lender shall make the proceeds of its requested Revolving Loan available to the Administrative Agent for the account of the Swingline Lender, in immediately available funds, at the Administrative Agent's office in Chicago, Illinois (or such other location designated by the Administrative Agent), before 12:00 Noon (Chicago time) on the Business Day following the day such notice is given. The Administrative Agent shall promptly remit the proceeds of such Borrowing to the Swingline Lender to repay the outstanding Swingline Loans.

(iv) *Participation in Swingline Loans.* If any Lender refuses or otherwise fails to make a Revolving Loan when requested by the Swingline Lender pursuant to Section 2.2(b)(iii) above (because an Event of Default described in Section 9.1(j) or 9.1(k) exists with respect to the Borrower or otherwise), such Lender will, by the time and in the manner such Revolving Loan was to have been funded to the Swingline Lender, purchase from the Swingline Lender an undivided participating interest in the outstanding Swingline Loans in an amount equal to its Revolver Percentage of the aggregate principal amount of Swingline Loans that were to have been repaid with such Revolving Loans. From and after the date of any such purchase, the parties hereto hereby acknowledge and agree that such Swingline Loans shall thereafter bear interest as Base Rate Loans as provided for in Section 2.2(b)(i)(x) above). Each Lender that so purchases a participation in a Swingline Loan shall thereafter be entitled to receive its Revolver Percentage of each payment of principal received on the Swingline Loan and of interest received thereon accruing from the date such Lender funded to the Swingline Lender its participation in such Loan. The several obligations of the Lenders under this Section shall be absolute, irrevocable, and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Lender may have or have had against the Borrower, any other Lender, or any other Person whatsoever. Without limiting the generality of the

foregoing, such obligations shall not be affected by any Default or by any reduction or termination of the Commitments of any Lender, and each payment made by a Lender under this Section shall be made without any offset, abatement, withholding, or reduction whatsoever.

(v) *Sweep to Loan Arrangement*. So long as a Sweep to Loan Arrangement is in effect, and subject to the terms and conditions thereof, Swingline Loans may be advanced and prepaid hereunder notwithstanding any notice, minimum amount, or funding and payment location requirements hereunder for any advance of Swingline Loans or for any prepayment of any Swingline Loans. The making of any such Swingline Loans shall otherwise be subject to the other terms and conditions of this Agreement. The Swingline Lender shall have the right in its sole discretion to suspend or terminate the making and/or prepayment of Swingline Loans pursuant to such Sweep to Loan Arrangement with notice to the Sweep Depositary and the Borrower (which may be provided on a same-day basis), whether or not any Default exists. The Swingline Lender shall not be liable to the Borrower or any other Person for any losses directly or indirectly resulting from events beyond the Swingline Lender's reasonable control, including without limitation any interruption of communications or data processing services or legal restriction or for any special, indirect, consequential or punitive damages in connection with any Sweep to Loan Arrangement.

Section 2.3. Letters of Credit.

(a) *General Terms.* Subject to the terms and conditions hereof, as part of the Revolving Facility, the L/C Issuer shall issue standby and commercial letters of credit (each a *"Letter of Credit"*) for the account of the Borrower or for the account of the Borrower and one or more of its Subsidiaries in an aggregate undrawn face amount up to the L/C Sublimit. Each Letter of Credit shall be issued by the L/C Issuer, but each Lender shall be obligated to reimburse the L/C Issuer for such Lender's Revolver Percentage of the amount of each drawing thereunder and, accordingly, Letters of Credit shall constitute usage of the Revolving Credit Commitment of each Lender pro rata in an amount equal to its Revolver Percentage of the L/C Obligations then outstanding. Notwithstanding anything herein to the contrary, the Existing Letters of Credit shall each constitute a *"Letter of Credit"* herein for all purposes of this Agreement with the applicable Borrower or Subsidiary as the applicant therefor, to the same extent, and with the same force and effect as if the Existing Letters of Credit had been issued under this Agreement at the request of the Borrower.

(b) *Applications.* At any time before the Revolving Credit Termination Date, the L/C Issuer shall, at the request of the Borrower, issue one or more Letters of Credit in U.S. Dollars, in a form satisfactory to the L/C Issuer, with expiration dates no later than the earlier of 12 months from the date of issuance (or which are cancelable not later than 12 months from the date of issuance and each renewal) or ten (10) days prior to the Revolving Credit Termination Date (except to the extent the Borrower delivers Cash Collateral as set forth below), in an aggregate face amount as set forth above, upon the receipt of an application duly executed by the Borrower and, if such Letter of Credit is for the account of one of its Subsidiaries, such Subsidiary for the relevant Letter of Credit, in the form then customarily prescribed by the L/C Issuer for the Letter of Credit requested (each an *"Application"*). If any L/C Issuer issues or has issued any Letter of Credit with an expiration date that occurs after the date ten (10) days prior to the Revolving Credit Termination Date (or the expiration date of which is automatically extended to a date after the date ten (10) days prior to the Revolving Credit Termination Date), the Borrower shall, not later than the date ten

(10) days prior to the Revolving Credit Termination Date, deliver to the Administrative Agent, without notice or demand, Cash Collateral in an amount equal to 105% of the face amount of each such Letter of Credit, to be held in accordance with Section 9.4 hereof. Notwithstanding anything contained in any Application to the contrary: (i) the Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 3.1(b), (ii) except as otherwise provided herein or in Sections 2.8, 2.13 or 2.14, unless an Event of Default exists, the L/C Issuer will not call for the funding by the Borrower of any amount under a Letter of Credit before being presented with a drawing thereunder, and (iii) if the L/C Issuer is not timely reimbursed for the amount of any drawing under a Letter of Credit on the date such drawing is paid, except as otherwise provided for in Section 2.6(c), the Borrower's obligation to reimburse the L/C Issuer for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay) from and after the date such drawing is paid at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect (computed on the basis of a year of 365 or 366 or 360 days, as the case may be, and the actual number of days elapsed as further set forth in Section 2.4(a) hereof). If the L/C Issuer issues any Letter of Credit with an expiration date that is automatically extended unless the L/C Issuer gives notice that the expiration date will not so extend beyond its then scheduled expiration date, unless the Administrative Agent or the Required Lenders instruct the L/C Issuer otherwise, the L/C Issuer will give such notice of non-renewal before the time necessary to prevent such automatic extension if before such required notice date: (i) the expiration date of such Letter of Credit if so extended would be after ten (10) days prior to the Revolving Credit Termination Date (except to the extent Cash Collateralized as provided above), (ii) the Revolving Credit Commitments have been terminated, or (iii) an Event of Default exists and either the Administrative Agent or the Required Lenders (with notice to the Administrative Agent) have given the L/C Issuer instructions not to so permit the extension of the expiration date of such Letter of Credit. The L/C Issuer agrees to issue amendments to the Letter(s) of Credit increasing the amount, or extending the expiration date, thereof at the request of the Borrower subject to the conditions of Section 7 and the other terms of this Section.

(c) *The Reimbursement Obligations.* Subject to Section 2.3(b), the obligation of the Borrower to reimburse the L/C Issuer for all drawings under a Letter of Credit (a *"Reimbursement Obligation"*) shall be governed by the Application related to such Letter of Credit, except that reimbursement shall be made by no later than 12:00 Noon (Chicago time) on the date when each drawing is to be paid if the Borrower has been informed of such drawing by the L/C Issuer on or before 11:00 a.m. (Chicago time) on the date when such drawing is to be paid or, if notice of such drawing is given to the Borrower after 11:00 a.m. (Chicago time) on the date when such drawing is to be paid, by no later than 12:00 Noon (Chicago time) on the following Business Day, in immediately available funds at the Administrative Agent's principal office in Chicago, Illinois, or such other office as the Administrative Agent may designate in writing to the Borrower (who shall thereafter cause to be distributed to the L/C Issuer such amount(s) in like funds). If the Borrower does not make any such reimbursement payment on the date due and the Participating Lenders fund their participations therein in the manner set forth in Section 2.3(e) below, then all payments thereafter received by the Administrative Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 2.3(e) below.

(d) *Obligations Absolute.* The Borrower's obligation to reimburse L/C Obligations shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the

terms of this Agreement and the relevant Application under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the L/C Issuer under a Letter of Credit against presentation of a draft or other document that does not strictly comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the Administrative Agent, the Lenders, or the L/C Issuer shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the L/C Issuer; *provided* that the foregoing shall not be construed to excuse the L/C Issuer from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower and each other Loan Party to the extent permitted by applicable law) suffered by the Borrower or any Loan Party that are caused by the L/C Issuer's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the L/C Issuer (as determined by a court of competent jurisdiction by final and nonappealable judgment), the L/C Issuer shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the L/C Issuer may, in its sole discretion, either

accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(e) *The Participating Interests.* Each Lender (other than the Lender acting as L/C Issuer in issuing the relevant Letter of Credit), by its acceptance hereof, severally agrees to purchase from the L/C Issuer, and the L/C Issuer hereby agrees to sell to each such Lender (a *"Participating Lender"*), an undivided percentage participating interest (a *"Participating Interest")*, to the extent of its Revolver Percentage, in each Letter of Credit issued by, and each Reimbursement Obligation owed to, the L/C Issuer. Upon any failure by the Borrower to pay any Reimbursement Obligation at the time required on the date the related drawing is to be paid, as set forth in Section 2.3(c) above, or if the L/C Issuer is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Participating Lender shall, not later than the Business Day it receives a certificate in the form of Exhibit A hereto from the L/C Issuer (with a copy to the Administrative Agent) to such effect, if such certificate is received before 1:00 p.m. (Chicago time), or not later than 1:00 p.m. (Chicago time) the following Business Day, if such certificate is received after such time, pay to the Administrative Agent for the account of the L/C Issuer an amount equal to such

Participating Lender's Revolver Percentage of such unpaid or recaptured Reimbursement Obligation together with interest on such amount accrued from the date the related payment was made by the L/C Issuer to the date of such payment by such Participating Lender at a rate per annum equal to: (i) from the date the related payment was made by the L/C Issuer to the date two (2) Business Days after payment by such Participating Lender is due hereunder, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Participating Lender to the date such payment is made by such Participating Lender, the Base Rate in effect for each such day. Each such Participating Lender shall thereafter be entitled to receive its Revolver Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon, with the L/C Issuer retaining its Revolver Percentage thereof as a Lender hereunder. The several obligations of the Participating Lenders to the L/C Issuer under this Section shall be absolute, irrevocable, and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Participating Lender may have or have had against the Borrower, the L/C Issuer, the Administrative Agent, any Lender or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or by any reduction or termination of any Commitment of any Lender, and each payment by a Participating Lender under this Section shall be made without any offset, abatement, withholding or reduction whatsoever.

(f) *Indemnification.* The Participating Lenders shall, to the extent of their respective Revolver Percentages, indemnify the L/C Issuer (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such L/C Issuer's gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment) that the L/C Issuer may suffer or incur in connection with any Letter of Credit issued by it. The obligations of the Participating Lenders under this subsection (f) and all other parts of this Section shall survive termination of this Agreement and of all Applications, Letters of Credit, and all drafts and other documents presented in connection with drawings thereunder.

(g) *Manner of Requesting a Letter of Credit.* The Borrower shall provide at least five (5) Business Days' advance written notice to the Administrative Agent of each request for the issuance of a Letter of Credit, such notice in each case to be accompanied by an Application for such Letter of Credit properly completed and executed by the Borrower, and, in the case of an extension or amendment or an increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the Administrative Agent and the L/C Issuer, in each case, together with the fees called for by this Agreement. The Administrative Agent shall promptly notify the L/C Issuer of the Administrative Agent's receipt of each such notice (and the L/C Issuer shall be entitled to assume that the conditions precedent to any such issuance, extension, amendment or increase have been satisfied unless notified to the contrary by the Administrative Agent or the Required Lenders) and the L/C Issuer shall promptly notify the Administrative Agent and the Lenders of the issuance of the Letter of Credit so requested.

(h) *Replacement of the L/C Issuer*. The L/C Issuer may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced L/C Issuer, and the

successor L/C Issuer. The Administrative Agent shall notify the Lenders of any such replacement of the L/C Issuer. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced L/C Issuer. From and after the effective date of any such replacement (i) the successor L/C Issuer shall have all the rights and obligations of the L/C Issuer under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "L/C Issuer" shall be deemed to refer to such successor or to any previous L/C Issuer, or to such successor and all previous L/C Issuers, as the context shall require. After the replacement of an L/C Issuer hereunder, the replaced L/C Issuer shall remain a party hereto and shall continue to have all the rights and obligations of an L/C Issuer under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

Section 2.4. Applicable Interest Rates.

(a) *Base Rate Loans.* Each Base Rate Loan made or maintained by a Lender shall bear interest (computed on the basis of a year of 365 or 366 days, as the case may be (360 days, in the case of clause (c) of the definition of Base Rate relating to the LIBOR Quoted Rate), and the actual days elapsed on the unpaid principal amount thereof from the date such Loan is advanced, or created by conversion from a Eurodollar Loan, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable by the Borrower on each Interest Payment Date and at maturity (whether by acceleration or otherwise).

(b) *Eurodollar Loans.* Each Eurodollar Loan made or maintained by a Lender shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced or continued, or created by conversion from a Base Rate Loan, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable by the Borrower on each Interest Payment Date and at maturity (whether by acceleration or otherwise).

(c) *Rate Determinations.* The Administrative Agent shall determine each interest rate applicable to the Loans and the Reimbursement Obligations hereunder, and its determination thereof shall be conclusive and binding except in the case of manifest error.

Section 2.5. Minimum Borrowing Amounts; Maximum Eurodollar Loans. Except for Swingline Loans (which are governed by Section 2.2(b)(i)) and refundings of Swingline Loans with Revolving Loans pursuant to Section 2.2(b)(iii), each Borrowing of Base Rate Loans advanced under a Facility shall be in a minimum amount of $100,000. Each Borrowing of Eurodollar Loans advanced, continued or converted under a Facility shall be in an amount equal to $150,000 or such greater amount which is an integral multiple of $150,000. Without the Administrative Agent's consent, there shall not be more than five (5) Borrowings of Eurodollar Loans outstanding hereunder at any one time.

Section 2.6. Manner of Borrowing Loans and Designating Applicable Interest Rates.

(a) *Notice to the Administrative Agent.* Except for Swingline Loans (which are governed by Section 2.2(b)(i)) and refundings of Swingline Loans with Revolving Loans pursuant to Section 2.2(b)(iii), the Borrower shall give notice to the Administrative Agent by no later than 12:00 Noon (Chicago time): (i) at least three (3) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurodollar Loans and (ii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, subject to the terms and conditions hereof, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to the minimum amount requirement for each outstanding Borrowing set forth in Section 2.5, a portion thereof, as follows: (i) if such Borrowing is of Eurodollar Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurodollar Loans or convert part or all of such Borrowing into Base Rate Loans or (ii) if such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or part of such Borrowing into Eurodollar Loans for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation or conversion of a Borrowing to the Administrative Agent by telephone, telecopy, or other telecommunication device acceptable to the Administrative Agent (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing in a manner acceptable to the Administrative Agent), substantially in the form attached hereto as Exhibit B (Notice of Borrowing) or Exhibit C (Notice of Continuation/Conversion), as applicable, or in such other form acceptable to the Administrative Agent. Notice of the continuation of a Borrowing of Eurodollar Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Base Rate Loans into Eurodollar Loans must be given by no later than 12:00 Noon (Chicago time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation or conversion of a Borrowing shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurodollar Loans, the Interest Period applicable thereto. Upon notice to the Borrower by the Administrative Agent or the Required Lenders (or, in the case of an Event of Default under Section 9.1(j) or 9.1(k) with respect to the Borrower, without notice), no Borrowing of Eurodollar Loans shall be advanced, continued, or created by conversion if any Event of Default then exists. The Borrower agrees that the Administrative Agent may rely on any such telephonic, telecopy or other telecommunication notice given by any person the Administrative Agent in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(b) *Notice to the Lenders*. The Administrative Agent shall give prompt telephonic, telecopy or other telecommunication notice to each Lender of any notice from the Borrower received pursuant to Section 2.6(a) above and, if such notice requests the Lenders to make Eurodollar Loans, the Administrative Agent shall give notice to the Borrower and each Lender by

like means of the interest rate applicable thereto promptly after the Administrative Agent has made such determination.

(c) *Borrower's Failure to Notify.* If the Borrower fails to give notice pursuant to Section 2.6(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurodollar Loans before the last day of its then current Interest Period within the period required by Section 2.6(a) and such Borrowing is not prepaid in accordance with Section 2.8(a), such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans. In the event the Borrower fails to give notice pursuant to Section 2.6(a) above of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified the Administrative Agent by 12:00 Noon (Chicago time) on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans under the Revolving Facility (or, at the option of the Swingline Lender, under the Swingline) on such day in the amount of the Reimbursement Obligation then due, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

(d) *Disbursement of Loans*. Not later than 1:00 p.m. (Chicago time) on the date of any requested advance of a new Borrowing, subject to Section 7, each Lender shall make available its Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent in Chicago, Illinois (or at such other location as the Administrative Agent shall designate). The Administrative Agent shall make the proceeds of each new Borrowing received from each Lender available to the Borrower at the Administrative Agent's principal office in Chicago, Illinois (or at such other location as the Administrative Agent shall designate), by depositing or wire transferring such proceeds to the credit of the Designated Disbursement Account of the Borrower requesting the Loan or as the Borrower and the Administrative Agent may otherwise agree.

(e) *Administrative Agent Reliance on Lender Funding.* Unless the Administrative Agent shall have been notified by a Lender prior to (or, in the case of a Borrowing of Base Rate Loans, by 1:00 p.m. (Chicago time) on) the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to: (i) from the date the related advance was made by the Administrative Agent to the date two (2) Business Days after payment by such Lender is due hereunder, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation for each

such day and (ii) from the date two (2) Business Days after the date such payment is due from such Lender to the date such payment is made by such Lender, the Base Rate in effect for each such day. If such

amount is not received from such Lender by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but without such payment being considered a payment or prepayment of a Loan under Section 4.5 so that the Borrower will have no liability under such Section with respect to such payment. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

Section 2.7. Payment and Maturity of Loans.

(a) *Scheduled Payments of Delayed Draw Term Loans.* The Borrower shall make principal payments on such Delayed Draw Term Loans in installments on the last day of each March, June, September, and December in each year, commencing with the calendar quarter ending March 31, 2019, with the amount of each such principal installment to equal two and one half of one percent (2.50%) of the aggregate outstanding principal balance of such Delayed Draw Term Loans as of the day such Delayed Draw Term Loans were advanced (as such amount may be reduced from time to time pursuant to the terms of Section 2.8 and Section 2.11(b)). All principal and interest not sooner paid on the Delayed Draw Term Loans shall be due and payable on the Delayed Draw Term Loan Maturity Date. Each principal payment made pursuant to this Section 2.7(a) shall be applied to the Delayed Draw Term Loans held by each Lender pro rata based upon their Delayed Draw Term Loan Percentages.

(b) *Revolving Loans and Swingline Loans.* Each Revolving Loan and Swingline Loan, both for principal and interest not sooner paid, shall mature and be due and payable by the Borrower on the Revolving Credit Termination Date.

Section 2.8. Prepayments.

(a) *Optional*. Subject to Section 2.2(b)(v), the Borrower may prepay the Loans in whole or in part (but, if in part, then: (i) if such Borrowing is of Base Rate Loans, in an amount not less than $100,000, (ii) if such Borrowing is of Eurodollar Loans, in an amount not less than $500,000, and (iii) in each case, in an amount such that the minimum amount required for a Borrowing pursuant to Sections 2.2(b) and 2.5 remains outstanding) upon not less than three (3) Business Days prior notice by the Borrower to the Administrative Agent in the case of any prepayment of a Borrowing of Eurodollar Loans and notice delivered by the Borrower to the Administrative Agent no later than 12:00 Noon (Chicago time) on the date of prepayment in the case of a Borrowing of Base Rate Loans (or, in any case, such shorter period of time then agreed to by the Administrative Agent), without penalty or premium (except amounts due under Section 4.5) such prepayment to be made by the payment of the principal amount to be prepaid and, in the case of any Term Loans or Eurodollar Loans or Swingline Loans, accrued interest thereon to the date fixed for prepayment plus any amounts due the Lenders under Section 4.5.

(b) *Mandatory*. (i) If at any time the sum of the unpaid principal balance of the Swingline Loans, Revolving Loans, and the L/C Obligations then outstanding shall be in excess of the aggregate Revolving Credit Commitments then in effect, the Borrower shall immediately and

without notice or demand pay over the amount of the excess to the Administrative Agent for the account of the Lenders as and for a mandatory prepayment on such Obligations, with each such prepayment first to be applied to the Swingline Loans and Revolving Loans until paid in full with any remaining balance to be held by the Administrative Agent in the Collateral Account as security for the L/C Obligations.

(ii) If the Borrower or any Subsidiary shall at any time or from time to time make or agree to make a Disposition or shall suffer an Event of Loss with respect to any Property, then the Borrower shall promptly notify the Administrative Agent of such proposed Disposition or Event of Loss (including the amount of the estimated Net Cash Proceeds to be received by the Borrower or such Subsidiary in respect thereof) and, promptly upon receipt by the Borrower or such Subsidiary of the Net Cash Proceeds of such Disposition or Event of Loss, the Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of all such Net Cash Proceeds; *provided* that (x) so long as no Default then exists, this subsection shall not require any such prepayment with respect to Net Cash Proceeds received on account of an Event of Loss so long as such Net Cash Proceeds are applied to reinvest in fixed or capital assets used or useful in the Borrower's or another Loan Party's business in accordance with this paragraph, (y) this subsection shall not require any such prepayment with respect to Net Cash Proceeds received on account of Dispositions during any Fiscal Year of the Borrower not exceeding $200,000 in the aggregate so long as no Default then exists, and (z) in the case of any Disposition not covered by clause (y) above and any Event of Loss, so long as no Default then exists, if the Borrower states in its notice of such event that the Borrower or the relevant Subsidiary intends to reinvest, within 180 days of the applicable Disposition or Event of Loss, as applicable, the Net Cash Proceeds thereof in fixed or capital assets used or useful in the Borrower's or another Loan Party's business, then the Borrower shall not be required to make a mandatory prepayment under this subsection in respect of such Net Cash Proceeds to the extent such Net Cash Proceeds are actually reinvested in such assets with such 180-day period. Promptly after the end of such 180-day period, the Borrower shall notify the Administrative Agent whether the Borrower or such Loan Party has reinvested such Net Cash Proceeds in such assets, and, to the extent such Net Cash Proceeds have not been so reinvested, the Borrower shall promptly prepay the Obligations in the amount of such Net Cash Proceeds not so reinvested. If the Administrative Agent or the Required Lenders so request, all proceeds of such Disposition or Event of Loss shall be deposited with the Administrative Agent (or its agent) and held by it in the Collateral Account. So long as no Default exists, the Administrative Agent is authorized to disburse amounts representing such proceeds from the Collateral Account to or at the Borrower's direction for application to or reimbursement for the costs of reinvesting in such assets.

(iii) If after the Closing Date any Loan Party shall issue new equity securities (whether common or preferred stock or otherwise), other than Excluded Equity Issuances, the Borrower shall promptly notify the Administrative Agent of the estimated Net Cash Proceeds of such issuance to be received by or for the account of such Loan Party in respect thereof. Promptly upon receipt by such Loan Party of Net Cash Proceeds of such issuance, the Borrower shall (A) with respect to the Initial Equity Issuance, prepay the Obligations in an aggregate amount equal to (1) to the extent any Delayed Draw Term Loan is then outstanding, the least of (i) $20,000,000 plus the aggregate principal amount of all Revolving Loans and Swingline Loans outstanding at such time, (ii) $30,000,000 and (iii) 100% of the amount of such Net Cash Proceeds, and (2) to the

extent no Delayed Draw Term Loans are then outstanding, the Delayed Draw Term Loan Commitments are then in effect and the amount of such Net Cash Proceeds exceeds $20,000,000, the least of (i) the aggregate principal amount of all Revolving Loans and Swingline Loans outstanding at such time, (ii) $10,000,000 and (iii) the amount by which such Net Cash Proceeds exceed $20,000,000 (it being understood for the avoidance of doubt, that the Borrower shall permitted to retain any proceeds of the Initial Equity Issuance in excess of the amounts required to be prepaid pursuant to this clause (A)), and (B) with respect all other equity issuances (other than the Initial Equity Issuance or Excluded Equity Issuances), prepay the Obligations in an aggregate amount equal to 100% of the amount of such Net Cash Proceeds. The Borrower acknowledges that its performance hereunder shall not limit the rights and remedies of the Lenders for any breach of Section 8.11 (Maintenance of Subsidiaries) or Section 9.1(i) (Change of Control) or any other terms of the Loan Documents.

(iv) If after the Closing Date any Loan Party shall issue any Indebtedness, other than Indebtedness permitted by Section 8.7 hereof, the Borrower shall promptly notify the Administrative Agent of the estimated Net Cash Proceeds of such issuance to be received by or for the account of such Loan Party in respect thereof. Promptly upon receipt by such Loan Party of Net Cash Proceeds of such issuance, the Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of such Net Cash Proceeds. The Borrower acknowledges that its performance hereunder shall not limit the rights and remedies of the Lenders for any breach of Section 8.7 or any other terms of the Loan Documents.

(v) Within three (3) Business Days after receipt of the Borrower's year-end audited financial statements, and in any event within 125 days after the end of each Fiscal Year of the Borrower (commencing with the Fiscal Year of the Borrower ending on or about December 27, 2019), the Borrower shall prepay the Obligations by an amount equal to 50% (the *"Prepayment Percentage"*) of Excess Cash Flow of the Borrower and its Subsidiaries for such Fiscal Year less the aggregate amount of voluntary prepayments of principal of Term Loans and voluntary prepayments of principal of Revolving Loans (to the extent such voluntary prepayment of Revolving Loans is accompanied by a concurrent permanent reduction of the Revolving Credit Commitment) made by the Borrower pursuant to Section 2.8(a) hereof; *provided, however*, that the Prepayment Percentage shall be reduced to 25% for any Fiscal Year of the Borrower with respect to which the Total Leverage Ratio as of the last day of such Fiscal Year of the Borrower (as evidenced by financial statements and compliance certificates provided to the Administrative Agent for the relevant Fiscal Year in accordance with Section 8.5 hereof) is less than 2.0 to 1.0; *provided further, however*, that the Prepayment Percentage shall be reduced to 0% for any Fiscal Year of the Borrower with respect to which the Total Leverage Ratio as of the last day of such Fiscal Year of the Borrower (as evidenced by financial statements and compliance certificates provided to the Administrative Agent for the relevant Fiscal Year in accordance with Section 8.5 hereof) is less than 1.0 to 1.0.

(vi) If after the Closing Date, (A) the Borrower or any other Loan Party shall receive any payment in connection with a claim under the Luna R&W Insurance Policy (but in any event excluding any amounts so received that are applied, or to be applied, by the Borrower or such other Loan Party for the purpose of (i) payment of (or reimbursement of payments made for) claims and settlements to third Persons that are not Affiliates of a Loan Party, or (ii) covering any out-of-

pocket expenses (including out-of-pocket legal expenses and any taxes) incurred by the Borrower or such other Loan Party in connection with obtaining such insurance payment or remediating any damages caused by any matter related to such claim under the Luna R&W Insurance Policy) (each such payment, a *"Luna R&W Insurance Policy Payment"*), then the Borrower shall, within three (3) Business Days after receipt thereof, prepay the Obligations in an aggregate amount equal to 100% of the amount of such Luna R&W Insurance Policy Payment.

(vii) The amount of each such prepayment under clauses (ii), (iii), (iv), (v) and (vi) of this Section 2.8(b) shall be applied (A) first to the outstanding Term Loans (to be applied on a ratable basis among the Delayed Draw Term Loans and Incremental Term Loans (if any) based on the outstanding principal amounts thereof) until paid in full and (B) then, without a reduction of the Revolving Credit Commitments, to the Swingline Loans and Revolving Loans until paid in full with any remaining balance to be held by the Administrative Agent in the Collateral Account as security for the L/C Obligations in accordance with Section 9.4; *provided* that the amount of the prepayment under clause (iii)(A)(1) of this Section 2.8(b) shall be applied first to the outstanding Delayed Draw Term Loans (to be applied, notwithstanding anything in Section 2.8(c) to the contrary, on a ratable basis among all such remaining amortization payments thereon based on the principal amounts thereof) up to $20,000,000 and, second, without a reduction of the Revolving Credit Commitments, to the Swingline Loans and Revolving Loans until paid in full; *provided further* that the amount of the prepayment under clause (iii)(A)(2) of this Section 2.8(b) shall be applied, without a reduction of the Revolving Credit Commitments, to the Swingline Loans and Revolving Loans until paid in full. Unless the Borrower otherwise directs, prepayments of Loans under this Section 2.8(b) shall be applied first to Borrowings of Base Rate Loans until payment in full thereof with any balance applied to Borrowings of Eurodollar Loans in the order in which their Interest Periods expire. Each prepayment of Loans under this Section 2.8(b) shall be made by the payment of the principal amount to be prepaid and, in the case of any Term Loans or Eurodollar Loans or Swingline Loans, accrued interest thereon to the date of prepayment together with any amounts due the Lenders under Section 4.5.

(c) *Generally.* Any amount of Swingline Loans and Revolving Loans paid or prepaid before the Revolving Credit Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again. No amount of the Term Loans paid or prepaid may be reborrowed, and, in the case of any partial prepayment, such prepayment shall be applied to the remaining payments on the relevant Term Loans in the inverse order of maturity.

Section 2.9. Default Rate. Notwithstanding anything to the contrary contained herein, while any Event of Default exists or after acceleration, the Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Loans and Reimbursement Obligations, letter of credit fees and other amounts at a rate per annum equal to:

(a) for any Base Rate Loan or any Swingline Loan bearing interest based on the Base Rate, the sum of 2.0% *plus* the Applicable Margin *plus* the Base Rate from time to time in effect;

(b) for any Eurodollar Loan or any Swingline Loan bearing interest at the Swingline Lender's Quoted Rate, the sum of 2.0% *plus* the rate of interest in effect thereon at the time of such Event of Default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of 2.0% *plus* the Applicable Margin for Base Rate Loans *plus* the Base Rate from time to time in effect;

(c) for any Reimbursement Obligation, the sum of 2.0% *plus* the amounts due under Section 2.3 with respect to such Reimbursement Obligation;

(d) for any Letter of Credit, the sum of 2.0% *plus* the Letter of Credit Fee due under Section 3.1(b) with respect to such Letter of Credit; and

(e) for any other amount owing hereunder not covered by clauses (a) through (d) above, the sum of 2% *plus* the Applicable Margin *plus* the Base Rate from time to time in effect;

provided, however, that in the absence of acceleration pursuant to Section 9.2 or 9.3, any adjustments pursuant to this Section shall be made at the election of the Administrative Agent, acting at the request or with the consent of the Required Lenders, with written notice to the Borrower (which election may be retroactively effective to the date of such Event of Default). While any Event of Default exists or after acceleration, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Lenders.

Section 2.10. Evidence of Indebtedness. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Administrative Agent shall also maintain accounts in which it will record (i) the amount of each Loan made hereunder, the type thereof and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to subsections (a) and (b) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; *provided, however,* that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a promissory note or notes in the forms of Exhibit D-1 (in the case of its Delayed Draw Term Loan and referred to herein as a *"Delayed Draw Term Note"*), D-2 (in the case of its Revolving Loans and referred to herein as a *"Revolving Note"*) or D-3 (in the case of its Swingline Loans and referred to herein as a *"Swing Note"*), as applicable (the Delayed Draw Term Notes, Revolving Notes and Swing Note being hereinafter referred to collectively as the *"Notes"* and individually as a *"Note"*). In such event,

the Borrower shall execute and deliver to such Lender a Note payable to such Lender or its registered assigns in the amount of the relevant Term Loan, Commitment, or Swingline Sublimit, as applicable. Thereafter, the Loans evidenced by such Note or Notes and interest thereon shall at all times (including after any assignment pursuant to Section 13.2) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 13.2, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in subsections (a) and (b) above.

Section 2.11. Commitment Terminations.

(a) *Optional Revolving Credit Terminations.* The Borrower shall have the right at any time and from time to time, upon five (5) Business Days prior written notice to the Administrative Agent (or such shorter period of time agreed to by the Administrative Agent), to terminate the Revolving Credit Commitments without premium or penalty and in whole or in part, any partial termination to be (i) in an amount not less than $500,000 and (ii) allocated ratably among the Lenders in proportion to their respective Revolver Percentages, provided that the Revolving Credit Commitments may not be reduced to an amount less than the sum of the aggregate principal amount of Swingline Loans, Revolving Loans, and L/C Obligations then outstanding. Any termination of the Revolving Credit Commitments below the L/C Sublimit or the Swingline Sublimit then in effect shall reduce the L/C Sublimit and Swingline Sublimit, as applicable, by a like amount. The Administrative Agent shall give prompt notice to each Lender of any such termination of the Revolving Credit Commitments.

(b) *Optional and Mandatory Delayed Draw Term Loan Commitment Termination*. The Borrower shall have the right at any time upon five (5) Business Days prior written notice to the Administrative Agent (or such shorter period of time agreed to by the Administrative Agent) to terminate the Delayed Draw Term Loan Commitments without premium or penalty in whole. The Administrative Agent shall give prompt notice to each Lender of any such optional termination of the Delayed Draw Term Loan Commitments. If the Borrower receives Net Cash Proceeds from the Initial Equity Issuance at any time while the Delayed Draw Term Loan Commitments remain in effect, then (i) the Borrower shall give the Administrative Agent prompt notice thereof and (ii) the Delayed Draw Term Loan Commitments shall be permanently and automatically reduced, ratably, by an aggregate amount equal to the lesser of (i) $20,000,000 and (ii) 100% of the amount of such Net Cash Proceeds, effective as of the date that is one (1) Business Day after the Administrative Agent's receipt of such notice (or such shorter period of time agreed to by the Administrative Agent). Any reduction of the Delayed Draw Term Loan Commitments pursuant to this Section 2.11(b) shall automatically reduce, in an amount equal to such reduction of the Delayed Draw Term Loan Commitments, all of the remaining amortization payments on the Delayed Draw Term Loans pursuant to Section 2.7(a) based on the principal amounts thereof on a ratable basis.

(c) *Generally.* Any termination of the Commitments pursuant to this Section may not be reinstated.

Section 2.12. Replacement of Lenders. If any Lender requests compensation under Section 4.4, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.1 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 4.7, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 13.2), all of its interests, rights (other than its existing rights to payments pursuant to Section 4.1 or Section 4.4) and obligations under this Agreement and the related Loan

Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 13.2;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and funded participations in L/C Obligations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 4.5 as if the Loans owing to it were prepaid rather than assigned) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 4.4 or payments required to be made pursuant to Section 4.1, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.13. Defaulting Lenders.

(a) *Defaulting Lender Adjustments.* Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) *Waivers and Amendments*. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(ii) *Defaulting Lender Waterfall*. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 9 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 13.7 hereto shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any L/C Issuer or the Swingline Lender hereunder; *third*, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.14; *fourth*, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.14; *sixth*, to the payment of any amounts owing to the Lenders, the L/C Issuer or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the L/C Issuer or the Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans or L/C Obligations in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 7.1 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swingline Loans are held by the Lenders pro rata in accordance with their Percentages of the relevant Commitments without giving effect to Section 2.13(a)(iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.13(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees*.

(A) No Defaulting Lender shall be entitled to receive any commitment fee for any period during which that Lender is a Defaulting Lender (and the

Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.14.

(C) With respect to any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to clause (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations or Swingline Loans that has been reallocated to such Non-Defaulting

Lender pursuant to clause (iv) below, (y) pay to each L/C Issuer and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's or Swingline Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) *Reallocation of Participations to Reduce Fronting Exposure*. All or any part of such Defaulting Lender's participation in L/C Obligations and Swingline Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Percentages of the relevant Commitments (calculated without regard to such Defaulting Lender's Commitments) but only to the extent that (x) the conditions set forth in Section 7.1 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Loans and interests in L/C Obligations and Swingline Loans of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Credit Commitment. Subject to Section 13.21, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) *Cash Collateral; Repayment of Swingline Loans*. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to them hereunder or under law, (x) first, prepay Swingline Loans in an amount equal to the Swing Lender's Fronting Exposure and (y) second, Cash Collateralize the L/C Issuer's Fronting Exposure in accordance with the procedures set forth in Section 2.14.

(b) *Defaulting Lender Cure*. If the Borrower, the Administrative Agent, the Swingline Lender and each L/C Issuer agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements

with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held pro rata by the Lenders in accordance with their respective Percentages of the relevant Commitments (without giving effect to Section 2.13(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; *provided* that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and *provided, further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) *New Swingline Loans/Letters of Credit*. So long as any Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swingline Loan and (ii) no L/C Issuer shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

Section 2.14. Cash Collateral for Fronting Exposure At any time that there shall exist a Defaulting Lender, within one (1) Business Day following the written request of the Administrative Agent or any L/C Issuer (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize the L/C Issuers' Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to Section 2.13(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount.

(a) *Grant of Security Interest*. The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the L/C Issuers, and agree to maintain, a first priority security interest in all such Cash Collateral as security for such Defaulting Lender's obligation to fund participations in respect of L/C Obligations, to be applied pursuant to clause (b) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the L/C Issuers as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower shall, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(b) *Application*. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.14 or Section 2.13 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of L/C Obligations (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(c) *Termination of Requirement*. Cash Collateral (or the appropriate portion thereof) provided to reduce any L/C Issuer's Fronting Exposure shall no longer be required to be held as

Cash Collateral pursuant to this Section 2.14(c) following (A) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (B) the determination by the Administrative Agent and each L/C Issuer that there exists excess Cash Collateral; *provided* that, subject to Section 2.14, the Person providing Cash Collateral and each L/C Issuer may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations; and *provided further* that to the extent that such Cash Collateral was provided by the Borrower or any other Loan Party, such Cash Collateral shall remain subject to the security interest granted pursuant to the Loan Documents.

Section 2.15. Increase in Revolving Credit Commitments and Incremental Term Loans. The Borrower may, on any Business Day prior to the Revolving Credit Termination Date, increase the aggregate amount of the Revolving Credit Commitments (the *"Revolving Credit Increase"*) and/or borrow one or more additional term loans (the *"Incremental Term Loans"*) by delivering an Increase Request substantially in the form attached hereto as Exhibit E or in such other form acceptable to the Administrative Agent at least five (5) Business Days prior to the desired effective date of such increase or the making of such term loan(s) (the *"Increase"*) identifying any proposed additional Lender(s), if any, which additional Lender(s) shall, to the extent such consent would be required under Section 13.3, in the case of an additional Lender providing a Revolving Credit Commitment, be reasonably acceptable to the Administrative

Agent (or additional Revolving Credit Commitments or Incremental Term Loans, as applicable, for existing Lender(s)) and the amount of its Revolving Credit Commitment (or additional amount of its Revolving Credit Commitment(s)) or Incremental Term Loan(s) (or additional amount of its Term Loan Commitment(s)), as applicable; *provided, however*, that (i) the aggregate amount of all such Increases shall not exceed $30,000,000, (ii) any such Increase shall be in an amount not less than $5,000,000, (iii) no Default shall exist at the time of the effective date of the Increase after giving effect to such Increase as fully-drawn and giving pro forma effect to the use of proceeds thereof, (iv) the Borrower shall be in compliance on a pro forma basis (after giving effect to such Increase as fully-drawn) with all financial covenants in Section 8.23 hereof, calculated using the required covenant compliance levels for the next succeeding determination period, provided that the Total Leverage Ratio shall be no greater than 0.25x less than the then required Total Leverage Ratio under Section 8.23(a), and (v) all representations and warranties contained in Section 6 hereof shall be true and correct in all material respects on the effective date of such Increase. The effective date (the *"Increase Date"*) of the Increase shall be agreed upon by the Borrower and the Lender(s) providing such increase). With respect to an Increase in the Revolving Credit Commitments as described above, on the Increase Date, the new Lender(s) (or, if applicable, existing Lender(s)) shall advance Revolving Loans in an amount sufficient such that after giving effect to such advance(s) or loan(s) and the prepayment of Loans by any Lender(s) whose commitment is not increased, each Lender shall have outstanding its Revolver Percentage of Revolving Loans. It shall be a condition to such effectiveness that if any Eurodollar Loans are outstanding under the Revolving Facility on the date of such effectiveness, such Eurodollar Loans shall be deemed to be prepaid on such date (to the extent necessary to allocate such outstanding Eurodollar Loans in accordance with the Percentage of each Lender after giving effect to the related Increase) and the Borrower shall pay any amounts owing to the Lenders pursuant to Section 4.5 hereof. The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent relating to any Increase. Notwithstanding anything herein to the contrary, no Lender shall have any obligation to increase its Revolving Credit Commitment or make Incremental Term Loans and no

Lender's Revolving Credit Commitment shall be increased without its consent thereto, and each Lender may at its option, unconditionally and without cause, decline to increase its Revolving Credit Commitment or make Incremental Term Loans.

The Incremental Term Loans (a) shall rank *pari passu* in right of payment and of security with the Revolving Loans and the Delayed Draw Term Loans, and (b) Incremental Term Loans shall have (i) a final maturity date no earlier than that of the Delayed Draw Term Loans and (ii) a weighted average life not less than the then remaining weighted average life to maturity of the Delayed Draw Term Loans, *provided* that, except as set forth above, the terms and conditions applicable to Incremental Term Loans (including interest rates and amortization applicable thereto) shall be determined by the Borrower, the Administrative Agent and the Lenders providing such Incremental Term Loans.

Commitments in respect of Incremental Term Loans and increases in Revolving Credit Commitment shall become Commitments (or in the case of an increase in the Revolving Credit Commitment to be provided by an existing Lender, an increase in such Lender's applicable Revolving Credit Commitment) under this Agreement pursuant to an amendment (an *"Incremental Amendment"*) to this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Lender agreeing to provide such Commitment, if any, each additional Lender, if any, and the Administrative Agent. The Incremental Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.15.

SECTION 3. FEES.

Section 3.1. Fees.

(a) *Revolving Credit Commitment Fee*. The Borrower shall pay to the Administrative Agent for the ratable account of the Lenders in accordance with their Revolver Percentages a commitment fee (the *"Revolving Credit Commitment Fee"*) at the rate per annum equal to the Applicable Margin (computed on the basis of a year of 360 days and the actual number of days elapsed) times the daily amount by which the aggregate Revolving Credit Commitments exceeds the principal amount of Revolving Loans and L/C Obligations then outstanding; *provided, however*, that the principal amount of Swingline Loans shall be deemed usage of the Revolving Credit Commitment of the Swingline Lender for purposes of this Section. Such commitment fee shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (commencing on the first such date occurring after the Closing Date) and on the Revolving Credit Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the commitment fee for the period to the date of such termination in whole shall be paid on the date of such termination.

(b) *Letter of Credit Fees*. On the date of issuance or extension, or increase in the amount, of any Letter of Credit pursuant to Section 2.3, the Borrower shall pay to the L/C Issuer for its own account a fronting fee with respect to such Letter of Credit as agreed to in writing between the Borrower and the applicable L/C Issuer. Quarterly in arrears, on the last day of each March, June,

September, and December, commencing on the first such date occurring after the Closing Date, the Borrower shall pay to the Administrative Agent, for the ratable benefit of the Lenders in accordance with their Revolver Percentages, a letter of credit fee (the *"Letter of Credit Fee"*) at a rate per annum equal to the Applicable Margin (computed on the basis of a year of 360 days and the actual number of days elapsed) in effect during each day of such quarter applied to the daily average face amount of Letters of Credit outstanding during such quarter. In addition, the Borrower shall pay to the L/C Issuer for its own account the L/C Issuer's standard issuance, drawing, negotiation, amendment, assignment, and other administrative fees for each Letter of Credit as established by the L/C Issuer from time to time.

(c) *Administrative Agent Fees*. The Borrower shall pay to the Administrative Agent, for its own use and benefit, the fees agreed to between the Administrative Agent and the Borrower in a fee letter dated September 17, 2018, or as otherwise agreed to in writing between them.

(d) *Delayed Draw Term Loan Commitment Fee*. The Borrower shall pay to the Administrative Agent for the ratable account of the Lenders in accordance with their Delayed Draw Term Loan Percentages a commitment fee at a rate per annum equal to 0.40% (computed on the basis of a year of 360 days and the actual number of days elapsed) multiplied by the daily undrawn amount of the aggregate Delayed Draw Term Loan Commitments, commencing on the Closing Date, and continuing through and including the earlier of (i) the last day of the Delayed Draw Term Loan Availability Period and (ii) the day on which the Delayed Draw Term Loans are advanced to the Borrower (the earlier of such dates, the *"Delayed Draw Term Loan Commitment Fee End Date"*). Such commitment fee shall be due and payable in full on the Delayed Draw Term Loan Commitment Fee End Date.

(e) *Upfront Fees*. The Borrower shall pay to the Lenders upfront fees (the *"Upfront Fees"*) in an amount equal to 0.60% of each Lender's aggregate Commitments as of the Closing Date. The Upfront Fees shall be due and payable on the Closing Date. For the avoidance of doubt, this clause (e) replaces and supersedes Section 3 of the fee letter dated September 17, 2018 between the Administrative Agent and the Borrower.

SECTION 4. TAXES; CHANGE IN CIRCUMSTANCES, INCREASED COSTS, AND FUNDING INDEMNITY.

Section 4.1. Taxes.

(a) *Certain Defined Terms.* For purposes of this Section, the term "Lender" includes the Administrative Agent (to the extent it receives payments hereunder or under any other Loan Document in its capacity as such) any L/C Issuer and the term "applicable law" includes FATCA.

(b) *Payments Free of Taxes.* Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted

or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) *Payment of Other Taxes by the Loan Parties.* The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) *Indemnification by the Loan Parties.* The Loan Parties shall jointly and severally indemnify each Recipient, within ten (10) Business Days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate setting forth in reasonable detail the basis for and amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) *Indemnification by the Lenders.* Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes or Other Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes or Other Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 13.2(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this subsection (e).

(f) *Evidence of Payments*. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) *Status of Lenders.* (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the

Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 4.1(g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), properly completed and duly executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this

Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, properly completed and duly executed copies of IRS Form W-8BEN or W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, properly completed and duly executed copies of IRS Form W-8BEN or W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits", "other income" or other applicable article of such tax treaty;

(ii) properly completed and duly executed copies of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit I-1 to the effect that such Foreign Lender is not

a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a *"U.S. Tax Compliance Certificate"*) and (y) properly completed and duly executed copies of IRS Form W-8BEN; or

(iv) to the extent a Foreign Lender is not the beneficial owner, properly completed and duly executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-2 or Exhibit I-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is classified as a partnership for U.S. federal income tax purposes and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), *"FATCA"* shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) *Treatment of Certain Refunds.* If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) such indemnified party incurred in connection with such refund and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this subsection (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this subsection (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund had never been paid. This subsection shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) *Survival.* Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 4.2. Change of Law. Notwithstanding any other provisions of this Agreement or any other Loan Document, if at any time any Change in Law makes it unlawful for any Lender to make or continue to maintain any Eurodollar Loans or to perform its obligations as contemplated hereby, such Lender shall promptly give notice thereof to the Borrower and such Lender's obligations to make or maintain Eurodollar Loans under this Agreement shall be suspended until it is no longer unlawful for such Lender to make or maintain Eurodollar Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected Eurodollar Loans, together with all interest accrued thereon and all other amounts then due and payable to such Lender under this Agreement; *provided, however,* subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal

amount of the affected Eurodollar Loans from such Lender by means of Base Rate Loans from such Lender, which Base Rate Loans shall not be made ratably by the Lenders but only from such affected Lender.

Section 4.3. Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. (a) If on or prior to the first day of any Interest Period for any Borrowing of Eurodollar Loans:

(i) the Administrative Agent determines that deposits in U.S. Dollars (in the applicable amounts) are not being offered to it in the interbank eurodollar market for such

Interest Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(ii) the Required Lenders advise the Administrative Agent that (A) LIBOR as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Eurodollar Loans for such Interest Period or (B) that the making or funding of Eurodollar Loans become impracticable,

then the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make Eurodollar Loans shall be suspended.

(b) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (a)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (a)(i) have not arisen but the supervisor for the administrator of the LIBOR Index Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBOR Index Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent, in consultation with the Borrower, shall establish an alternate rate of interest to the LIBOR Index Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and the Administrative Agent and the Borrower shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 13.3, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest has been determined in accordance with this clause (b) (but, in the case of the circumstances described in clause (ii) of the first sentence of this subsection (b), only to the extent the LIBOR Index Rate for such Interest Period is not available or published at such time on a current basis), (x) any notice that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Loan shall be ineffective, and (y) if any Borrowing notice requests a Eurodollar Loan, such Borrowing shall be made as a Base Rate Loan.

Section 4.4. Increased Costs.

(a) *Increased Costs Generally.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the Adjusted LIBOR) or any L/C Issuer;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes and (B) Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or any L/C Issuer or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Lender, such L/C Issuer or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, L/C Issuer or other Recipient hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, L/C Issuer or other Recipient, the Borrower will pay to such Lender, L/C Issuer or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, L/C Issuer or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If any Lender or L/C Issuer determines that any Change in Law affecting such Lender or L/C Issuer or any lending office of such Lender or such Lender's or L/C Issuer's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's or L/C Issuer's capital or on the capital of such Lender's or L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit or Swingline Loans held by, such Lender, or the Letters of Credit issued by any L/C Issuer, to a level below that which such Lender or L/C Issuer or such Lender's or L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or L/C Issuer's policies and the policies of such Lender's or L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or L/C Issuer or such Lender's or L/C Issuer's holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of a Lender or L/C Issuer setting forth in reasonable detail the basis for its reimbursement claim and the amount or amounts necessary to compensate such Lender or L/C Issuer or its holding company, as the case may be, as specified in

subsection (a) or (b) of this Section and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay such Lender or L/C Issuer, as the case may be, the amount shown as due on any such certificate within ten (10) Business Days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of any Lender or L/C Issuer to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or L/C Issuer's right to demand such compensation; *provided* that the Borrower shall not be required to compensate a Lender or L/C Issuer pursuant to this Section for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender or L/C Issuer, as

the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's or L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 4.5. Funding Indemnity. If any Lender shall incur any loss, cost or expense (including, without limitation, any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurodollar Loan or Swingline Loan bearing interest at the Swingline Lender's Quoted Rate or the relending or reinvesting of such deposits or amounts paid or prepaid to such Lender) as a result of:

(a) any payment, prepayment or conversion of a Eurodollar Loan or such Swingline Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 7 or otherwise) by the Borrower to borrow or continue a Eurodollar Loan or such Swingline Loan, or to convert a Base Rate Loan into a Eurodollar Loan or such Swingline Loan on the date specified in a notice given pursuant to Section 2.6(a) or 2.2(b),

(c) any failure by the Borrower to make any payment of principal on any Eurodollar Loan or such Swingline Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurodollar Loan or such Swingline Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Lender, the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Administrative Agent, a certificate setting forth the amount of such loss, cost or expense in reasonable detail and the amounts shown on such certificate shall be conclusive absent manifest error.

Section 4.6. Discretion of Lender as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder with respect to Eurodollar Loans shall be made as if each Lender had actually funded and maintained each Eurodollar Loan through the purchase of deposits in the interbank eurodollar market having a maturity corresponding to such Loan's Interest Period, and bearing an interest rate equal to LIBOR for such Interest Period.

Section 4.7. Lending Offices; Mitigation Obligations. Each Lender may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified in its Administrative Questionnaire (each a "*Lending Office*") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent. If any Lender requests compensation under

Section 4.4, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.1, then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4.1 or 4.4, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

SECTION 5. PLACE AND APPLICATION OF PAYMENTS.

Section 5.1. Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and all other Obligations payable by the Borrower under this Agreement and the other Loan Documents, shall be made by the Borrower to the Administrative Agent by no later than 12:00 Noon (Chicago time) on the due date thereof at the office of the Administrative Agent in Chicago, Illinois (or such other location as the Administrative Agent may designate to the Borrower), for the benefit of the Lender(s) or L/C Issuer entitled thereto. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made in U.S. Dollars, in immediately available funds at the place of payment, in each case without set-off or counterclaim. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans and on Reimbursement Obligations in which the Lenders have purchased Participating Interests ratably to the Lenders and like funds relating to the payment of any other amount payable to any Lender to such Lender, in each case to be applied in accordance with the terms of this Agreement. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuers hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuers, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the L/C Issuers, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or L/C Issuer, with interest thereon, for each day from and including the date such amount is distributed to it to but

excluding the date of payment to the Administrative Agent, at a rate per annum equal to: (i) from the date the distribution was made to the date two (2) Business Days after payment by such Lender is due hereunder, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Lender to the date such payment is made by such Lender, the Base Rate in effect for each such day.

Section 5.2. Non-Business Days. Subject to the definition of Interest Period, if any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such

payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 5.3. Payments Set Aside. To the extent that any payment by or on behalf of the Borrower or any other Loan Party is made to the Administrative Agent, any L/C Issuer or any Lender, or the Administrative Agent, any L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, such L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation for each such day.

Section 5.4. Account Debit. The Borrower hereby irrevocably authorizes the Administrative Agent to charge any of the Borrower's deposit accounts maintained with BMO Harris Bank N.A. for the amounts from time to time necessary to pay any then due Obligations; *provided* that the Borrower acknowledges and agrees that the Administrative Agent shall not be under an obligation to do so and the Administrative Agent shall not incur any liability to the Borrower or any other Person for the Administrative Agent's failure to do so.

SECTION 6. REPRESENTATIONS AND WARRANTIES.

Each Loan Party represents and warrants to the Administrative Agent and the Lenders as follows:

Section 6.1. Organization and Qualification. Each Loan Party is duly organized, validly existing, and in good standing as a corporation, limited liability company, or partnership, as applicable, under the laws of the jurisdiction in which it is organized, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except where the failure to do so would not have a Material Adverse Effect.

Section 6.2. Subsidiaries. Each Subsidiary that is not a Loan Party is duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is organized, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing

or qualifying, except where the failure to do so would not have a Material Adverse Effect. Schedule 6.2 hereto identifies each Subsidiary (including Subsidiaries that are Loan Parties), the jurisdiction of its organization, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by any Loan Party and its Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. All of the outstanding shares of capital stock and other equity interests of each Subsidiary are validly issued and outstanding and fully paid and nonassessable and all such shares and other equity interests indicated on Schedule 6.2 as owned by the relevant Loan Party or another Subsidiary are owned, beneficially and of record, by such Loan Party or such Subsidiary free and clear of all Liens other than the Liens granted in favor of the Administrative Agent pursuant to the Collateral Documents or otherwise permitted by this Agreement. There are no outstanding commitments or other obligations of any Subsidiary to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Subsidiary. The Inactive Subsidiaries have no or only de minimis assets or business operations and generate no revenue.

Section 6.3. Authority and Validity of Obligations. Each Loan Party has full right and authority to enter into this Agreement and the other Loan Documents executed by it, to make the borrowings herein provided for (in the case of the Borrower), to guarantee the Secured Obligations (in the case of each Guarantor), to grant to the Administrative Agent the Liens described in the Collateral Documents executed by such Loan Party, and to perform all of its obligations hereunder and under the other Loan Documents executed by it. The Loan Documents delivered by the Loan Parties and their Subsidiaries have been duly authorized, executed, and delivered by such Persons and constitute valid and binding obligations of such Loan Parties and their Subsidiaries enforceable against each of them in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement and the other Loan Documents do not, nor does the performance or observance by any Loan Party or any Subsidiary of any of the matters and things herein or therein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon any Loan Party or any Subsidiary of a Loan Party or any provision of the organizational documents (*e.g.*, charter, certificate or articles of incorporation and by-laws, certificate or articles of association and operating agreement, partnership agreement, or other similar organizational documents) of any Loan Party or any Subsidiary of a Loan Party, (b) contravene or constitute a default under any covenant, indenture or agreement of or affecting any Loan Party or any Subsidiary of a Loan Party or any of their respective Property, in each case where such contravention or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, or (c) result in the creation or imposition of any

Lien on any Property of any Loan Party or any Subsidiary of a Loan Party other than the Liens granted in favor of the Administrative Agent pursuant to the Collateral Documents.

Section 6.4. Use of Proceeds; Margin Stock. The Borrower shall use the proceeds of (a) the Delayed Draw Term Loans to (i) refinance certain indebtedness of the Luna Targets, (ii) fund certain fees and expenses associated with the closing of this Agreement and the Luna Acquisition

and (iii) finance a portion of the Total Consideration paid in respect of the Luna Acquisition, and (b) the Revolving Facility to (i) refinance certain existing indebtedness of the Loan Parties and the Luna Targets, (ii) fund certain fees and expenses associated with the closing of this Agreement, (iii) provide for working capital, (iv) finance Capital Expenditures and Permitted Acquisitions, and (v) finance other general corporate purposes of the Borrower and its Subsidiaries. No Loan Party nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan or any other extension of credit made hereunder will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Margin stock (as hereinabove defined) constitutes less than 25% of the assets of the Loan Parties and their Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder.

Section 6.5. Financial Reports. The consolidated balance sheet of the Loan Parties and their Subsidiaries as at December 29, 2017, and the related consolidated statements of income, retained earnings and cash flows of the Loan Parties and their Subsidiaries for the Fiscal Year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of KPMG US LLP, independent public accountants, and the unaudited interim consolidated balance sheet of the Loan Parties and their Subsidiaries as at the Fiscal Quarter ended on or about June 29, 2018, and the related consolidated statements of income, retained earnings and cash flows of the Loan Parties and their Subsidiaries for the two (2) Fiscal Quarters then ended, heretofore furnished to the Administrative Agent, fairly present in all material respects the consolidated financial condition of the Loan Parties and their Subsidiaries as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with GAAP applied on a consistent basis. No Loan Party nor any of its Subsidiaries has contingent liabilities which are material to it other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished pursuant to Section 8.5.

Section 6.6. No Material Adverse Change. Since December 29, 2017, there has been no change in the condition (financial or otherwise) or business prospects of any Loan Party or any Subsidiary of a Loan Party except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

Section 6.7. Full Disclosure. The statements and information furnished to the Administrative Agent and the Lenders in connection with the negotiation of this Agreement and the other Loan Documents and the commitments by the Lenders to provide all or part of the financing contemplated hereby do not contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading, the Administrative Agent and the Lenders acknowledging that as to any projections furnished to the Administrative Agent and the Lenders, the Borrower only represents that the same were prepared on the basis of information and estimates the Borrower believed to be reasonable.

Section 6.8. Trademarks, Franchises, and Licenses. The Loan Parties and their Subsidiaries own, possess, or have the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how, and confidential

commercial and proprietary information to conduct their businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person.

Section 6.9. Governmental Authority and Licensing. The Loan Parties and their Subsidiaries have received all licenses, permits, and approvals of all federal, state, and local governmental authorities, if any, necessary to conduct their businesses, in each case where the failure to obtain or maintain the same could reasonably be expected to have a Material Adverse Effect. No investigation or proceeding which, if adversely determined, could reasonably be expected to result in revocation or denial of any material license, permit or approval is pending or, to the knowledge of the any Loan Party, threatened.

Section 6.10. Good Title. The Loan Parties and their Subsidiaries have good and defensible title (or valid leasehold interests) to their assets as reflected on the most recent consolidated balance sheet of the Loan Parties and their Subsidiaries furnished to the Administrative Agent and the Lenders (except for sales of assets in the ordinary course of business), subject to no Liens other than such thereof as are permitted by Section 8.8. As of the Closing Date, no Loan Party owns any real property other than as described on Schedule 6.10.

Section 6.11. Litigation and Other Controversies. There is no litigation or governmental or arbitration proceeding or labor controversy pending, nor to the knowledge of any Loan Party threatened, against any Loan Party or any Subsidiary of a Loan Party or any of their respective Property which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 6.12. Taxes. All U.S. federal, state income and other material Tax returns required to be filed by any Loan Party or any Subsidiary of a Loan Party in any jurisdiction have, in fact, been filed, and all Taxes upon any Loan Party or any Subsidiary of a Loan Party or upon any of their respective Property, income or franchises, which are shown to be due and payable in such returns, have been paid, except such Taxes, if any, (i) as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided or (ii) solely with respect to Taxes other than U.S. federal Taxes, the imposition of which would not reasonably be expected to result in a Material Adverse Effect. No Loan Party knows of any proposed additional Tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for Taxes on the books of each Loan Party and each of its Subsidiaries have been made for all open years, and for its current fiscal period.

Section 6.13. Approvals. No authorization, consent, license or exemption from, or filing or registration with, any court or governmental department, agency or instrumentality, nor any approval or consent of any other Person, is or will be necessary to the valid execution, delivery or performance by any Loan Party or any Subsidiary of a Loan Party of any Loan Document, except for (i) such approvals which have been obtained prior to the date of this Agreement and remain in full force and effect and (ii) filings which are necessary to perfect the security interests under the Collateral Documents.

Section 6.14. Affiliate Transactions. No Loan Party nor any of its Subsidiaries is a party to any contracts or agreements with any of its Affiliates that is not a Loan Party on terms and conditions which are less favorable to such Loan Party or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

Section 6.15. Investment Company. No Loan Party nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 6.16. ERISA. Each Loan Party and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with ERISA and the Code to the extent applicable to it and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. No Loan Party nor any of its Subsidiaries has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 6.17. Compliance with Laws. (a) The Loan Parties and their Subsidiaries are in compliance with all Legal Requirements applicable to or pertaining to their Property or business operations, where any non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Except for such matters, individually or in the aggregate, which could not reasonably be expected to result in a Material Adverse Effect, the Loan Parties represent and warrant that: (i) the Loan Parties and their Subsidiaries, and each of the Premises, comply in all material respects with all applicable Environmental Laws; (ii) the Loan Parties and their Subsidiaries have obtained, maintain and are in compliance with all approvals, permits, or authorizations of Governmental Authorities required for their operations and each of the Premises; (iii) the Loan Parties and their Subsidiaries have not, and no Loan Party has knowledge of any other Person who has, caused any Release, threatened Release or disposal of any Hazardous Material at, on, or from any of the Premises in any material quantity and, to the knowledge of each Loan Party, none of the Premises are adversely affected by any such Release, threatened Release or disposal of a Hazardous Material; (iv) the Loan Parties and their Subsidiaries are not subject to and have no notice or knowledge of any Environmental Claim involving any Loan Party or any Subsidiary of a Loan Party or any of the Premises, and there are no conditions or occurrences at any of the Premises which could reasonably be anticipated to form the basis for such an Environmental Claim; (v) none of the Premises contain and have contained any: (1) underground storage tanks, (2) material amounts of asbestos containing building material, (3) landfills or dumps, (4) hazardous waste management facilities as defined pursuant to any Environmental Law, or (5) sites on or nominated for the National Priority List or similar state list; (vi) the Loan Parties and their Subsidiaries have not used a material quantity of any Hazardous Material and have conducted no Hazardous Material Activity at any of the Premises; (vii) none of the Premises are subject to any, and no Loan Party has knowledge of any imminent restriction on the ownership, occupancy, use or transferability of the Premises in connection with any (1) Environmental Law or (2) Release, threatened Release or disposal of a Hazardous Material; (viii) there are no conditions or circumstances at any of the Premises which pose an unreasonable risk to the environment or the health or safety of Persons;

and (ix) the Loan Parties and their Subsidiaries have no knowledge of any capital expenditures necessary to bring the Premises or their respective business or equipment into compliance with Environmental Laws. The Loan Parties have delivered to the Administrative Agent complete and accurate copies of all material environmental reports, studies, assessments and investigation results in the Loan Parties' possession or control and that relate to any Loan Party's or Subsidiary's operations or to any of the Premises.

(c) Each Loan Party and each of its Subsidiaries is in material compliance with all Anti-Corruption Laws. Each Loan Party and each of its Subsidiaries has implemented and maintains in effect policies and procedures designed to ensure compliance by each Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws. No Loan Party nor any Subsidiary has made a payment, offering, or promise to pay, or authorized the payment of, money or anything of value (i) in order to assist in obtaining or retaining business for or with, or directing business to, any foreign official, foreign political party, party official or candidate for foreign political office, (ii) to a foreign official, foreign political party or party official or any candidate for foreign political office, and (iii) with the intent to induce the recipient to misuse his or her official position to direct business wrongfully to such Loan Party or such Subsidiary or to any other Person, in violation of any Anti-Corruption Laws.

Section 6.18. OFAC. (a) Each Loan Party is in compliance in all material respects with the requirements of all OFAC Sanctions Programs applicable to it, (b) each Subsidiary of each Loan Party is in compliance in all material respects with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary, (c) each Loan Party has provided to the Administrative Agent, the L/C Issuer, and the Lenders all information requested by them regarding such Loan Party and its Affiliates and Subsidiaries necessary for the Administrative Agent, the L/C Issuer, and the Lenders to comply with all applicable OFAC Sanctions Programs, and (d) no Loan Party nor any of its Subsidiaries nor, to the knowledge of any Loan Party, any officer, director or Affiliate of any Loan Party or any of its Subsidiaries, is a Person, that is, or is owned or controlled by Persons that are, (i) the target of any OFAC Sanctions Programs or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of any OFAC Sanctions Programs.

Section 6.19. Labor Matters. There are no strikes, lockouts or slowdowns against any Loan Party or any Subsidiary of a Loan Party pending or, to the knowledge of any Loan Party, threatened that could, in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 6.19, as of the Closing Date there are no collective bargaining agreements in effect between any Loan Party or any Subsidiary of a Loan Party and any labor union; and as of the Closing Date no Loan Party nor any of its Subsidiaries is under any obligation to assume any collective bargaining agreement to or conduct any negotiations with any labor union with respect to any future collective bargaining agreements. Following the Closing Date no Loan Party is under any obligation to assume any collective bargaining agreement or to conduct any negotiations with any labor union with respect to any future collective bargaining agreement except, in each case, as could not reasonably be expected to have a Material Adverse Effect. Each Loan Party and its Subsidiaries have remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax, employment insurance, and pension plan contributions), goods and services tax and all other

amounts which if not paid when due could result in the creation of a Lien against any of its Property, except for Liens permitted by Section 8.8.

Section 6.20. Other Agreements. No Loan Party nor any of its Subsidiaries is in default under the terms of any covenant, indenture or agreement of or affecting such Person or any of its Property, which default if uncured could reasonably be expected to have a Material Adverse Effect.

Section 6.21. Solvency. After giving effect to the initial Credit Event on the Closing Date (if any) and the transactions contemplated hereby, the Loan Parties and their Subsidiaries, on a consolidated basis, are solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business and all businesses in which they are about to engage.

Section 6.22. No Default. No Default has occurred and is continuing.

Section 6.23. No Broker Fees. No broker's or finder's fee or commission will be payable with respect hereto or any of the transactions contemplated thereby; and the Loan Parties hereby agree to indemnify the Administrative Agent, the L/C Issuer, and the Lenders against, and agree that they will hold the Administrative Agent, the L/C Issuer, and the Lenders harmless from, any claim, demand, or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable attorneys' fees) arising in connection with any such claim, demand, or liability.

Section 6.24. Security Documents. (a) The Security Agreement is effective to create in favor of the Administrative Agent, acting on behalf of the holders of the Secured Obligations, legal, valid and enforceable Liens on, and security interests in, the Collateral (as defined in the Security Agreement) and, (i) when financing statements and other filings in appropriate form are filed in the appropriate offices, and (ii) upon the taking of possession or control by the Administrative Agent of the Collateral (as defined in the Security Agreement) with respect to which a security interest may be perfected only by possession or control, the Liens created by the Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the Collateral (as defined in the Security Agreement) (other than (A) the patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor) and (B) such Collateral (as defined in the Security Agreement) in which a security interest cannot be perfected under the UCC as in effect at the relevant time in the relevant jurisdiction or in respect of which perfection is not required at such time by this Agreement or the Security Agreement), in each case subject to no Liens other than those permitted by Section 8.8 hereof.

(b) When (i) the Security Agreement or a short form thereof is filed in the United States Patent and Trademark Office and the United States Copyright Office, as applicable, and (ii) financing statements and other filings in appropriate form are filed in the applicable offices, the Liens created by such Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor), in each case subject to no Liens other than those permitted by Section 8.8 hereof.

Section 6.25. Bonding Capacity. The Borrower and its Subsidiaries have available bonding capacity under one or more Bonding Agreements in an amount sufficient to operate their respective businesses in the ordinary course. The Borrower and its Subsidiaries are in compliance in all material respects with all terms and conditions set forth in each Bonding Agreement and no default has occurred thereunder.

SECTION 7. CONDITIONS PRECEDENT.

Section 7.1. All Credit Events. At the time of each Credit Event hereunder:

(a) each of the representations and warranties set forth herein and in the other Loan Documents shall be and remain true and correct in all material respects as of said time (where not already qualified by materiality, otherwise in all respects), except to the extent the same expressly relate to an earlier date, in which case they shall be true and correct in all material respects (where not already qualified by materiality, otherwise in all respects) as of such earlier date;

(b) no Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(c) after giving effect to such extension of credit the aggregate principal amount of all Swingline Loans, Revolving Loans and L/C Obligations outstanding under this Agreement shall not exceed the Revolving Credit Commitments then in effect;

(d) in the case of a Borrowing (other than a Swingline Loan pursuant to a Sweep to Loan Arrangement or a refunding of a Swingline Loan with a Revolving Loan pursuant to Section 2.2(b)(iii)) the Administrative Agent shall have received the notice required by Section 2.6, in the case of the issuance of any Letter of Credit the L/C Issuer shall have received a duly completed Application for such Letter of Credit together with any fees called for by Section 3.1, and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor in a form acceptable to the L/C Issuer together with fees called for by Section 3.1; and

(e) such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to the Administrative Agent, the L/C Issuer or any Lender (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

(f) additionally, in the case of a Borrowing of a Delayed Draw Term Loan, the Administrative Agent shall have received immediately prior to giving effect to any such Delayed Draw Term Loan, satisfactory evidence that each of the Luna Acquisition Conditions have been satisfied (or will be satisfied concurrently with such Borrowing).

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date on such Credit Event as to the facts

specified in subsections (a) through (d), both inclusive, of this Section; *provided, however,* that the Lenders may continue to make advances under the Revolving Facility, in the sole discretion of the Lenders with Revolving Credit Commitments, notwithstanding the failure of the Borrower to satisfy one or more of the conditions set forth above and any such advances so made shall not be deemed a waiver of any Default or other condition set forth above that may then exist.

Section 7.2. Effective Date. The obligations of the Lenders to make Loans and of the L/C Issuer to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 13.3):

(a) the Administrative Agent shall have received this Agreement duly executed by the Loan Parties, the L/C Issuer, and the Lenders;

(b) if requested by any Lender, the Administrative Agent shall have received for such Lender such Lender's duly executed Notes of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.10;

(c) the Administrative Agent shall have received the Security Agreement duly executed by the relevant Loan Parties, together with (i) copies of stock certificates or other similar instruments or securities representing all of the issued and outstanding shares of capital stock or other equity interests in each Subsidiary constituting Collateral (limited in the case of any first tier Foreign Subsidiary to 66% of the Voting Stock and 100% of any other equity interests as provided in Section 12.1) as of the Closing Date, (ii) stock powers executed in blank and undated for the Collateral consisting of the certificated stock or other equity interest in each Subsidiary, (iii) UCC financing statements to be filed against each Loan Party, as debtor, in favor of the Administrative Agent, as secured party, and (iv) patent, trademark, and copyright collateral agreements to the extent requested by the Administrative Agent;

(d) the Administrative Agent shall have received evidence of insurance for the Loan Parties in form and substance reasonably satisfactory to the Administrative Agent;

(e) the Administrative Agent shall have received copies of each Loan Party's articles of incorporation and bylaws (or comparable organizational documents) and any amendments thereto, certified in each instance by its Secretary or Assistant Secretary (or comparable Responsible Officer);

(f) the Administrative Agent shall have received copies of resolutions of each Loan Party's board of directors (or similar governing body) authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, together with specimen signatures of the persons authorized to execute such documents on each Loan Party's behalf, all certified in each instance by an authorized officer;

(g) the Administrative Agent shall have received copies of the certificates of good standing for each Loan Party (dated no earlier than 30 days prior to the date hereof,

or such earlier date as the Administrative Agent may agree to in its discretion) from the office of the secretary of the state of its incorporation or organization and of each state in which it is qualified to do business as a foreign corporation or organization;

(h) the Administrative Agent shall have received a list of the Borrower's Authorized Representatives;

(i) the Administrative Agent shall have received a certificate as to the Borrower's Designated Disbursement Account;

(j) the Administrative Agent shall have received the initial fees called for by Section 3.1;

(k) the capital and organizational structure of the Loan Parties and their Subsidiaries shall be reasonably satisfactory to the Administrative Agent and the Lenders;

(l) the Administrative Agent shall have received evidence of completion of due diligence with respect to each Loan Party, including satisfaction of the Administrative Agent's business due diligence list and confirmatory third-party due diligence (including legal, tax and regulatory review and management background checks), each reasonably satisfactory to the Administrative Agent;

(m) the Administrative Agent shall have received such evaluations and certifications as it may reasonably require in order to satisfy itself as to the value of the Collateral, the financial condition of the Loan Parties and their Subsidiaries, and the lack of material contingent liabilities of the Loan Parties and their Subsidiaries, including, to the extent required by the Administrative Agent, and without limitation, (i) audited annual financial statements (including an income statement, a balance sheet, and a cash flow statement) of the Borrower (and its Subsidiaries) for the prior three (3) Fiscal Years, (ii) unaudited quarterly financial statements (including an income statement, a balance sheet, and a cash flow statement) of each of the Borrower (and its Subsidiaries) for each Fiscal Quarter ended within the prior three (3) Fiscal Years, and (iii) five (5) year projected financial statements of the Borrower (and its Subsidiaries);

(n) the Administrative Agent shall be satisfied that there has been no Material Adverse Effect with respect to the Borrower and its Subsidiaries (taken as a whole) since the most recently completed audit on or about December 29, 2017;

(o) the Administrative Agent shall have received calculations evidencing that (i) the Borrower and its Subsidiaries' Adjusted EBITDA for the most recently ended twelve (12) months ("*LTM*") for which financial statements are available on the Closing Date is at least $23,000,000 and (ii) the Total Leverage Ratio on or about the Closing Date does not exceed 0.75 to 1.00, calculated based on LTM Adjusted EBITDA; *provided* that, for purposes of determining compliance with the foregoing conditions, LTM Adjusted EBITDA and the Total Leverage Ratio shall be calculated on a pro forma basis, after giving effect to the initial Credit Event on the Closing Date (if any);

(p) the Administrative Agent shall have received financing statement, tax, and judgment lien search results against each Loan Party and its Property evidencing the absence of Liens thereon except as permitted by Section 8.8;

(q) the Administrative Agent shall have received pay-off and lien release letters from secured creditors of the Loan Parties (other than secured parties intended to remain outstanding after the Closing Date with Indebtedness and Liens permitted by Sections 8.7 and 8.8) setting forth, among other things, the total amount of indebtedness outstanding and owing to them (or outstanding letters of credit issued for the account of any Loan Party or its Subsidiaries) and containing an undertaking to cause to be delivered to the Administrative Agent UCC termination statements and any other lien release instruments necessary to release their Liens on the assets of any Loan Party or any Subsidiary of a Loan Party, which pay-off and lien release letters shall be in form and substance reasonably acceptable to the Administrative Agent;

(r) the Administrative Agent shall have received the favorable written opinion of counsel to each Loan Party, in form and substance satisfactory to the Administrative Agent;

(s) (i) each of the Lenders shall have received, sufficiently in advance of the Closing Date, all documentation and other information requested by any such Lender required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation, the United States Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) including, without limitation, the information described in Section 13.24; and the Administrative Agent shall have received a fully executed Internal Revenue Service Form W-9 (or its equivalent) for the Borrower and each other Loan Party, and (ii) to the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, sufficiently in advance of the Closing Date, any Lender that has requested, in a written notice to the Borrower, a Beneficial Ownership Certification in relation to the Borrower shall have received such Beneficial Ownership Certification (provided that, upon the execution and delivery by such Lender of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied);

(t) the Administrative Agent shall have received a reasonably satisfactory solvency certificate of the Borrower and its Subsidiaries on a consolidated basis after giving effect to the initial Credit Event on the Closing Date (if any) and the transactions contemplated hereby, certified as of the Closing Date by an authorized representative of the Borrower; and

(u) the Administrative Agent shall have received a fully executed copy of the Luna Acquisition Agreement in form and substance reasonably satisfactory to the Administrative Agent; and

(v) the Administrative Agent shall have received such other agreements, instruments, documents, certificates, and opinions as the Administrative Agent may reasonably request.

SECTION 8. COVENANTS.

Each Loan Party agrees that, so long as any credit is available to or in use by the Borrower hereunder, except to the extent compliance in any case or cases is waived in writing pursuant to the terms of Section 13.3:

Section 8.1. Maintenance of Business. Each Loan Party shall, and shall cause each of its Subsidiaries to, preserve and maintain its existence, except as otherwise provided in Section 8.10(c); *provided, however,* that nothing in this Section shall prevent the Borrower from dissolving any of its Subsidiaries if such action is, in the reasonable business judgment of the Borrower, desirable in the conduct of its business and is not disadvantageous in any material respect to the Lenders. Each Loan Party shall, and shall cause each of its Subsidiaries to, preserve and keep in force and effect all licenses, permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights, and other proprietary rights necessary to the proper conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect.

Section 8.2. Maintenance of Properties. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain, preserve, and keep its property, plant, and equipment in good repair, working order and condition (ordinary wear and tear excepted), and shall from time to time make all needful and proper repairs, renewals, replacements, additions, and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained, except to the extent that, in the reasonable business judgment of such Person, any such Property is no longer necessary for the proper conduct of the business of such Person.

*Section 8.3. Taxes and Assessment*s. Each Loan Party shall duly pay and discharge, and shall cause each of its Subsidiaries to duly pay and discharge, all Taxes, rates, assessments, fees, and governmental charges upon or against it or its Property, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that (i) the same are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves are provided therefor or (ii) solely with respect to Taxes other than U.S. Federal Taxes, the imposition of the same would not reasonably be expected to result in a Material Adverse Effect.

Section 8.4. Insurance. Each Loan Party shall insure and keep insured, and shall cause each of its Subsidiaries to insure and keep insured, with good and responsible insurance companies, all insurable Property owned by it which is of a character usually insured by Persons similarly situated and operating like Properties against loss or damage from such hazards and risks (including flood insurance with respect to any improvements on real Property consisting of building or parking facilities in an area designated by a governmental body as having special flood hazards), and in such amounts, as are insured by Persons similarly situated and operating like Properties, but in no event at any time in an amount less than the replacement value of the Collateral. Each Loan Party shall also maintain, and shall cause each of its Subsidiaries to

maintain, insurance with respect to the business of such Loan Party and its Subsidiaries, covering commercial general liability, statutory worker's compensation and occupational disease, statutory structural work act liability, and business interruption and such other risks with good and responsible insurance companies, in such amounts and on such terms as the Administrative Agent shall reasonably request, but in any event as and to the extent usually insured by Persons similarly situated and conducting similar businesses. The Loan Parties shall in any event maintain insurance on the Collateral to the extent required by the Collateral Documents. All such policies of insurance shall contain satisfactory mortgagee/lender's loss payable endorsements, naming the Administrative Agent (or its security trustee) as mortgagee or a loss payee, assignee or additional insured, as appropriate, as its interest may appear, and showing only such other loss payees, assignees and additional insureds as are reasonably satisfactory to the Administrative Agent. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than thirty (30) days' (ten (10) days' in the case of nonpayment of insurance premiums) prior written notice to the Administrative Agent in the event of cancellation of the policy for any reason whatsoever and a clause specifying that the interest of the Administrative Agent shall not be impaired or invalidated by any act or neglect of any Loan Party or any Subsidiary of a Loan Party, or the owner of the premises or Property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. The Borrower shall deliver to the Administrative Agent (i) on the Closing Date and at such other times as the Administrative Agent shall reasonably request, certificates evidencing the maintenance of insurance required hereunder, (ii) prior to the termination of any such policies, certificates evidencing the renewal thereof, and (iii) promptly following request by the Administrative Agent, copies of all insurance policies of the Loan Parties and their Subsidiaries. The Borrower also agrees to deliver to the Administrative Agent, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies.

Section 8.5. Financial Reports. The Loan Parties shall, and shall cause each of their Subsidiaries to, maintain proper books of records and accounts reasonably necessary to prepare financial statements required to be delivered pursuant to this Section 8.5 in accordance with GAAP and shall furnish to the Administrative Agent:

(a) as soon as available, and in any event no later than 45 days after the last day of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, a copy of the consolidated balance sheet of the Loan Parties and their Subsidiaries as of the last day of such Fiscal Quarter and the consolidated statements of income, retained earnings, and cash flows of the Loan Parties and their Subsidiaries for the Fiscal Quarter and for the Fiscal Year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous Fiscal Year, prepared by the Borrower in accordance with GAAP (subject to the absence of footnote disclosures and Fiscal Year-end audit adjustments) and certified to by a Financial Officer of the Borrower together with Fiscal Quarter consolidated backlog reports;

(b) as soon as available, and in any event no later than 120 days after the last day of each Fiscal Year of the Borrower, a copy of the consolidated and consolidating balance sheet of the Loan Parties and their Subsidiaries as of the last day of the Fiscal Year then ended and the consolidated and consolidating statements of income, retained earnings, and cash flows of the Loan Parties and their Subsidiaries for the Fiscal Year then ended,

and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous Fiscal Year, accompanied in the case of the consolidated financial statements by an unqualified opinion of KPMG US LLP or another firm of independent public accountants of recognized standing, selected by the Borrower and reasonably satisfactory to the Administrative Agent, to the effect that the consolidated financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Loan Parties and their Subsidiaries as of the close of such Fiscal Year and the results of their operations and cash flows for the Fiscal Year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, together with Fiscal Quarter consolidated backlog reports

(c) promptly after receipt thereof, any additional written reports, management letters or other detailed information contained in writing concerning significant aspects of any Loan Party's or any of its Subsidiary's operations and financial affairs given to it by its independent public accountants;

(d) promptly after receipt thereof, a copy of each audit made by any regulatory agency of the books and records of any Loan Party or any Subsidiary of a Loan Party or of notice of any material noncompliance with any applicable law, regulation or guideline relating to any Loan Party or any Subsidiary of a Loan Party or their respective business;

(e) as soon as available, and in any event no later than 90 days after the end of each Fiscal Year of the Borrower, a copy of the consolidated and consolidating business plan for the Loan Parties and their Subsidiaries for following Fiscal Year, such business plan to show the projected consolidated and consolidating revenues, expenses and balance sheet of the Loan Parties and their Subsidiaries on a Fiscal Quarter-by-Fiscal Quarter basis, such business plan to be in reasonable detail prepared by the Borrower and in form satisfactory to the Administrative Agent (which shall include a summary of all assumptions made in preparing such business plan);

(f) notice of any Change of Control;

(g) promptly after knowledge thereof shall have come to the attention of any Responsible Officer of any Loan Party, written notice of (i) any threatened or pending litigation or governmental or arbitration proceeding or labor controversy against any Loan Party or any Subsidiary of a Loan Party or any of their Property which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, (ii) the occurrence of any Material Adverse Effect, (iii) the occurrence of any Default, (iv) any material amendment or other modification to any Bonding Agreement (together with a copy of such amendment or modification) and copies of any notices received under any Bonding Agreement, (v) any new Bonding Agreement entered into after the Closing Date (together with a copy of such agreement), or (vi) any event or change in circumstance that occurs regarding the bonding capacity or bonding requirements of either Borrower or any

Subsidiary, including without limitation notice of (A) each reduction in the aggregate bonding capacity of the Borrower and its Subsidiaries of 20% or more of the aggregate bonding capacity of the Borrower and its Subsidiaries as in effect on the Closing Date, individually or in the aggregate, and

(B) any failure or inability of the Borrower or a Subsidiary to obtain bonding for any new project that is committed to by the Borrower or a Subsidiary or the refusal of any bonding company or any other Surety to provide bonding for any such project;

(h) with each of the financial statements delivered pursuant to subsections (a) and (b) above, a written certificate in the form attached hereto as Exhibit F signed by a Financial Officer of the Borrower to the effect that to the best of such officer's knowledge and belief no Default has occurred during the period covered by such statements or, if any such Default has occurred during such period, setting forth a description of such Default and specifying the action, if any, taken by the relevant Loan Party or its Subsidiary to remedy the same. Such certificate shall also set forth the calculations supporting such statements in respect of Section 8.23 (Financial Covenants) in the form attached as Schedule I to such Exhibit F hereto; and

(i) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of any Loan Party or any Subsidiary of a Loan Party, or compliance with the terms of any Loan Document, including but not limited to an updated schedule of all Bonds outstanding, as the Administrative Agent may reasonably request.

Section 8.6. Inspection; Field Audits. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit the Administrative Agent and each Lender, and each of their duly authorized representatives and agents to visit and inspect any of its Property, corporate books, and financial records, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers, employees and independent public accountants (and by this provision the Loan Parties hereby authorize such accountants to discuss with the Administrative Agent and such Lenders the finances and affairs of the Loan Parties and their Subsidiaries) at such reasonable times and intervals as the Administrative Agent or any such Lender may designate and, so long as no Default exists, with reasonable prior notice to the Borrower. The Borrower shall pay to the Administrative Agent charges for field audits of the Collateral, inspections and visits to Property, inspections of corporate books and financial records, examinations and copies of books of accounts and financial record and other activities permitted in this Section performed by the Administrative Agent or its agents or third party firms, in such amounts as the Administrative Agent may from time to time request (the Administrative Agent acknowledging and agreeing that any internal charges for such audits and inspections shall be computed in the same manner as it at the time customarily uses for the assessment of charges for similar collateral audits); *provided, however,* that in the absence of any Default, the Borrower shall not be required to pay the Administrative Agent for more than one (1) such audit per Fiscal Year.

Section 8.7. Borrowings and Guaranties. No Loan Party shall, nor shall it permit any of its Subsidiaries to, issue, incur, assume, create or have outstanding any Indebtedness or Earn Out

Obligations, or incur liabilities under any Hedging Agreement, or be or become liable as endorser, guarantor, surety or otherwise for any Indebtedness or undertaking of any Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any Person; *provided, however,* that the foregoing shall not restrict nor operate to prevent:

(a) the Secured Obligations of the Loan Parties and their Subsidiaries owing to the Administrative Agent and the Lenders (and their Affiliates);

(b) purchase money indebtedness and Capitalized Lease Obligations of the Loan Parties and their Subsidiaries in an amount not to exceed $1,500,000 in the aggregate at any one time outstanding;

(c) obligations of the Loan Parties and their Subsidiaries arising out of interest rate, foreign currency, and commodity Hedging Agreements entered into with financial institutions in connection with bona fide hedging activities in the ordinary course of business and not for speculative purposes;

(d) endorsement of items for deposit or collection of commercial paper received in the ordinary course of business;

(e) intercompany advances from time to time owing between the Loan Parties in the ordinary course of business to finance their working capital needs;

(f) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits (including contractual and statutory benefits) or property, casualty, liability or credit insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(g) Indebtedness in respect of bids, trade contracts (other than for debt for borrowed money), leases (other than Capitalized Lease Obligations), statutory obligations, surety, stay, customs and appeal bonds, performance, performance and completion and return of money bonds, government contracts and similar obligations, in each case, provided in the ordinary course of business;

(h) Indebtedness in respect of netting services, overdraft protection and similar arrangements, in each case, in connection with cash management and deposit accounts;

(i) Indebtedness arising from agreements of a Loan Party or its Subsidiary providing for indemnification, adjustment of purchase or acquisition price or similar obligations, in each case, incurred or assumed in connection with a Permitted Acquisition;

(j) unsecured Indebtedness of the Loan Parties and their Subsidiaries not otherwise permitted by this Section 8.7 in an amount not to exceed $4,000,000 in the aggregate at any one time outstanding;

(k) Indebtedness arising from Seller Notes; *provided* that all Indebtedness arising from any such Seller Notes shall be unsecured and subordinated to the Secured Obligations pursuant to subordination provisions or subordination agreements reasonably satisfactory to the Administrative Agent;

(l) Earn Out Obligations; *provided* that, subject to Section 8.25, all such Earn Out Obligations shall be unsecured and subordinated to the Secured Obligations pursuant to subordination provisions or subordination agreements reasonably satisfactory to the Administrative Agent;

(m) the Earn Out Obligations listed on Schedule 8.7(m) that are existing as of the Closing Date;

(n) guarantee obligations of the Borrower with respect to indebtedness arising from Seller Notes permitted by Section 8.7(k); *provided* that such guarantee shall be unsecured and subordinated to the Secured Obligations pursuant to subordination provisions or subordination agreements reasonably satisfactory to the Administrative Agent; and

(o) Indebtedness owing to insurance companies and insurance brokers incurred in connection with the financing of insurance premiums in the ordinary course of business.

Section 8.8. Liens. No Loan Party shall, nor shall it permit any of its Subsidiaries to, create, incur or permit to exist any Lien of any kind on any Property owned by any such Person; *provided, however,* that the foregoing shall not apply to nor operate to prevent:

(a) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, Taxes, assessments, statutory obligations or other similar charges (other than Liens arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which any Loan Party or any Subsidiary of a Loan Party is a party or other cash deposits required to be made in the ordinary course of business, provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(b) mechanics', workmen's, materialmen's, landlords', carriers', or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(c) judgment liens and judicial attachment liens not constituting an Event of Default under Section 9.1(g) and the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of such judgment liens and attachments and liabilities of the Loan Parties and their Subsidiaries secured by a pledge of assets permitted under this subsection, including interest and penalties thereon, if any, shall not be in excess of $750,000 at any one time outstanding;

(d) Liens on equipment of any Loan Party or any Subsidiary of a Loan Party created solely for the purpose of securing indebtedness permitted by Section 8.7(b), representing or incurred to finance the purchase price of such Property; provided that no such Lien shall extend to or cover other Property of such Loan Party or such Subsidiary other than the respective Property so acquired, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(e) any interest or title of a lessor under any operating lease, including the filing of Uniform Commercial Code financing statements solely as a precautionary measure in connection with operating leases entered into by any Loan Party or any Subsidiary of a Loan Party in the ordinary course of its business;

(f) easements, rights-of-way, restrictions, and other similar encumbrances against real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of any Loan Party or any Subsidiary of a Loan Party;

(g) bankers' Liens, rights of setoff and other similar Liens (including under Section 4-210 of the Uniform Commercial Code) in one or more deposit accounts maintained by any Loan Party or any Subsidiary of a Loan Party, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(h) Liens granted in favor of the Administrative Agent pursuant to the Collateral Documents;

(i) non-exclusive licenses of intellectual property granted in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business of any Loan Party or any Subsidiary of a Loan Party;

(j) Liens on equipment of any Loan Party or any Subsidiary of a Loan Party created solely for the purpose of securing indebtedness pursuant to a Bonding Agreement;

provided that no such Lien shall extend to or cover other Property of such Loan Party or such Subsidiary other than the respective Property so connected to the applicable Bond (including assets used in connection with the related project or proceeds of the related project);

(k) Liens on the assets of Genesys Engineering, P.C. granted to Willdan Energy Solutions;

(l) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto; and

(m) other Liens not otherwise permitted by this Section 8.8 granted with respect to obligations that do not in the aggregate exceed $100,000 at any time outstanding, so long as such Liens, to the extent covering any Collateral, are junior to the Liens granted pursuant to the Collateral Documents.

Section 8.9. Investments, Acquisitions, Loans and Advances. No Loan Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to (other than for travel advances and other similar cash advances made to employees in the ordinary course of business), any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof; *provided, however,* that the foregoing shall not apply to nor operate to prevent:

(a) Cash Equivalents;

(b) the Loan Parties' existing investments in their respective Subsidiaries outstanding on the Closing Date;

(c) intercompany advances made from time to time between the Loan Parties in the ordinary course of business to finance their working capital needs;

(d) intercompany advances from time to time owing between a Loan Party and any Subsidiary that is not a Guarantor hereunder in the ordinary course of business to finance their working capital needs, *provided* that the aggregate amount of such advances to Subsidiaries that are not Guarantors hereunder together with any investments in such Subsidiaries do not exceed $300,000 at any one time outstanding;

(e) Permitted Acquisitions;

(f) the Luna Acquisition to the extent the Luna Acquisition Conditions are substantially concurrently satisfied in connection therewith as of the date of the consummation of the Luna Acquisition;

(g) other investments existing on the Closing Date not otherwise permitted by this Section 8.9 and listed and identified on Schedule 8.9;

(h) investments in Construction Joint Ventures which are made in the ordinary course of business; *provided, however,* that the aggregate investments in Construction Joint Ventures shall not at any time exceed 15% of the combined consolidated Net Worth of the Borrower and its Subsidiaries;

(i) loans and advances to employees of the Loan Parties in an amount not to exceed $1,250,000 in the aggregate at any one time outstanding; and

(j) other investments, loans, and advances in addition to those otherwise permitted by this Section 8.9 in an amount not to exceed $500,000 in the aggregate at any one time outstanding.

In determining the amount of investments, acquisitions, loans, and advances permitted under this Section 8.9, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), and loans and advances shall be taken at the principal amount thereof then remaining unpaid.

Section 8.10. Mergers, Consolidations and Sales. No Loan Party shall, nor shall it permit any of its Subsidiaries to, be a party to any merger, division, consolidation or amalgamation, or sell, transfer, lease or otherwise dispose of all or any part of its Property, including any disposition of Property as part of a sale and leaseback transaction, or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; *provided, however,* that this Section shall not apply to nor operate to prevent:

(a) the sale or lease of inventory in the ordinary course of business;

(b) the sale, transfer, lease or other disposition of Property of any Loan Party to one another in the ordinary course of its business;

(c) the merger of any Loan Party or Inactive Subsidiary with and into the Borrower or any other Loan Party (or the merger of any Inactive Subsidiary into another Inactive Subsidiary or dissolution of any Inactive Subsidiary) and the merger of Luna Fruit, Inc. into a Luna Target pursuant to the Luna Acquisition so long as the Luna Acquisition Conditions are substantially concurrently satisfied, provided that, in the case of any merger involving the Borrower, the Borrower is the Person surviving the merger;

(d) the sale of delinquent notes or accounts receivable in the ordinary course of business for purposes of collection only (and not for the purpose of any bulk sale or securitization transaction);

(e) the sale, transfer or other disposition of any tangible personal property that, in the reasonable business judgment of the relevant Loan Party or its Subsidiary, has become obsolete or worn out, and which is disposed of in the ordinary course of business; and

(f) the Disposition of Property of any Loan Party or any Subsidiary of a Loan Party (including any Disposition of Property as part of a sale and leaseback transaction) aggregating for all Loan Parties and their Subsidiaries not more than $750,000 during any Fiscal Year of the Borrower, *provided* that (i) each such Disposition shall be made for fair value and (ii) at least 80% of the total consideration received at the closing of such Disposition shall consist of cash and at least 80% of the total consideration received after taking into account all final purchase price

adjustments and/or contingent payments (including working capital adjustment or earn-out provisions) expressly contemplated by the transaction documents, when received shall consist of cash.

Section 8.11. Maintenance of Subsidiaries. No Loan Party shall assign, sell or transfer, nor shall it permit any of its Subsidiaries to issue, assign, sell or transfer, any shares of capital stock or other equity interests of a Subsidiary; *provided, however,* that the foregoing shall not operate to prevent (a) the issuance, sale, and transfer to any person of any shares of capital stock of a Subsidiary solely for the purpose of qualifying, and to the extent legally necessary to qualify, such person as a director of such Subsidiary, (b) any transaction permitted by Section 8.10(c) above, and (c) Liens on the capital stock or other equity interests of Subsidiaries granted to the Administrative Agent pursuant to the Collateral Documents.

Section 8.12. Dividends and Certain Other Restricted Payments. No Loan Party shall, nor shall it permit any of its Subsidiaries to, (a) declare or pay any dividends on or make any other distributions in respect of any class or series of its capital stock or other equity interests (other than dividends or distributions payable solely in its capital stock or other equity interests), or (b) directly or indirectly purchase, redeem, or otherwise acquire or retire any of its capital stock or other equity interests or any warrants, options, or similar instruments to acquire the same (collectively referred to herein as *"Restricted Payments"*); *provided, however,* that the foregoing shall not operate to prevent the making of (i) dividends or distributions by any Subsidiary to any Loan Party or (ii) to the extent the Repurchase Conditions have been satisfied, Share Repurchases by the Borrower.

Section 8.13. ERISA. Each Loan Party shall, and shall cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed could reasonably be expected to result in the imposition of a Lien against any of its Property. Each Loan Party shall, and shall cause each of its Subsidiaries to, promptly notify the Administrative Agent and each Lender of: (a) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan, (b) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (c) its intention to terminate or withdraw from any Plan, and (d) the occurrence of any event with respect to any Plan which would result in the incurrence by any Loan Party or any Subsidiary of a Loan Party of any material liability, fine or penalty, or any material increase in the contingent liability of any Loan Party or any Subsidiary of a Loan Party with respect to any post-retirement Welfare Plan benefit.

Section 8.14. Compliance with Laws. (a) Each Loan Party shall, and shall cause each of its Subsidiaries to, comply in all respects with all Legal Requirements applicable to or pertaining to its Property or business operations, where any non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property.

(b) Without limiting Section 8.14(a) above, each Loan Party shall, and shall cause each of its Subsidiaries to, at all times, do the following to the extent the failure to do so, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect: (i) comply in all material respects with, and maintain each of the Premises in compliance in all material respects with, all applicable Environmental Laws; (ii) require that each tenant and subtenant, if any, of any of the Premises or any part thereof comply in all material respects with all applicable Environmental Laws; (iii) obtain and maintain in full force and effect all material governmental approvals required by any applicable Environmental Law for the operation of their business and each of the Premises; (iv) cure any material violation by it or at any of the Premises of applicable Environmental Laws; (v) not allow the presence or operation at any of the Premises of any (1) landfill or dump or (2) hazardous waste management facility or solid waste disposal facility as defined pursuant to applicable Environmental Law; (vi) not manufacture, use, generate, transport, treat, store, Release, dispose or handle any Hazardous Material (or allow any tenant or subtenant to do any of the foregoing) at any of the Premises except in the ordinary course of its business or in *de minimis* amounts, and in compliance with all applicable Environmental Laws; (vii) within ten (10) Business Days notify the Administrative Agent in writing of and provide any reasonably requested documents upon learning of any of the following in connection with any Loan Party or any Subsidiary of a Loan Party or any of the Premises: (1) any material Environmental Liability; (2) any material Environmental Claim; (3) any material violation of an Environmental Law or material Release, threatened Release or disposal of a Hazardous Material; (4) any restriction on the ownership, occupancy, use or transferability of any Premises arising from or in connection with any (x) Release, threatened Release or disposal of a Hazardous Material or (y) Environmental Law; or (5) any environmental, natural resource, health or safety condition, which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect; (viii) conduct at its expense any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other corrective or response action necessary to remove, remediate, clean up, correct or abate any material Release, threatened Release or violation of any applicable Environmental Law, (ix) abide by and observe any restrictions on the use of the Premises imposed by any Governmental Authority as set forth in a deed or other instrument affecting any Loan Party's or any of its Subsidiary's interest therein; (x) promptly provide or otherwise make available to the Administrative Agent any reasonably requested environmental record concerning the Premises which any Loan Party or any Subsidiary of a Loan Party possesses or can reasonably obtain; and (xi) perform, satisfy, and implement any operation, maintenance or corrective actions or other requirements of any Governmental Authority or Environmental Law, or included in any no further action letter or covenant not to sue issued by any Governmental Authority under any Environmental Law.

Section 8.15. Compliance with OFAC Sanctions Programs and Anti-Corruption Laws. (a) Each Loan Party shall at all times comply in all material respects with the requirements of all OFAC Sanctions Programs applicable to such Loan Party and shall cause each of its Subsidiaries to comply in all material respects with the requirements of all OFAC Sanctions Programs applicable to such Subsidiary.

(b) Each Loan Party shall provide the Administrative Agent and the Lenders any information regarding the Loan Parties, their Affiliates, and their Subsidiaries necessary for the Administrative Agent and the Lenders to comply with all applicable OFAC Sanctions Programs

and the Beneficial Ownership Regulation; subject however, in the case of Affiliates, to such Loan Party's ability to provide information applicable to them.

(c) If any Responsible Officer of any Loan Party obtains actual knowledge or receives any written notice that any Loan Party, any Subsidiary of any Loan Party, or any officer, director or Affiliate of any Loan Party or that any Person that owns or controls any such Person is the target of any OFAC Sanctions Programs or is located, organized or resident in a country or territory that is, or whose government is, the subject of any OFAC Sanctions Programs (such occurrence, an *"OFAC Event"*), such Loan Party shall promptly (i) give written notice to the Administrative Agent and the Lenders of such OFAC Event, and (ii) comply in all material respects with all applicable laws with respect to such OFAC Event (regardless of whether the target Person is located within the jurisdiction of the United States of America), including the OFAC Sanctions Programs, and each Loan Party hereby authorizes and consents to the Administrative Agent and the Lenders taking any and all steps the Administrative Agent or the Lenders deem necessary, in their sole but reasonable

discretion, to avoid violation of all applicable laws with respect to any such OFAC Event, including the requirements of the OFAC Sanctions Programs (including the freezing and/or blocking of assets and reporting such action to OFAC).

(d) No Loan Party will, directly or, to any Loan Party's knowledge, indirectly, use the proceeds of the Facilities, or lend, contribute or otherwise make available such proceeds to any other Person, (i) to fund any activities or business of or with any Person or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of any OFAC Sanctions Programs, or (ii) in any other manner that would result in a violation of OFAC Sanctions Programs or Anti-Corruption Laws by any Person (including any Person participating in the Facilities, whether as underwriter, lender, advisor, investor, or otherwise).

(e) No Loan Party will, nor will it permit any Subsidiary to, violate any Anti-Corruption Law in any material respect.

(f) Each Loan Party will maintain in effect policies and procedures designed to ensure compliance by the Loan Parties, their Subsidiaries, and their respective directors, officers, employees, and agents with applicable Anti-Corruption Laws.

Section 8.16. Burdensome Contracts With Affiliates. No Loan Party shall, nor shall it permit any of its Subsidiaries to, enter into any contract, agreement or business arrangement with any of its Affiliates on terms and conditions which are less favorable to such Loan Party or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other; *provided* that the foregoing restriction shall not apply to transactions between or among the Loan Parties.

Section 8.17. No Changes in Fiscal Year. The Borrower shall not, nor shall it permit any Subsidiary to, change its current Fiscal Year reporting method from its present basis as of the Closing Date.

Section 8.18. Formation of Subsidiaries; Guaranty Requirements. Promptly upon (i) the formation or acquisition of any Subsidiary (other than any Inactive Subsidiary), or (ii) any Inactive

Subsidiary obtaining assets (other than de minimis assets), generating revenue or conducting business operations, the Loan Parties shall provide the Administrative Agent and the Lenders notice thereof (at which time Schedule 6.2 shall be deemed amended to include reference to such Subsidiary). Subject to Section 12 hereof, the payment and performance of the Secured Obligations of the Borrower shall at all times be guaranteed by the Subsidiaries of the Borrower which are required to be Guarantors hereunder (as set forth in the definition of "Guarantor") pursuant to Section 11 hereof or pursuant to one or more Guaranty Agreements in form and substance reasonably acceptable to the Administrative Agent, as the same may be amended, modified or supplemented from time to time. The Loan Parties shall, and shall cause their Subsidiaries to, timely comply with the requirements of Sections 11 and 12 with respect to any Subsidiary that is required to become a Guarantor hereunder. Except for Foreign Subsidiaries existing on the Closing Date and identified on Schedule 6.2, no Loan Party, nor shall it permit any of its Subsidiaries to, form or acquire any Foreign Subsidiary other than Lime International Ventures Limited, an entity organized under the laws of Ireland, in connection with the Luna Acquisition.

Section 8.19. Change in the Nature of Business. No Loan Party shall, nor shall it permit any of its Subsidiaries to, engage in any business or activity if as a result the general nature of the business of such Loan Party or any of its Subsidiaries would be changed in any material respect from an Eligible Line of Business.

Section 8.20. Use of Proceeds. The Borrower shall use the credit extended under this Agreement solely for the purposes set forth in, or otherwise permitted by, Section 6.4.

Section 8.21. No Restrictions. Except as provided herein, no Loan Party shall, nor shall it permit any of its Subsidiaries to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Loan Party or any Subsidiary of a Loan Party to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by such Loan Party or any other Subsidiary, (b) pay any indebtedness owed to any Loan Party or any other Subsidiary, (c) make loans or advances to any Loan Party or any Subsidiary, (d) transfer any of its Property to any Loan Party or any other Subsidiary, or (e) guarantee the Secured Obligations and/or grant Liens on its assets to the Administrative Agent as required by the Loan Documents; provided that the foregoing shall not apply to encumbrances existing under or by reason of (i) any agreements governing any purchase money Liens or Capitalized Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (ii) restrictions or conditions imposed by any agreement relating to Liens permitted by this Agreement but solely to the extent that such restrictions or conditions apply only to the property or assets subject to such permitted Lien, (iii) customary provisions in leases, licenses and other contracts entered into in the ordinary course of business restricting the assignment thereof, (iii) any agreement or arrangement already binding on a Subsidiary when it is acquired so long as such agreement or arrangement was not created in anticipation of such acquisition, (iv) restrictions pursuant to applicable Law, rule, regulation or order or the terms of any license, authorization, concession or permit, and (v) customary provisions limiting the disposition or distribution of assets or property in asset sale agreements, and other similar agreements in the ordinary course of business, which limitation is applicable only to the assets that are the subject of such agreements.

Section 8.22. Subordinated Debt. No Loan Party shall, nor shall it permit any of its Subsidiaries to, (a) amend or modify any of the terms or conditions relating to Subordinated Debt, (b) make any voluntary prepayment of Subordinated Debt or effect any voluntary redemption thereof, or (c) make any payment on account of Subordinated Debt which is prohibited under the terms of any instrument or agreement subordinating the same to the Obligations. Notwithstanding the foregoing, the Loan Parties may agree to a decrease in the interest rate applicable thereto or to a deferral of repayment of any of the principal of or interest on the Subordinated Debt beyond the current due dates therefor. Furthermore, without limiting the foregoing provisions of this Section 8.22, no Loan Party shall make any payment in respect of any Earn Out Obligation or Seller Note if:

(i) a Default has occurred and is continuing or would be created by the making of such payment, or

(ii) after giving effect to such payment and any Credit Event in connection therewith, the Loan Parties would not be in compliance on a pro forma basis with each of the financial covenants set forth in Section 8.23 hereof for the next succeeding Test Period (calculated based upon

Adjusted EBITDA for the four (4) Fiscal Quarter period most recently completed for which financial statements required under Section 8.5 hereof have been delivered to the Administrative Agent.

Section 8.23. Financial Covenants.

(a) *Total Leverage Ratio*. (i) As of the last day of each Fiscal Quarter of the Borrower ending during the relevant period set forth below, the Borrower shall not permit the Total Leverage Ratio to be greater than the corresponding ratio set forth opposite such period:

PERIOD(S) ENDING	TOTAL LEVERAGE RATIO SHALL NOT BE GREATER THAN:
Fiscal Quarter ending on or about 12/28/18	To the extent the Initial Equity Issuance Trigger Event has not occurred, 4.00 to 1.0 To the extent the Initial Equity Issuance Trigger Event has occurred, 3.25 to 1.0
Fiscal Quarters ending on or about 3/29/19 through and including 9/27/19	3.25 to 1.0
Fiscal Quarters ending on or about 12/27/19 and at all times thereafter	3.00 to 1.0

; *provided* that to the extent the Delayed Draw Term Loans have not been advanced in full by the Lenders on or prior to the last day of the Delayed Draw Term Loan Availability Period, then, as

of the last day of each Fiscal Quarter, the Borrower shall not permit the Total Leverage Ratio to be greater than 3.00 to 1.00.

Notwithstanding the foregoing, following the consummation of a Material Acquisition, the Borrower may elect, upon written notice to the Administrative Agent, to increase the foregoing required Total Leverage Ratio for each of the four Fiscal Quarters ending immediately following the consummation date of such Material Acquisition by 0.25 over the ratio that would otherwise be in effect (each such increase, a *"Total Leverage Ratio Adjustment"*) but only to the extent that (i) no Total Leverage Ratio Adjustment was in effect for the two Fiscal Quarters ended immediately prior to the proposed date of such Total Leverage Ratio Adjustment and (ii) no Event of Default has occurred and is continuing; *provided* that that there shall be no more than two Total Leverage Ratio Adjustments during the term of this Agreement. Promptly following receipt of notice from the Borrower of its election to give effect to a Total Leverage Ratio Adjustment, the Administrative Agent shall give written notice of such Total Leverage Ratio Adjustment to the Lenders, and this Agreement shall be automatically amended, without any further action by any party, to reflect such Total Leverage Ratio Adjustment. The Administrative Agent's calculation of the Total Leverage Ratio Adjustment shall be conclusive absent manifest error.

(b) *Fixed Charge Coverage Ratio*. As of the last day of each Fiscal Quarter of the Borrower, beginning with the Fiscal Quarter ending December 28, 2018, the Borrower shall maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.0.

Section 8.24. Modification of Certain Documents . No Loan Party shall do any of the following:

(a) waive or otherwise modify any term of any Constituent Document of, or otherwise change the capital structure of, any Loan Party (including the terms of any of their outstanding Voting Stock), in each case except for those modifications and waivers that (x) do not elect, or permit the election, to treat the Voting Stock of any limited liability company (or similar entity) as certificated unless such certificates are delivered to the Administrative Agent to the extent they represent Voting Stock pledged under the Security Agreement and (y) do not affect the interests of the Administrative Agent under the Loan Documents or in the Collateral in a materially adverse manner;

(b) permit the Obligations to cease qualifying as *"Senior Debt"*, *"Designated Senior Debt"* or a similar term under and as defined in any documentation governing any Subordinated Debt;

(c) modify any term of any Bonding Agreement such that the Property subject to any Lien in favor of any Surety attaches to Property that is not in direct connection with the applicable Bond; and

(d) amend or otherwise modify the Luna Acquisition Documents, except for such amendments or other modifications which are not materially adverse to the interests of the Administrative Agent or any Lender and which, in each instance (other than non-substantive administrative changes), are fully disclosed to Administrative Agent.

Section 8.25. Post-Closing Covenants. (a) Within sixty (60) days of the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), the Borrower shall have used commercially reasonable efforts to deliver to the Administrative Agent, Collateral Access Agreements with respect to all leased locations of the Loan Parties to the extent required by the Security Agreement and requested by the Administrative Agent and in form and substance reasonably satisfactory to the Administrative Agent.

(b) Within ninety (90) days following the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), the Borrower shall have delivered to the Administrative Agent satisfactory evidence that the Borrower has entered into one or more interest rate hedging arrangements reasonably acceptable to the Administrative Agent with respect to at least 50% of the principal amount of the Delayed Draw Term Loans then

outstanding, through the use of one or more interest rate swaps, interest rate caps, interest rate collars or other recognized interest rate hedging arrangements, for at least three (3) years.

(c) (i) Within ninety (90) days of the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), the Borrower shall have opened at least one operating account with the Administrative Agent; (ii) within one hundred eighty (180) days of the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), each Loan Party shall maintain the Administrative Agent (or one of its Affiliates) as its primary depository bank, including for its principal operating, administrative, cash management, lockbox arrangements, collection activity, and other deposit accounts for the conduct of its business; and (iii) except for Excluded Deposit Accounts, within one hundred eighty (180) days of the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), all deposit accounts of the Loan Parties shall be maintained with the Administrative Agent (or one of its Affiliates) or such other bank(s) reasonably acceptable to the Administrative Agent subject to deposit account control agreements in favor of Administrative Agent on terms reasonably satisfactory to Administrative Agent.

(d) Within forty-five (45) days of the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion), the Borrower shall have caused to be delivered to the Administrative Agent, (i) the written acknowledgement and agreement of the "Seller Representative" (on behalf of itself and all of the "Sellers") under and as defined in that certain Stock Purchase Agreement dated as of April 30, 2018, among Willdan Energy Solutions, Newcomb Anderson McCormick, Inc., the Seller Representative and the "Sellers" party thereto, in form and substance reasonably satisfactory to the Administrative Agent, to the effect that, from and after the Closing Date, the "Senior Finance Agreement" or "Senior Financing Agreement" as defined or referenced therein refers to this Agreement and that "Senior Creditor" as defined therein refers to the Administrative Agent, and (ii) the written acknowledgement and agreement of the "Sellers' Representative" (on behalf of itself and all of the "Sellers") under and as defined in that certain Stock Purchase Agreement dated July 28, 2017, among Willdan Energy Solutions, the Borrower, Integral Analytics, Inc., the Sellers' Representative and the "Sellers" party thereto, in form and substance reasonably satisfactory to the Administrative Agent, to the effect that, from and after the Closing Date, the "Senior Financing Agreement" as defined therein refers to this Agreement and that "Senior Creditor" as defined therein refers to the Administrative Agent.

Section 8.26. Bonding Capacity. The Borrower and its Subsidiaries shall (i) have available bonding capacity under one or more Bonding Agreements in an amount sufficient to operate their respective businesses in the ordinary course, and (ii) be in compliance in all material respects with all terms and conditions set forth in each Bonding Agreement and shall not permit a default to occur thereunder, as set forth in, or otherwise permitted by, Section 6.25.

SECTION 9. EVENTS OF DEFAULT AND REMEDIES.

Section 9.1. Events of Default. Any one or more of the following shall constitute an *"Event of Default"* hereunder:

(a) default in the payment when due of all or any part of the principal of any Loan (whether at the stated maturity thereof or at any other time provided for in this Agreement) or of any Reimbursement Obligation, or default for a period of three (3) Business Days in the payment when due of any interest, fee or other Obligation payable hereunder or under any other Loan Document;

(b) default in the observance or performance of any covenant set forth in Sections 8.1, 8.5, 8.7, 8.8, 8.9, 8.10, 8.11, 8.12, 8.13, 8.14, 8.15, 8.17, 8.18, 8.19, 8.21, 8.22, 8.23, 8.24 or 8.25 of this Agreement, or any provision in any Loan Document dealing with the use, disposition or remittance of the proceeds of Collateral or requiring the maintenance of insurance thereon;

(c) default in the observance or performance of any other provision hereof or of any other Loan Document which is not remedied within thirty (30) days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer of any Loan Party or (ii) written notice thereof is given to the Borrower by the Administrative Agent;

(d) any representation or warranty made herein or in any other Loan Document or in any certificate furnished to the Administrative Agent or the Lenders pursuant hereto or thereto or in connection with any transaction contemplated hereby or thereby proves untrue in any material respect as of the date of the issuance or making or deemed making thereof;

(e) (i) any event occurs or condition exists (other than those described in subsections (a) through (d) above) which is specified as an event of default under any of the other Loan Documents, or (ii) any of the Loan Documents shall for any reason not be or shall cease to be in full force and effect or is declared to be null and void, or (iii) any of the Collateral Documents shall for any reason fail to create a valid and perfected first priority Lien in favor of the Administrative Agent in any Collateral purported to be covered thereby except as expressly permitted by the terms hereof, or (iv) any Loan Party takes any action for the purpose of terminating, repudiating or rescinding any Loan Document executed by it or any of its obligations thereunder, or (v) any Loan Party or any Subsidiary of a Loan Party makes any payment on account of any Subordinated Debt which is prohibited under the terms of any instrument subordinating such Subordinated Debt to any

Secured Obligations, or any subordination provision in any document or instrument (including, without limitation, any intercreditor or subordination agreement) relating to any Subordinated Debt shall cease to be in full force and effect, or any Person (including the holder of any Subordinated Debt) shall contest in any manner the validity, binding nature or enforceability of any such provision;

(f) default shall occur under any Material Indebtedness issued, assumed or guaranteed by any Loan Party or any Subsidiary of a Loan Party, or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Material Indebtedness (whether or not such maturity is in fact accelerated), or any such Material Indebtedness shall not be paid when due (whether by demand, lapse of time, acceleration or otherwise);

(g) (i) any final judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, shall be entered or filed against any Loan Party or any Subsidiary of a Loan Party, or against any of their respective Property, in an aggregate amount for all such Persons in excess of $750,000 (except to the extent fully covered by insurance pursuant to which the insurer has accepted liability therefor in

writing), and which remains undischarged, unvacated, unbonded or unstayed for a period of sixty (60) days, or any action shall be legally taken by a judgment creditor to attach or levy upon any Property of any Loan Party or any Subsidiary of a Loan Party to enforce any such judgment, or (ii) any Loan Party or any Subsidiary of a Loan Party shall fail within sixty (60) days to discharge one or more non-monetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgments or orders, in any such case, are not stayed on appeal or otherwise being appropriately contested in good faith by proper proceedings diligently pursued;

(h) any Loan Party or any Subsidiary of a Loan Party, or any member of its Controlled Group, shall fail to pay when due an amount or amounts aggregating for all such Persons in excess of $500,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $500,000 (collectively, a *"Material Plan"*) shall be filed under Title IV of ERISA by any Loan Party or any Subsidiary of a Loan Party, or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against any Loan Party or any Subsidiary of a Loan Party, or any member of its Controlled Group, to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(i) any Change of Control shall occur;

(j) any Loan Party or any Subsidiary of a Loan Party shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate or similar action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 9.1(k);

(k) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for any Loan Party or any Subsidiary of a Loan Party, or any substantial part of any of its Property, or a proceeding described in Section 9.1(j)(v) shall be instituted against any Loan Party or any Subsidiary of a Loan Party, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days; or

(l) Bonding Agreements:

(i) any Surety for the Borrower or any of its Subsidiaries for any reason ceases to issue bonds, undertakings or instruments of guaranty and the amount of such reduction in bonding capacity exceeds 20% or more of the aggregate bonding capacity of the Borrower and its Subsidiaries and the Borrower and its Subsidiaries shall fail to cause another Person reasonably acceptable to the Administrative Agent (provided that any such Person shall be deemed to be acceptable if its bonds, undertakings or instruments of guaranty are accepted by contract providers for the Borrower and its Subsidiaries) to issue bonds, undertakings or instruments of guaranty within 30 days of the date that such original Surety ceased to issue bonds, undertakings or instruments of guaranty; or

(ii) (A) at any time, any Surety for the Borrower or any of its Subsidiaries shall violate any term of any agreement with the Administrative Agent or any Lender to which it is a party, which violation would adversely affect the rights or interests of the Administrative Agent or the Lenders under the Loan Documents and such violation shall continue for a period of five (5) Business Days after the Administrative Agent's delivery of written notice thereof to such Surety and the Borrower, (B) any Surety exercises any rights or remedies as a secured party with respect to any Collateral in excess of $250,000, or (C) any Surety takes possession of any Collateral in excess of $250,000 and such action continues for a period of ten (10) Business Days after the earlier of (A) the Administrative Agent's

delivery of written notice thereof to the Borrower and (B) a Responsible Officer of the Borrower having obtained knowledge thereof; or

(iii) the Borrower or any of its Subsidiaries defaults in the payment when due of any amount due under any Bonding Agreement or breaches or defaults with respect to any other term of any Bonding Agreement, if the effect of such failure to pay, default or breach is to cause the related Surety to take possession of the work under any of the bonded contracts of the Borrower or any of its Subsidiaries and value of the contract or project that has been taken over by the related Surety exceeds $250,000; or

(iv) the Borrower or any Subsidiary breaches or defaults with respect to any term under any of the bonded contracts of the Borrower or such Subsidiary, if the effect of such default or breach is to cause the related Surety to take possession of the work under such bonded contract and value of the contract or project that has been taken over by the related Surety exceeds $250,000.

Section 9.2. Non-Bankruptcy Defaults. When any Event of Default (other than those described in subsection (j) or (k) of Section 9.1 with respect to the Borrower) has occurred and is continuing, the Administrative Agent shall, by written notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments and all other obligations of the Lenders hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Loans to be forthwith due and payable and thereupon all outstanding Loans, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Loan Documents without further demand, presentment, protest or notice of any kind; and (c) if so directed by the Required Lenders, demand that the Borrower immediately deliver to the Administrative Agent Cash Collateral in an amount equal to 105% of the aggregate amount of each Letter of Credit then outstanding, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders would not

have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. In addition, the Administrative Agent may exercise on behalf of itself, the Lenders and the L/C Issuer all rights and remedies available to it, the Lenders and the L/C Issuer under the Loan Documents or applicable law or equity when any such Event of Default has occurred and is continuing. The Administrative Agent shall give notice to the Borrower under Section 9.1(c) promptly upon being requested to do so by any Lender. The Administrative Agent, after giving notice to the Borrower pursuant to Section 9.1(c) or this Section 9.2, shall also promptly send a copy of such notice to the other Lenders, but the failure to do so shall not impair or annul the effect of such notice.

Section 9.3. Bankruptcy Defaults. When any Event of Default described in subsections (j) or (k) of Section 9.1 with respect to the Borrower has occurred and is continuing, then all outstanding Loans shall immediately become due and payable together with all other amounts payable under the Loan Documents without presentment, demand, protest or notice of any kind,

the obligation of the Lenders to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately deliver to the Administrative Agent Cash Collateral in an amount equal to 105% of the aggregate amount of each Letter of Credit then outstanding, the Borrower acknowledging and agreeing that the Lenders would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, and the Administrative Agent on their behalf, shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit. In addition, the Administrative Agent may exercise on behalf of itself, the Lenders and the L/C Issuer all rights and remedies available to it, the Lenders and the L/C Issuer under the Loan Documents or applicable law or equity when any such Event of Default has occurred and is continuing.

Section 9.4. Collateral for Undrawn Letters of Credit. (a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under any of Sections 2.3(b), 2.8(b), Section 2.13, 2.14, 9.2 or 9.3 above, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in one or more separate collateral accounts (each such account, and the credit balances, properties, and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the *"Collateral Account"*) as security for, and for application by the Administrative Agent (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the L/C Issuer, and to the payment of the unpaid balance of all other Secured Obligations. The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent for the benefit of the Administrative Agent, the Lenders, and the L/C Issuer. If and when requested by the Borrower, the Administrative Agent shall invest funds held in the Collateral Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one year or less, *provided* that the Administrative Agent is irrevocably authorized to sell investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to amounts due and owing from the Borrower to the L/C Issuer, the Administrative Agent or the Lenders. Subject to the terms of Sections 2.13 and 2.14, if the Borrower shall have made payment of all obligations referred to in subsection (a) above required under Section 2.8(b), at the request of the Borrower the Administrative Agent shall release to the Borrower amounts held in the Collateral Account so long as at the time of the release and after giving effect thereto no Default exists. After all Letters of Credit have expired or been cancelled and the expiration or termination of all Commitments, at the request of the Borrower, the Administrative Agent shall release any remaining amounts held in the Collateral Account following payment in full in cash of all Secured Obligations.

Section 9.5. Post-Default Collections. Anything contained herein or in the other Loan Documents to the contrary notwithstanding (including, without limitation, Section 2.8(b)), all payments and collections received in respect of the Obligations and all proceeds of the Collateral

and payments made under or in respect of the Guaranty Agreements received, in each instance, by the Administrative Agent or any of the Lenders after acceleration or the final maturity of the Obligations or termination of the Commitments as a result of an Event of Default shall be remitted to the Administrative Agent and distributed as follows:

(a) first, to the payment of any outstanding costs and expenses incurred by the Administrative Agent, and any security trustee therefor, in monitoring, verifying, protecting, preserving or enforcing the Liens on the Collateral, in protecting, preserving or enforcing rights under the Loan Documents, and in any event including all costs and expenses of a character which the Loan Parties have agreed to pay the Administrative Agent under Section 13.4 (such funds to be retained by the Administrative Agent for its own account unless it has previously been reimbursed for such costs and expenses by the Lenders, in which event such amounts shall be remitted to the Lenders to reimburse them for payments theretofore made to the Administrative Agent);

(b) second, to the payment of any outstanding interest and fees due under the Loan Documents to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(c) third, to the payment of principal on the Loans, unpaid Reimbursement Obligations, together with amounts to be held by the Administrative Agent as collateral security for any outstanding L/C Obligations pursuant to Section 9.4 (until the Administrative Agent is holding an amount of cash equal to 105% of the then outstanding amount of all such L/C Obligations), and Hedging Liability, the aggregate amount paid to, or held as collateral security for, the Lenders and L/C Issuer and, in the case of Hedging Liability, their Affiliates to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(d) fourth, to the payment of all other unpaid Secured Obligations and all other indebtedness, obligations, and liabilities of the Loan Parties secured by the Loan Documents (including, without limitation, Bank Product Obligations) to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof; and

(e) finally, to the Borrower or whoever else may be lawfully entitled thereto.

SECTION 10. THE ADMINISTRATIVE AGENT.

Section 10.1. Appointment and Authority. Each of the Lenders and the L/C Issuers hereby irrevocably appoints BMO Harris Bank N.A. to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Section 10 are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuers, and neither the Borrower nor any other Loan Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with

reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties.

Section 10.2. Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 10.3. Action by Administrative Agent; Exculpatory Provisions. (a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent and its Related Parties:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law. The Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Loan Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty or responsibility to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) Neither the Administrative Agent nor any of its Related Parties shall be liable for any action taken or not taken by the Administrative Agent under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby or thereby (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be required under Section 13.3, or as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 9.2, 9.3, 9.4 and 9.5), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. Any such action taken or failure to act pursuant to the foregoing shall be binding on all Lenders. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent in writing by the Borrower, a Lender, or the L/C Issuer.

(c) Neither the Administrative Agent nor any of its Related Parties shall be responsible for or have any duty or obligation to any Lender or L/C Issuer or participant or any other Person to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Collateral Documents, (v) the value or sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Section 7.1 or 7.2 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 10.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall be fully protected in relying and shall not incur any liability for relying upon, any notice, request, certificate, communication, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall be fully protected in relying and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent

accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 10.5. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or

through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Facilities as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 10.6. Resignation of Administrative Agent. (a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuers and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States of America, or an Affiliate of any such bank with an office in the United States of America. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the *"Resignation Effective Date"*), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders and the L/C Issuers, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date, (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. If on the Resignation Effective Date no successor has been appointed and accepted such appointment, the Administrative Agent's rights in the Collateral Documents shall be assigned without representation, recourse or warranty to the Lenders and L/C Issuer as their interests may appear. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent (other than any rights to indemnity payments or other amounts owed to the retiring Administrative Agent), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Section 10 and Section 13.4 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Section 10.7. Non-Reliance on Administrative Agent and Other Lenders. Each Lender and L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 10.8. L/C Issuer and Swingline Lender. The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Swingline Lender shall act on behalf of the Lenders with respect to the Swingline Loans made hereunder. The L/C Issuer and the Swingline Lender shall each have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 10 with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the Applications pertaining to such Letters of Credit or by the Swingline Lender in connection with Swingline Loans made or to be made hereunder as fully as if the term "Administrative Agent", as used in this Section 10, included the L/C Issuer and the Swingline Lender with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to such L/C Issuer or Swingline Lender, as applicable. Any resignation by the Person then acting as Administrative Agent pursuant to Section 10.6 shall also constitute its resignation or the resignation of its Affiliate as L/C Issuer and Swingline Lender except as it may otherwise agree. If such Person then acting as L/C Issuer so resigns, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Lenders to make Loans or fund risk participations in Reimbursement Obligations pursuant to Section 2.3. If such Person then acting as Swingline Lender resigns, it shall retain all the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Loans or fund risk participations in outstanding Swingline Loans pursuant to Section 2.2(b). Upon the appointment by the Borrower of a successor L/C Issuer or Swingline Lender hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swingline Lender, as applicable (other than any rights to indemnity payments or other amounts that remain owing to the retiring L/C Issuer or Swingline Lender), and (ii) the retiring L/C Issuer and Swingline Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents other than with respect to its outstanding Letters of Credit and Swingline Loans, and (iii) upon the request of the resigning L/C Issuer, the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the resigning L/C Issuer to effectively assume the obligations of the resigning L/C Issuer with respect to such Letters of Credit.

Section 10.9. Hedging Liability and Bank Product Obligations. By virtue of a Lender's execution of this Agreement or an assignment agreement pursuant to Section 13.2, as the case may be, any Affiliate of such Lender with whom the Borrower or any other Loan Party has entered into an agreement creating Hedging Liability or Bank Product Obligations shall be deemed a Lender party hereto for purposes of any reference in a Loan Document to the parties for whom the Administrative Agent is acting, it being understood and agreed that the rights and benefits of such Affiliate under the Loan Documents consist exclusively of such Affiliate's right to share in payments and collections out of the Collateral and the Guaranty Agreements as more fully set forth in Section 9.5. In connection with any such distribution of payments and collections, or any request for the release of the Guaranty Agreements and the Administrative Agent's Liens in connection with the termination of the Commitments and the payment in full of the Obligations, the Administrative Agent shall be entitled to assume no amounts are due to any Lender or its Affiliate with respect to Hedging Liability or Bank Product Obligations unless such Lender has notified the Administrative Agent in writing of the amount of any such liability owed to it or its Affiliate prior to such distribution or payment or release of Guaranty Agreements and Liens.

Section 10.10. Designation of Additional Agents. The Administrative Agent shall have the continuing right, for purposes hereof, at any time and from time to time to designate one or more of the Lenders (and/or its or their Affiliates) as "syndication agents," "documentation agents," "book runners," "lead arrangers," "arrangers," or other designations for purposes hereto, but such designation shall have no substantive effect, and such Lenders and their Affiliates shall have no additional powers, duties or responsibilities as a result thereof.

Section 10.11. Authorization to Enter into, and Enforcement of, the Collateral Documents; Possession of Collateral. The Administrative Agent is hereby irrevocably authorized by each of the Lenders and the L/C Issuer to execute and deliver the Collateral Documents on behalf of each of the Lenders, the L/C Issuer, and their Affiliates and to take such action and exercise such powers under the Collateral Documents as the Administrative Agent considers appropriate; *provided* the Administrative Agent shall not amend the Collateral Documents unless such amendment is agreed to in writing by the Required Lenders. Upon the occurrence of an Event of Default, the Administrative Agent shall take such action to enforce its Lien on the Collateral and to preserve and protect the Collateral as may be directed by the Required Lenders. Unless and until the Required Lenders give such direction, the Administrative Agent may (but shall not be obligated to) take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders and L/C Issuer. Each Lender and L/C Issuer acknowledges and agrees that it will be bound by the terms and conditions of the Collateral Documents upon the execution and delivery thereof by the Administrative Agent. The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders, the L/C Issuer or their Affiliates for any failure to monitor or maintain any portion of the Collateral. The Lenders and L/C Issuer hereby irrevocably authorize (and each of their Affiliates holding any Bank Product Obligations and Hedging Liability entitled to the benefits of the Collateral shall be deemed to authorize) the Administrative Agent, based upon the instruction of the Required Lenders, to credit bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of

the Collateral at any sale thereof conducted by the Administrative Agent (or any security trustee therefore) under the provisions of the Uniform Commercial Code, including pursuant to Sections 9-610 or 9-620 of the Uniform Commercial Code, at any sale thereof conducted under the provisions of the United States Bankruptcy Code, including Section 363 of the United States Bankruptcy Code, or at any sale or foreclosure conducted by the Administrative Agent or any security trustee therefore (whether by judicial action or otherwise) in accordance with applicable law. Except as otherwise specifically provided for herein, no Lender, L/C Issuer, or their Affiliates, other than the Administrative Agent, shall have the right to institute any suit, action or proceeding in equity or at law for the foreclosure or other realization upon any Collateral or for the execution of any trust or power in respect of the Collateral or for the appointment of a receiver or for the enforcement of any other remedy under the Collateral Documents; it being understood and intended that no one or more of the Lenders or L/C Issuer or their Affiliates shall have any right in any manner whatsoever to affect, disturb or prejudice the Lien of the Administrative Agent (or any security trustee therefor) under the Collateral Documents by its or their action or to enforce any right thereunder, and that all proceedings at law or in equity shall be instituted, had, and maintained by the Administrative Agent (or its security trustee) in the manner provided for in the relevant Collateral Documents for the benefit of the Lenders, the L/C Issuer, and their Affiliates. Each Lender and L/C Issuer is hereby appointed agent for the purpose of perfecting the Administrative Agent's security interest in assets which, in accordance with Article 9 of the Uniform Commercial Code or other applicable law can be perfected only by possession. Should any Lender or L/C Issuer (other than the Administrative Agent) obtain possession of any Collateral, such Lender or L/C Issuer shall notify the Administrative Agent thereof, and, promptly upon the Administrative Agent's request therefor shall deliver such Collateral to the Administrative Agent or in accordance with the Administrative Agent's instructions.

Section 10.12. Authorization to Release, Limit or Subordinate Liens or to Release Guaranties. The Administrative Agent is hereby irrevocably authorized by each of the Lenders, the L/C Issuer, and their Affiliates to (a) release any Lien covering any Collateral that is sold, transferred, or otherwise disposed of in accordance with the terms and conditions of this Agreement and the relevant Collateral Documents (including a sale, transfer, or disposition permitted by the terms of Section 8.10), (b) release or subordinate any Lien on Collateral consisting of goods financed with purchase money indebtedness or under a Capital Lease to the extent such purchase money indebtedness or Capitalized Lease Obligation, and the Lien securing the same, are permitted by Sections 8.7(b) and 8.8(d) or which has otherwise been consented to in accordance with Section 13.3, (c) reduce or limit the amount of the indebtedness secured by any particular item of Collateral to an amount not less than the estimated value thereof to the extent necessary to reduce mortgage registry, filing and similar tax, (d) release Liens on the Collateral following termination or expiration of the Commitments and payment in full in cash of the Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit (other than Letters of Credit that have been Cash Collateralized to the satisfaction of the Administrative Agent and relevant L/C Issuer) and, if then due, Hedging Liability and Bank Product Obligations, and (e) release any Subsidiary from its obligations as a Guarantor if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents. Upon the Administrative Agent's request, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular

types or items of Property or to release any Person form its obligations as a Guarantor under the Loan Documents.

Section 10.13. Authorization of Administrative Agent to File Proofs of Claim In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of Lenders, the L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under the Loan Documents including, but not limited to, Sections 3.1, 4.4, 4.5, and 13.4) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 3.1 and 13.4. Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or L/C Issuer or to authorize the Administrative Agent to vote in respect of the claim of any Lender or L/C Issuer in any such proceeding.

Section 10.14. Authorization to Enter into Intercreditor Agreement and Subordination Agreements. Each Lender hereby irrevocably appoints, designates and authorizes Administrative Agent to enter into the any subordination or intercreditor agreement pertaining to Subordinated Debt or Indebtedness permitted to exist hereunder that is secured by liens on all or a portion of the Collateral or any other subordinated Indebtedness permitted to be incurred hereunder (each, a "*Subordination Agreement*"), on its behalf and to take such action on its behalf under the provisions of any such agreement. Each Lender further agrees to be bound by the terms and conditions of any Subordination Agreement. Each Lender hereby authorizes and directs Administrative Agent to issue blockage notices under any such Subordination Agreement at the direction of Administrative Agent or the Required Lenders.

Section 10.15. Certain ERISA Matters. (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such

Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

SECTION 11. THE GUARANTEES.

Section 11.1. The Guarantees. To induce the Lenders and L/C Issuer to provide the credits described herein and in consideration of benefits expected to accrue to the Borrower by reason of the Commitments and for other good and valuable consideration, receipt of which is hereby acknowledged, each Guarantor party hereto (including any Person executing an Additional Guarantor Supplement in the form attached hereto as Exhibit G or such other form acceptable to the Administrative Agent) and the Borrower (as to the Secured Obligations of another Loan Party) hereby unconditionally and irrevocably guarantees jointly and severally to the Administrative Agent, the Lenders, and the L/C Issuer and their Affiliates, the due and punctual payment of all present and future Secured Obligations, including, but not limited to, the due and punctual payment of principal of and interest on the Loans, the Reimbursement Obligations, and the due and punctual payment of all other Obligations now or hereafter owed by the Borrower under the Loan Documents and the due and punctual payment of all Hedging Liability and Bank Product Obligations, in each case as and when the same shall become due and payable, whether at stated maturity, by acceleration, or otherwise, according to the terms hereof and thereof (including all interest, costs, fees, and charges after the entry of an order for relief against the Borrower or such other obligor in a case under the United States Bankruptcy Code or any similar proceeding, whether or not such interest, costs, fees and charges would be an allowed claim against the Borrower or any such obligor in any such proceeding); *provided, however,* that, with respect to any Guarantor, Hedging Liability guaranteed by such Guarantor shall exclude all Excluded Swap Obligations. In case of failure by the Borrower or other obligor punctually to pay any Secured Obligations, each Guarantor hereby unconditionally agrees to make such payment or to cause such payment to be made punctually as and when the same shall become due and payable, whether at stated maturity, by acceleration, or otherwise, and as if such payment were made by the Borrower or such obligor.

Section 11.2. Guarantee Unconditional. The obligations of each Guarantor under this Section 11 shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged, or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver, or release in respect of any obligation of any Loan Party or other obligor or of any other guarantor under this Agreement or any other Loan Document or by operation of law or otherwise;

(b) any modification or amendment of or supplement to this Agreement or any other Loan Document or any agreement relating to Hedging Liability or Bank Product Obligations;

(c) any change in the corporate existence, structure, or ownership of, or any insolvency, bankruptcy, reorganization, or other similar proceeding affecting, any Loan

Party or other obligor, any other guarantor, or any of their respective assets, or any resulting release or discharge of any obligation of any Loan Party or other obligor or of any other guarantor contained in any Loan Document;

(d) the existence of any claim, set-off, or other rights which any Loan Party or other obligor or any other guarantor may have at any time against the Administrative Agent, any Lender, the L/C Issuer or any other Person, whether or not arising in connection herewith;

(e) any failure to assert, or any assertion of, any claim or demand or any exercise of, or failure to exercise, any rights or remedies against any Loan Party or other obligor, any other guarantor, or any other Person or Property;

(f) any application of any sums by whomsoever paid or howsoever realized to any obligation of any Loan Party or other obligor, regardless of what obligations of any Loan Party or other obligor remain unpaid;

(g) any invalidity or unenforceability relating to or against any Loan Party or other obligor or any other guarantor for any reason of this Agreement or of any other Loan Document or any agreement relating to Hedging Liability or Bank Product Obligations or any provision of applicable law or regulation purporting to prohibit the payment by any Loan Party or other obligor or any other guarantor of the principal of or interest on any Loan or any Reimbursement Obligation or any other amount payable under the Loan Documents or any agreement relating to Hedging Liability or Bank Product Obligations; or

(h) any other act or omission to act or delay of any kind by the Administrative Agent, any Lender, the L/C Issuer, or any other Person or any other circumstance whatsoever that might, but for the provisions of this subsection, constitute a legal or equitable discharge of the obligations of the Borrower or any Guarantor under this Section 11.

Section 11.3. Discharge Only upon Payment in Full; Reinstatement in Certain Circumstances. The Borrower's and each Guarantor's obligations under this Section 11 shall remain in full force and effect until the Commitments are terminated, all Letters of Credit have expired, and the principal of and interest on the Loans and all other amounts payable by the Borrower and the other Loan Parties under this Agreement and all other Loan Documents and, if then outstanding and unpaid, all Hedging Liability and Bank Product Obligations shall have been paid in full. If at any time any payment of the principal of or interest on any Loan or any Reimbursement Obligation or any other amount payable by any Loan Party or other obligor or any guarantor under the Loan Documents or any agreement relating to Hedging Liability or Bank Product Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy, or reorganization of such Loan Party or other obligor or of any guarantor, or otherwise, the Borrower's and each Guarantor's obligations under this Section 11 with respect to such payment shall be reinstated at such time as though such payment had become due but had not been made at such time.

Section 11.4. Subrogation. The Borrower and each Guarantor agrees it will not exercise any rights which it may acquire by way of subrogation by any payment made hereunder, or otherwise, until all the Secured Obligations shall have been paid in full subsequent to the termination of all the Commitments and expiration of all Letters of Credit. If any amount shall be paid to a Loan Party on account of such subrogation rights at any time prior to the later of (x) the payment in full of the Secured Obligations and all other amounts payable by the Loan Parties hereunder and the other Loan Documents and (y) the termination of the Commitments and expiration of all Letters of Credit, such amount shall be held in trust for the benefit of the Administrative Agent, the Lenders, and the L/C Issuer (and their Affiliates) and shall forthwith be paid to the Administrative Agent for the benefit of the Lenders and L/C Issuer (and their Affiliates) or be credited and applied upon the Secured Obligations, whether matured or unmatured, in accordance with the terms of this Agreement.

Section 11.5. Subordination. The Borrower and each Guarantor (each referred to herein as a *"Subordinated Creditor"*) hereby subordinates the payment of all indebtedness, obligations, and liabilities of each and any other Loan Party owing to such Subordinated Creditor, whether now existing or hereafter arising, to the indefeasible payment in full in cash of all Secured Obligations. During the existence of any Event of Default, subject to Section 11.4, any such indebtedness, obligation, or liability of the other Loan Party owing to such Subordinated Creditor shall be enforced and performance received by such Subordinated Creditor as trustee for the benefit of the holders of the Secured Obligations and the proceeds thereof shall be paid over to the Administrative Agent for application to the Secured Obligations (whether or not then due), but without reducing or affecting in any manner the liability of such Loan Party under this Section 11.

Section 11.6. Waivers. The Borrower and each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest, and any notice not provided for herein, as well as any requirement that at any time any action be taken by the Administrative Agent, any Lender, the L/C Issuer, or any other Person against any other Loan Party or other obligor, another guarantor, or any other Person.

Section 11.7. Limit on Recovery. Notwithstanding any other provision hereof, the right of recovery against each Loan Party under this Section 11 shall not exceed $1.00 less than the lowest amount which would render such Loan Party's obligations under this Section 11 void or voidable under applicable law, including, without limitation, fraudulent conveyance law.

Section 11.8. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower or other Loan Party or other obligor under this Agreement or any other Loan Document, or under any agreement relating to Hedging Liability or Bank Product Obligations, is stayed upon the insolvency, bankruptcy or reorganization of the Borrower or other Loan Party or obligor, all such amounts otherwise subject to acceleration under the terms of this Agreement or the other Loan Documents, or under any agreement relating to Hedging Liability or Bank Product Obligations, shall nonetheless be payable by the Loan Parties hereunder forthwith on demand by the Administrative Agent made at the request or otherwise with the consent of the Required Lenders.

Section 11.9. Benefit to Borrower and Guarantors. The Loan Parties are engaged in related businesses and integrated to such an extent that the financial strength and flexibility of the Borrower and the other Loan Parties has a direct impact on the success of each other Loan Party. The Borrower and each Guarantor will derive substantial direct and indirect benefit from the extensions of credit hereunder, and the Borrower and each Guarantor acknowledges that its obligations hereunder and this guarantee is necessary or convenient to the conduct, promotion and attainment of its business.

Section 11.10. Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under this Guarantee in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section, or otherwise under this Guarantee, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until discharged in accordance with Section 11.3. Each Qualified ECP Guarantor intends that this Section constitute, and this Section shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

SECTION 12. COLLATERAL.

Section 12.1. Collateral. The Secured Obligations shall be secured by valid, perfected, and enforceable Liens on all right, title, and interest of each Loan Party in all of its real property, personal property, and fixtures, whether now owned or hereafter acquired or arising, and all proceeds thereof; *provided, however,* that: (i) the Collateral shall not include Excluded Property, (ii) until an Event of Default has occurred and is continuing and thereafter until otherwise required by the Administrative Agent or the Required Lenders, Liens on vehicles or other goods which are subject to a certificate of title law need not be perfected provided that the fair market value of such vehicles or other goods at any one time not so perfected shall not exceed $500,000 in the aggregate, and (iii) the Collateral need not include (or be perfected if a Lien is granted) those assets of any Loan Party as to which the Administrative Agent in its sole discretion determines that the cost of obtaining a security interest in or perfection thereof are excessive in relation to the value of the security to be afforded thereby. Each Loan Party acknowledges and agrees that the Liens on the Collateral shall be granted to the Administrative Agent for the benefit of the holders of the Secured Obligations and shall be valid and perfected first priority Liens (to the extent perfection by filing, registration, recordation, possession or control is required herein or in any other Loan Document) subject to the proviso appearing at the end of the preceding sentence and to Liens permitted by Section 8.8, in each case pursuant to one or more Collateral Documents from such Persons, each in form and substance reasonably satisfactory to the Administrative Agent.

Section 12.2. Depository Banks. Subject to any post-closing periods set forth in Section 8.25(c), each Loan Party shall at all times maintain the Administrative Agent (or one of its Affiliates) as its primary depository bank, including for its principal operating, administrative, cash management, lockbox arrangements, collection activity, and other deposit accounts for the conduct

of its business, and, except for Excluded Deposit Accounts, all deposit accounts of the Loan Parties shall at all times be maintained with the Administrative Agent (or one of its Affiliates) or such other bank(s) reasonably acceptable to the Administrative Agent subject to deposit account control agreements in favor of Administrative Agent on terms reasonably satisfactory to Administrative Agent (all such deposit accounts maintained with the Administrative Agent (or one of its Affiliates) or such other bank(s) subject to a deposit account control agreement being hereinafter collectively referred to as the *"Assigned Accounts"*); *provided, however,* that deposit accounts acquired by a Loan Party as part of a Permitted Acquisition shall not be required to be subject to deposit account control agreement pursuant to the foregoing provisions until the date that is one hundred eighty (180) days after (or such later date as the Administrative Agent may agree in its sole discretion) the date such deposit accounts were acquired by such Loan Party. Each Loan Party shall make such arrangements as may be reasonably requested by the Administrative Agent to assure that all proceeds of the Collateral are deposited (in the same form as received) in one or more Assigned Accounts. Any proceeds of Collateral received by any Loan Party shall be promptly deposited into an Assigned Account and, until so deposited, shall be held by it in trust for the Administrative Agent and the Lenders. Each Loan Party acknowledges and agrees that the Administrative Agent has (and is hereby granted to the extent it does not already have) a Lien on each Assigned Account and all funds contained therein to

secure the Secured Obligations. The Administrative Agent agrees with the Loan Parties that if and so long as no Default has occurred or is continuing, amounts on deposit in the Assigned Accounts will (subject to the rules and regulations as from time to time in effect applicable to such demand deposit accounts) be made available to the relevant Loan Party for use in the conduct of its business. Upon the occurrence and during the continuance of a Default, the Administrative Agent may apply the funds on deposit in any and all such Assigned Accounts to the Secured Obligations whether or not then due.

Section 12.3. Liens on Real Property. In the event that any Loan Party owns or hereafter acquires any real property (other than Excluded Property), such Loan Party shall execute and deliver to the Administrative Agent a mortgage or deed of trust acceptable in form and reasonably substance to the Administrative Agent for the purpose of granting to the Administrative Agent (or a security trustee therefor) a Lien on such real property to secure the Secured Obligations, shall pay all taxes, costs, and expenses incurred by the Administrative Agent in recording such mortgage or deed of trust, and shall supply to the Administrative Agent at the Borrower's cost and expense, to the extent requested by the Administrative Agent, a survey, environmental report, hazard insurance policy, appraisal report, and a mortgagee's policy of title insurance from a title insurer reasonably acceptable to the Administrative Agent insuring the validity of such mortgage or deed of trust and its status as a first Lien (subject to Liens permitted by this Agreement) on the real property encumbered thereby and such other instrument, documents, certificates, and opinions reasonably required by the Administrative Agent in connection therewith.

Section 12.4. Further Assurances. Each Loan Party agrees that it shall, from time to time at the reasonable request of the Administrative Agent, execute and deliver such documents and do such acts and things as the Administrative Agent may reasonably request in order to provide for or perfect or protect such Liens on the Collateral. In the event any Loan Party forms or acquires any other Subsidiary after the date hereof, except as otherwise provided in the definition of Guarantor, the Loan Parties shall promptly upon such formation or acquisition cause such newly formed or acquired Subsidiary to execute a joinder to this Agreement or a Guaranty Agreement,

and such Collateral Documents as the Administrative Agent may then reasonably require, and the Loan Parties shall also deliver to the Administrative Agent, or cause such Subsidiary to deliver to the Administrative Agent, at the Borrower's cost and expense, such other instruments, documents, certificates, and opinions reasonably required by the Administrative Agent in connection therewith.

SECTION 13. MISCELLANEOUS.

Section 13.1. Notices.

(a) *Notices Generally.* Except in the case of notices and other communications expressly permitted to be given by telephone and except as provided in subsection (b) below, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier or email (including as a .pdf file) as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

If to Administrative Agent, Swing Line Lender or L/C Issuer:	BMO Harris Bank N.A. 115 South LaSalle Street, 20W Chicago, Illinois 60603 Attention: Doug Chinery Facsimile No.: (312) 765-1138 Telephone No. (312) 461-3016 Email: Doug.Chinery@bmo.com
If to a Loan Party:	Willdan Group, Inc., as Borrower 2401 East Katella Avenue, Suite 300 Anaheim, California 92806 Attention: Stacy McLaughlin Facsimile No.: (714) 940-4920 Telephone No. (714) 940-6349 Email: smclaughlin@willdan.com

if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire, as changed pursuant to subsection (d) below (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to Loan Parties).

Notices sent by hand or overnight courier service or by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not sent during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices

delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications.* Notices and other communications to the Lenders and the L/C Issuers hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided* that the foregoing shall not apply to notices to any Lender or L/C Issuer pursuant to Sections 2.2, 2.3 and 2.6 if such Lender or L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Sections by electronic communication. The Administrative Agent or the Borrower may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor.

(c) *Change of Address, etc.* Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

(d) *Platform.* (i) Each Loan Party agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the L/C Issuers and the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the *"Platform"*).

(ii) The Platform is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the *"Agent Parties"*) have any liability to the Borrower or the other Loan Parties, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of the Borrower's, any Loan Party's or the Administrative Agent's transmission of communications through the Platform. *"Communications"* means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed

to the Administrative Agent, any Lender or any L/C Issuer by means of electronic communications pursuant to this Section, including through the Platform.

Section 13.2. Successors and Assigns.

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation recorded in an applicable Participant Register in accordance with the provisions of paragraph (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Lenders.* Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); *provided* that (in each case with respect to any Facility) any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts.* (A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitments and the Loans at the time owing to it (in each case with respect to any Facility) or contemporaneous assignments to related Approved Funds that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the relevant Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if *"Trade Date"* is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $1,000,000 in the case of any assignment in respect of the Revolving Facility or a Term Loan Facility, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) *Proportionate Amounts.* Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Facilities on a non-pro rata basis.

(iii) *Required Consents.* No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; *provided* that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (i) the Revolving Facility or any unfunded Commitments with respect to any Term Loan Facility if such assignment is to a Person that is not a Lender with a Commitment in respect of such Facility, an Affiliate of such Lender or an Approved Fund with respect to such Lender, or (ii) any Term Loans to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund; and

(C) the consent of each L/C Issuer and Swingline Lender shall be required for any assignment in respect of the Revolving Facility.

(iv) *Assignment and Assumption.* The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; *provided* that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment**.** The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) *No Assignment to Certain Persons.* No such assignment shall be made to (A) the Borrower or any other Loan Party or any Loan Party's Affiliates or Subsidiaries or (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B).

(vi) *No Assignment to Natural Persons.* No such assignment shall be made to a natural Person.

(vii) *Certain Additional Payments.* In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective

unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each L/C Issuer, the Swingline Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swingline Loans in accordance with its Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 13.4 and 13.6 with respect to facts and circumstances occurring prior to the effective date of such assignment; *provided* that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) *Register.* The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of (and stated interest on) the Loans owing to, each Lender pursuant to the terms hereof from time to time (the *"Register"*). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) *Participations.* Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person or the Borrower or any other Loan Party or any Loan Party's Affiliates or Subsidiaries) (each, a *"Participant"*) in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitments and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower, the Administrative Agent, the L/C Issuers and Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 10.8 with respect to any payments made by such Lender to its Participant(s).

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would reduce the amount of or postpone any fixed date for payment of any Obligation in which such participant has an interest. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.4, and 4.5 (subject to the requirements and limitations therein, including the requirements under Section 4.1(g) (it being understood that the documentation required under Section 4.1(g) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; *provided* that such Participant (A) agrees to be subject to the provisions of Sections 2.12 and 4.7 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any

greater payment under Sections 4.1 or 4.4, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.12 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.6 (Right of Setoff) as though it were a Lender; provided that such Participant agrees to be subject to Section 13.7 (Sharing of Payments by Lenders) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts of (and stated interest on) each Participant's interest in the Loans or other obligations under the Loan Documents (the "*Participant Register*"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the

contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) *Certain Pledges.* Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 13.3. Amendments. Subject to Section 4.3(b), any provision of this Agreement or the other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders (or the Administrative Agent acting at the direction of the Required Lenders) (except as otherwise stated below to require only the consent of the Lenders affected thereby), and (c) if the rights or duties of the Administrative Agent, the L/C Issuer, or the Swingline Lender are affected thereby, the Administrative Agent, the L/C Issuer, or the Swingline Lender, as applicable; *provided* that:

(i) no amendment or waiver pursuant to this Section 13.3 shall (A) increase any Commitment of any Lender without the consent of such Lender or (B) reduce the amount of or postpone the date for any scheduled payment of any principal of or interest on any Loan or of any Reimbursement Obligation or of any fee payable hereunder without the consent of the Lender to which such payment is owing or which has committed to make such Loan or Letter of Credit (or participate therein) hereunder; *provided, however,* that only the consent of the Required Lenders shall be necessary (i) to amend the default rate provided in Section 2.9 or to waive any obligation of the Borrower to pay interest or fees at the default rate as set forth therein or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest or any fee payable hereunder;

(ii) no amendment or waiver pursuant to this Section 13.3 shall, unless signed by each Lender, change the definition of Required Lenders, change the provisions of this Section 13.3, change Section 13.7 in a manner that would affect the ratable sharing of setoffs required thereby, change the application of payments contained in Section 5.1 or 9.5, release any material Guarantor or all or substantially all of the Collateral (except as otherwise provided for in the Loan Documents), or affect the number of Lenders required to take any action hereunder or under any other Loan Document;

(iii) no amendment or waiver pursuant to this Section 13.3 shall, unless signed by each Lender affected thereby, extend the Revolving Credit Termination Date, or extend the stated expiration date of any Letter of Credit beyond the Revolving Credit Termination Date, or extend the Delayed Draw Term Loan Availability Period;

(iv) no waiver or amendment shall, unless signed by the Required Revolving Lenders, change any provision of the last sentence of Section 7.1 or, solely for the purposes of Section 7.1(b), after the occurrence of any Default, any other provision of this Agreement that would result in such Default no longer continuing;

(v) no waiver or amendment shall, unless signed by each Revolving Lender, change the definition of Required Revolving Lenders; and

(vi) no amendment to Section 11 shall be made without the consent of the Guarantor(s) affected thereby.

Notwithstanding anything to the contrary herein, (1) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender, (2) if the Administrative Agent and the Borrower have jointly identified an obvious error, ambiguity, omission, mistake or defect, in each case, in any provision of the Loan Documents or any schedules or exhibits thereto, then the Administrative Agent and the Borrower shall be permitted to amend such provision, schedule or exhibit, (3) guarantees, collateral security documents and related documents executed by the Borrower or any other Loan Party in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be amended, supplemented or waived without the consent of any Lender if such amendment, supplement or waiver is delivered in order to (x) comply with local law or advice of local counsel, (y) cure ambiguities, omissions, mistakes or defects or (z) cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Loan Documents, and (4) the Borrower and the Administrative Agent may, without the input or consent of any other Lender, effect amendments to this Agreement and the other Loan Documents as may be necessary in the reasonable opinion of the Borrower and the Administrative Agent to (x) effect the provisions of Section 2.15 or (y) implement an alternate rate of interest to the LIBOR Index Rate pursuant to Section 4.3(b).

Section 13.4. Costs and Expenses; Indemnification.

(a) *Costs and Expenses.* The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent, in connection with the syndication of the Facilities, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including, without limitation, such fees and expenses incurred in connection with (x) the creation, perfection or protection of the Liens under the Loan Documents (including all title insurance fees and all search, filing and recording fees) and (y) environmental assessments, insurance reviews, collateral audits and valuations, and field exams as provided herein, (ii) all reasonable out-of-pocket expenses incurred by any L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or any L/C Issuer (including the fees, charges and

disbursements of any counsel for the Administrative Agent, any Lender or any L/C Issuer), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Lender or any L/C Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit (including all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving the Borrower or any other Loan Party as a debtor thereunder).

(b) *Indemnification by the Loan Parties.* Each Loan Party shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and each L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an *"Indemnitee"*) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including any third party or the Borrower or any other Loan Party) arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of Administrative Agent (and any sub-agent thereof), any Swingline Lender and L/C Issuer, and their Related Parties, the administration and enforcement of this Agreement and the other Loan Documents (including all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving the Borrower or any other Loan Party as a debtor thereunder), (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any Environmental Claim or Environmental Liability, including with respect to the actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by any Loan Party or any of its Subsidiaries, related in any way to any Loan Party or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto (including, without limitation, any settlement arrangement arising from or relating to the foregoing); *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This subsection (b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) *Reimbursement by Lenders.* To the extent that (i) the Loan Parties for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by any of them to the Administrative Agent (or any sub-agent thereof), any L/C Issuer, any Swingline Lender or any Related Party or (ii) any liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever are imposed on, incurred by, or asserted against, Administrative Agent, the L/C Issuer, any Swingline Lender or a Related Party in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Administrative Agent, the L/C Issuer, any Swingline Lender or a Related Party in connection therewith, then, in each case, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such L/C Issuer, such Swingline Lender or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); *provided* that with respect to such unpaid amounts owed to any L/C Issuer or Swingline Lender solely in its capacity as such, only the Lenders party to the Revolving Facility shall be required to pay such unpaid amounts, such payment to be made severally among them based on such Lenders' pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each such Lender's share of the Revolving Credit Exposure at such time); and *provided, further,* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), such L/C Issuer or such Swingline Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such L/C Issuer or any such Swingline Lender in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 13.15.

(d) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by applicable law, the Loan Parties shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) *Payments.* All amounts due under this Section shall be payable promptly after demand therefor.

(f) *Survival.* Each party's obligations under this Section shall survive the termination of the Loan Documents and payment of the obligations hereunder.

Section 13.5. No Waiver, Cumulative Remedies. No delay or failure on the part of the Administrative Agent, the L/C Issuer, or any Lender, or on the part of the holder or holders of any of the Obligations, in the exercise of any power or right under any Loan Document shall operate

as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the Administrative Agent, the L/C Issuer, the Lenders, and of the holder or holders of any of the Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 13.6. Right of Setoff. In addition to any rights now or hereafter granted under the Loan Documents or applicable law and not by way of limitation of any such rights, if an Event of Default shall have occurred and be continuing, each Lender, each L/C Issuer, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by such Lender, such L/C Issuer or any such Affiliate, to or for the credit or the account of the Borrower or any other Loan Party against any and all of the obligations of the Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or such L/C Issuer or their respective Affiliates, irrespective of whether or not such Lender, L/C Issuer or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch, office or Affiliate of such Lender or such L/C Issuer different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; *provided* that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.13 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the L/C Issuers, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, each L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, such L/C Issuer or their respective Affiliates may have. Each Lender and L/C Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; *provided* that the failure to give such notice shall not affect the validity of such setoff and application

Section 13.7. Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided* that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded, and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in L/C Obligations to any assignee or participant, other than to any Loan Party or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Loan Party in the amount of such participation.

Section 13.8. Survival of Representations. All representations and warranties made herein or in any other Loan Document or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 13.9. Survival of Indemnities. All indemnities and other provisions relative to reimbursement to the Lenders and L/C Issuer of amounts sufficient to protect the yield of the Lenders and L/C Issuer with respect to the Loans and Letters of Credit, including, but not limited to, Sections 4.1, 4.4, 4.5, and 13.4, shall survive the termination of this Agreement and the other Loan Documents and the payment of the Obligations.

Section 13.10. Counterparts; Integration; Effectiveness..

(a) *Counterparts; Integration; Effectiveness.* This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 7.2, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (e.g., "pdf" or "tif") format shall be effective as delivery of a

manually executed counterpart of this Agreement. For purposes of determining compliance with the conditions specified in Section 7.2, each Lender and L/C Issuer that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with,

each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender or L/C Issuer unless the Administrative Agent shall have received notice from such Lender or L/C Issuer prior to the Closing Date specifying its objection thereto.

(b) *Electronic Execution of Assignments.* The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronics Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 13.11. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 13.12. Severability of Provisions. Any provision of any Loan Document which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. All rights, remedies and powers provided in this Agreement and the other Loan Documents may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Agreement and other Loan Documents are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement or the other Loan Documents invalid or unenforceable.

Section 13.13. Construction. The parties acknowledge and agree that the Loan Documents shall not be construed more favorably in favor of any party hereto based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of the Loan Documents. The provisions of this Agreement relating to Subsidiaries shall only apply during such times as the Borrower has one or more Subsidiaries. NOTHING CONTAINED HEREIN SHALL BE DEEMED OR CONSTRUED TO PERMIT ANY ACT OR OMISSION WHICH IS PROHIBITED BY THE TERMS OF ANY COLLATERAL DOCUMENT, THE COVENANTS AND AGREEMENTS CONTAINED HEREIN BEING IN ADDITION TO AND NOT IN SUBSTITUTION FOR THE COVENANTS AND AGREEMENTS CONTAINED IN THE COLLATERAL DOCUMENTS.

Section 13.14. Excess Interest. Notwithstanding any provision to the contrary contained herein or in any other Loan Document, no such provision shall require the payment or permit the collection of any amount of interest in excess of the maximum amount of interest permitted by applicable law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the Loans or other obligations outstanding under this Agreement or any other Loan Document ("*Excess Interest*"). If any Excess Interest is provided for, or is adjudicated to be provided for, herein or in any other Loan Document, then in such event (a) the provisions of this Section shall govern and control, (b) neither the Borrower nor any guarantor or endorser shall be obligated to pay any Excess Interest, (c) any Excess Interest that the Administrative Agent or any Lender may have received hereunder shall, at the option of the Administrative Agent, be (i) applied

as a credit against the then outstanding principal amount of Obligations hereunder and accrued and unpaid interest thereon (not to exceed the maximum amount permitted by applicable law), (ii) refunded to the Borrower, or (iii) any combination of the foregoing, (d) the interest rate payable hereunder or under any other Loan Document shall be automatically subject to reduction to the maximum lawful contract rate allowed under applicable usury laws (the "*Maximum Rate*"), and this Agreement and the other Loan Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in the relevant interest rate, and (e) neither the Borrower nor any guarantor or endorser shall have any action against the Administrative Agent or any Lender for any damages whatsoever arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any of the Borrower's Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on the Borrower's Obligations shall remain at the Maximum Rate until the Lenders have received the amount of interest which such Lenders would have received during such period on the Borrower's Obligations had the rate of interest not been limited to the Maximum Rate during such period.

Section 13.15. Lender's and L/C Issuer's Obligations Several. The obligations of the Lenders and L/C Issuer hereunder are several and not joint. Nothing contained in this Agreement and no action taken by the Lenders or L/C Issuer pursuant hereto shall be deemed to constitute the Lenders and L/C Issuer a partnership, association, joint venture or other entity.

Section 13.16. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between any Loan Party and its Subsidiaries and the Administrative Agent, the L/C Issuer, or any Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether the Administrative Agent, the L/C Issuer, or any Lender has advised or is advising any Loan Party or any of its Subsidiaries on other matters, (ii) the arranging and other services regarding this Agreement provided by the Administrative Agent, the L/C Issuer, and the Lenders are arm's-length commercial transactions between such Loan Parties and their Affiliates, on the one hand, and the Administrative Agent, the L/C Issuer, and the Lenders, on the other hand, (iii) each Loan Party has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) each Loan Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Administrative Agent, the L/C Issuer, and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for any Loan Party or any of its Affiliates, or any other Person; (ii) none of the Administrative Agent, the L/C Issuer, and the Lenders has any obligation to any Loan Party or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the L/C Issuer, and the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of any Loan Party and its

Affiliates, and none of the Administrative Agent, the L/C Issuer, and the Lenders has any obligation to disclose any of such interests to any Loan Party or its Affiliates. To the fullest extent permitted by law, each Loan Party hereby waives and releases any claims that it may have against the Administrative Agent, the L/C Issuer, and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 13.17. Governing Law; Jurisdiction; Consent to Service of Process. (a) THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS (EXCEPT AS OTHERWISE SPECIFIED THEREIN), AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each party hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable Legal Requirements, in such federal court. Each party hereto hereby agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Legal Requirements. Nothing in this Agreement or any other Loan Document or otherwise shall affect any right that the Administrative Agent, the L/C Issuer or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or any Guarantor or its respective properties in the courts of any jurisdiction.

(c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Legal Requirements, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 13.17(b). Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable Legal Requirements, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in any action or proceeding arising out of or relating to any Loan Document, in the manner provided for notices (other than telecopy or e-mail) in Section 13.1. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable Legal Requirements.

Section 13.18. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LEGAL REQUIREMENTS, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR

RELATING TO ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 13.19. USA Patriot Act. Each Lender and L/C Issuer that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the *"Act"*) hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify, and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or L/C Issuer to identify the Borrower in accordance with the Act.

Section 13.20. Confidentiality. Each of the Administrative Agent, the Lenders and the L/C Issuers agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement, or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder; (g) on a confidential basis to (i) any rating agency in connection with rating any Loan Party or its Subsidiaries or the Facilities or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Facilities; (h) with the consent of the Borrower; or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, or (y) becomes available to the Administrative Agent, any Lender, any L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower. For purposes of this Section, *"Information"* means all information received from a Loan Party or any of its Subsidiaries relating to a Loan Party or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any L/C Issuer on a nonconfidential basis prior to disclosure by a Loan Party or any of its Subsidiaries; *provided* that, in the case of information received from a Loan Party or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the

confidentiality of such Information as such Person would accord to its own confidential information.

Section 13.21. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto (including any party becoming a party hereto by virtue of an Assignment and Assumption) acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

This Credit Agreement is entered into between us for the uses and purposes hereinabove set forth as of the date first above written.

"BORROWER"

WILLDAN GROUP, INC.

By: /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chief Executive Officer

"GUARANTORS"

ELECTROTEC OF NY ELECTRICAL INC.
PUBLIC AGENCY RESOURCES
WILLDAN ENERGY SOLUTIONS
WILLDAN ENGINEERING
WILLDAN FINANCIAL SERVICES
WILLDAN HOMELAND SOLUTIONS
WILLDAN LIGHTING & ELECTRIC, INC.
WILLDAN LIGHTING & ELECTRIC OF CALIFORNIA
WILLDAN LIGHTING & ELECTRIC OF WASHINGTON, INC.
ABACUS RESOURCE MANAGEMENT COMPANY
INTEGRAL ANALYTICS, INC.
NEWCOMB ANDERSON MCCORMICK, INC.

By: /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chairman of the Board

GENESYS ENGINEERING, P.C.

By: /s/ Rachel Seraspe
Name: Rachel Seraspe
Title: Vice President

LUNA FRUIT, INC.

By: /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chief Executive Officer

"ADMINISTRATIVE AGENT," "LENDER" AND "L/C ISSUER"

BMO HARRIS BANK N.A., as Administrative Agent, as Lender and as L/C Issuer

By: /s/ Michael Gift
Name: Michael Gift
Title: Director

"LENDERS"

MUFG UNION BANK, N.A., as a Lender

By: /s/ Kim Ha
Name: Kim Ha
Title: Director

SECURITY AGREEMENT

This Security Agreement (the *"Agreement"*) is dated as of October 1, 2018, by and among Willdan Group, Inc., a Delaware corporation (the *"Borrower"*), the other parties executing this Agreement under the heading *"Debtors"* (the Borrower and such other parties, along with any parties who execute and deliver to the Agent referred to herein an agreement attached hereto as Schedule H, being hereinafter referred to collectively as the *"Debtors"* and individually as a *"Debtor"*), each with its mailing address as set forth in Section 13(b) hereof, and BMO Harris Bank N.A., a national banking association (*"BMO Harris"*), with its mailing address as set forth in Section 13(b) hereof, acting as administrative agent hereunder for the Secured Creditors hereinafter identified and defined (BMO Harris acting as such administrative agent and any successor or successors to BMO Harris acting in such capacity being hereinafter referred to as the *"Agent"*). The term "Debtor" and "Debtors" as used herein shall mean and include the Debtors collectively and also each individually, with all grants, representations, warranties and covenants of and by the Debtors, or any of them, herein contained to constitute joint and several grants, representations, warranties and covenants of and by the Debtors; *provided, however,* that unless the context in which the same is used shall otherwise require, any grant, representation, warranty or covenant contained herein related to the Collateral shall be made by each Debtor only with respect to the Collateral owned by it or represented by such Debtor as owned by it.

PRELIMINARY STATEMENT

A. The Borrower , the other Debtors, and BMO Harris, individually and as Agent, have entered into a Credit Agreement dated as of October 1, 2018 (such Credit Agreement, as the same may be amended or modified from time to time, including amendments and restatements thereof in its entirety, being hereinafter referred to as the *"Credit Agreement"*), pursuant to which BMO Harris and other banks and financial institutions and letter of credit issuers from time to time party to the Credit Agreement (BMO Harris, in its individual capacity, and such other banks and financial institutions being hereinafter referred to collectively as the *"Lenders"* and individually as a *"Lender"* and such letter of credit issuers being hereinafter referred to collectively as the *"L/C Issuers"* and individually as a *"L/C Issuer"*) have agreed, subject to certain terms and conditions, to extend credit and make certain other financial accommodations available to the Borrower (the Agent, the L/C Issuers, and the Lenders, together with affiliates of the Lenders with respect to Hedging Liability and Bank Product Obligations referred to below, being hereinafter referred to collectively as the *"Secured Creditors"* and individually as a *"Secured Creditor"*).

B. In addition, one or more of the Debtors may from time to time be liable to the Lenders and/or their affiliates with respect to Hedging Liability and/or Bank Product Obligations (as such terms are defined in the Credit Agreement).

C. As a condition to extending credit or otherwise making financial accommodations available to or for the account of the Borrower under the Credit Agreement, the Secured

---

Creditors require, among other things, that each Debtor grant to the Agent for the benefit of the Secured Creditors a lien on and security interest in the personal property and fixtures of such Debtor described herein subject to the terms and conditions hereof.

D. The Borrower owns or controls, directly or indirectly, equity interests in each other Debtor and the Borrower provides each of the other Debtors with financial, management, administrative, and technical support which enables such Debtors to conduct their businesses in an orderly and efficient manner in the ordinary course.

E. Each Debtor will benefit, directly or indirectly, from credit and other financial accommodations extended by the Secured Creditors to the Borrower.

NOW, THEREFORE, in consideration of the benefits accruing to the Debtors, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Terms defined in Credit Agreement. Except as otherwise provided in Section 2 below, all capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement. The term "Debtor" and "Debtors" as used herein shall mean and include the Debtors collectively and also each individually, with all grants, representations, warranties, and covenants of and by the Debtors, or any of them, herein contained to constitute joint and several grants, representations, warranties, and covenants of and by the Debtors; *provided, however,* that unless the context in which the same is used shall otherwise require, any grant, representation, warranty or covenant contained herein related to the Collateral shall be made by each Debtor only with respect to the Collateral owned by it or represented by such Debtor as owned by it.

Section 2. Grant of Security Interest in the Collateral. As collateral security for the Secured Obligations defined below, each Debtor hereby grants to the Agent for the benefit of the Secured Creditors a lien on and security interest in, and right of set-off against, and acknowledges and agrees that the Agent has and shall continue to have for the benefit of the Secured Creditors a continuing lien on and security interest in, and right of set-off against, all right, title, and interest of each Debtor, whether now owned or existing or hereafter created, acquired or arising, in and to all of the following:

(a) Accounts (including all Health-Care-Insurance Receivables, if any);

(b) Chattel Paper;

(c) Instruments (including Promissory Notes);

(d) Documents;

(e) General Intangibles (including Payment Intangibles and Software, patents, trademarks, tradestyles, copyrights, and all other intellectual property rights, including all

applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);

(f) Letter-of-Credit Rights;

(g) Supporting Obligations;

(h) Deposit Accounts;

(i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);

(j) Inventory;

(k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);

(l) Fixtures;

(m) Commercial Tort Claims (as described on Schedule F hereto or on one or more supplements to this Agreement);

(n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;

(o) Monies, personal property, and interests in personal property of such Debtor of any kind or description now held by any Secured Creditor or at any time hereafter transferred or delivered to, or coming into the possession, custody or control of, any Secured Creditor, or any agent or affiliate of any Secured Creditor, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;

(p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of such Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes, and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;

(q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and

(r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the *"Collateral"*; *provided, however,* that *"Collateral"* shall not include any Excluded Property. All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of New York as in effect from time to time (*"UCC"*) shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term (a) *"Receivables"* means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise and (b) *"Subsidiary Interests"* means all equity interests (which do not constitute Excluded Property) held by a Debtor in its subsidiaries, whether such equity interests constitute Investment Property or General Intangibles under the UCC, it being acknowledged and agreed that all Receivables and Subsidiary Interests which do not constitute Excluded Property constitute Collateral hereunder.

Section 3. Obligations Hereby Secured. This Agreement is made and given to secure, and shall secure, the prompt payment and performance of (a) all "Obligations," "Hedging Liability," and "Bank Product Obligations," as such terms are defined in the Credit Agreement, including, without limitation, all obligations with respect to Loans made and to be made under the Credit Agreement (whether or not evidenced by Notes issued thereunder), all obligations of the Borrower to reimburse the Secured Creditors for the amount of all drawings on all Letters of Credit issued pursuant to the Credit Agreement and all other obligations of the Borrower under all Applications for Letters of Credit, all other obligations of the Borrower and the other Debtors under the Loan Documents, all obligations of the Debtors, and of any of them individually, with respect to any Hedging Liability and the agreements relating thereto, all obligations of the Debtors, and of any of them individually, with respect to any Bank Product Obligations and the agreements relating thereto, and all obligations of the Debtors, and of any of them individually, arising under any guaranty issued by it relating to the foregoing or any part thereof, in each case whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy and including all interest, costs, fees, and charges after the entry of an order for relief against a Debtor in a case under Title 11 of the United States Bankruptcy Code or any similar proceeding, whether or not such interest, costs, fees and charges would be an allowed claim against such Debtor in such proceeding), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired and (b) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Creditors, and any of them individually, in collecting or enforcing any of such indebtedness, obligations, and liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the indebtedness, obligations, liabilities, expenses, and charges described above being hereinafter referred to as the *"Secured Obligations"*). Notwithstanding anything in this Agreement to the contrary, the right of recovery against any Debtor (other than the Borrower to which this limitation shall not apply) under this Agreement shall not exceed $1.00 less than the lowest amount that would render such Debtor's obligations under this Agreement void or voidable under applicable law, including fraudulent conveyance law.

Section 4. Covenants, Agreements, Representations and Warranties. Each Debtor hereby covenants and agrees with, and represents and warrants to, the Secured Creditors that:

(a) Each Debtor is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. Each Debtor is the sole and lawful owner of its Collateral (subject only to Liens permitted under Section 8.8 of the Credit Agreement), and has full right, power, and authority to enter into this Agreement and to perform each and all of the matters and things herein provided for. The execution and delivery of this Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a default under (A) any provision of law or any judgment, injunction, order, or decree binding upon any Debtor or any provision of any Debtor's organizational documents (*e.g.*, charter, articles or certificate of incorporation and by-laws, articles or certificate of formation and limited liability company operating agreement, partnership agreement, or other similar organizational documents) or (B) any covenant, indenture, or agreement of or affecting any Debtor or any of its property, in the case of clause (B), in each case, where such contravention or default, individually or in the aggregate could reasonably be expected to have a Material Adverse Effect or (ii) result in the creation or imposition of any lien or encumbrance on any property of any Debtor except for the lien and security interest granted to the Agent hereunder.

(b) Each Debtor's respective chief executive office is at the location listed under Column 2 on Schedule A attached hereto opposite such Debtor's name; and such Debtor has no other executive offices or places of business other than those listed under Column 3 on *Schedule A* attached hereto opposite such Debtor's name. The Collateral owned or leased by each Debtor is and shall remain in such Debtor's possession or control at the locations listed under Columns 2 and 3 on Schedule A attached hereto opposite such Debtor's name (collectively for each Debtor, as such locations may be amended or supplemented from time to time with written notice to the Agent as provided below, the *"Permitted Collateral Locations"*) other than (i) Collateral that is temporarily located at job sites in the ordinary course of business or in-transit thereto or therefrom and (ii) Collateral aggregating less than $150,000 in fair market value outstanding at any one time. If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Agent shall nevertheless have and retain a lien on and security interest therein. The Debtors own and shall at all times own all Permitted Collateral Locations, except to the extent otherwise disclosed under Columns 2 and 3 on Schedule A. No Debtor shall move its chief executive office or maintain a place of business at a location other than those specified under Columns 2 or 3 on Schedule A or permit the Collateral to be located at a location other than those specified under Columns 2 or 3 on Schedule A, in each case without first providing the Agent 15 days' prior (or such shorter period of time as Agent may agree in its sole discretion) written notice of such Debtor's intent to do so (at which time Schedule A will be deemed amended or supplemented with such additional or modified locations); *provided* that each Debtor shall at all times maintain its chief executive office and, unless otherwise specifically agreed to in writing by the Agent, Permitted Collateral Locations in the United States of America and, with respect to any new chief executive office or place of business or location of Collateral, such Debtor shall have taken all action reasonably requested by the Agent to maintain the lien and security interest of the Agent in the Collateral at all times fully perfected and in full force and effect.

(c) Each Debtor's legal name, jurisdiction of organization and organizational number (if any) are correctly set forth under Column 1 on Schedule A of this Agreement. No Debtor has transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth on Schedule B attached hereto. No Debtor shall change its jurisdiction of organization without the Agent's prior written consent. No Debtor shall change its legal name or transact business under any other trade name without first giving 15 days' prior written notice (or such shorter period as the Agent may agree in its sole discretion) of its intent to do so to the Agent.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature and description, whether voluntary or involuntary, except for the lien and security interest of the Agent therein and as otherwise permitted by Section 8.8 of the Credit Agreement. Each Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to any of the Secured Creditors other than against Liens permitted by Section 8.8 of the Credit Agreement.

(e) Each Debtor shall promptly pay when due all material taxes, assessments, and governmental charges and levies upon or against such Debtor or any of its Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent attachment of any lien resulting therefrom to, foreclosure on or other realization upon any of the Collateral and preclude interference with the operation of such Debtor's business in the ordinary course, and such Debtor shall have established adequate reserves therefor.

(f) No Debtor shall use, manufacture, sell, or distribute any Collateral in violation of any statute, ordinance, or other governmental requirement except in each case as could not reasonably be expected to result in a Material Adverse Effect. No Debtor shall waste or destroy the Collateral or any part thereof or be negligent in the care or use of any Collateral. Each Debtor shall perform in all respects its obligations under any contract or other agreement constituting part of the Collateral, except as could not reasonably be expected to result in a Material Adverse Effect, it being understood and agreed that the Secured Creditors have no responsibility to perform such obligations.

(g) Subject to Sections 5(b), 7(b), 7(c), and 8(c) hereof and the terms of the Credit Agreement (including, without limitation, Sections 8.8 and 8.10 thereof), no Debtor shall, without the Agent's prior written consent, sell, assign, mortgage, lease, or otherwise dispose of the Collateral or any interest therein.

(h) The Debtors shall at all times insure the Collateral consisting of tangible personal property against such risks and hazards as other persons similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as the Agent may reasonably specify. All insurance required hereby shall be maintained in amounts and under policies and with insurers reasonably acceptable to the Agent,

and all such policies shall contain lender loss payable clauses naming the Agent as loss payee as its interest may appear (and, if the Agent requests, naming the Agent as an additional insured therein) in a form reasonably acceptable to the Agent. All premiums on such insurance shall be paid by the Debtors. Certificates of insurance evidencing compliance with the foregoing and, at the Agent's request, the policies of such insurance shall be delivered by the

Debtors to the Agent. All insurance required hereby shall provide that any loss shall be payable to the Agent notwithstanding any act or negligence of any Debtor, shall provide that no cancellation thereof shall be effective until at least 30 days (ten (10) days' in the case of nonpayment of insurance premiums) after receipt by the relevant Debtor and the Agent of written notice thereof, and shall be reasonably satisfactory to the Agent in all other respects. In case of any material loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor shall promptly give written notice thereof to the Agent generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at such Debtor's cost and expense, shall promptly repair or replace the Collateral so lost, damaged, or destroyed, except to the extent such Collateral, prior to its loss, damage, or destruction, had become uneconomical, obsolete, or worn out and is not necessary for or of importance to the proper conduct of such Debtor's business in the ordinary course. In the event any Debtor shall receive any proceeds of such insurance, such Debtor shall immediately pay over such proceeds to the Agent to the extent required by the Credit Agreement. Each Debtor hereby authorizes the Agent, at the Agent's option, to adjust, compromise, and settle any losses under any insurance afforded at any time during the existence of any Event of Default and each Debtor does hereby irrevocably constitute the Agent, and each of its nominees, officers, agents, attorneys, and any other person whom the Agent may designate, as such Debtor's attorneys-in-fact, with full power and authority to effect such adjustment, compromise, and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless the Agent elects to adjust, compromise, or settle losses as aforesaid, any adjustment, compromise, and/or settlement of any losses under any insurance during the existence of an Event of Default shall be made by the relevant Debtor subject to final approval of the Agent in the case of losses exceeding $375,000. Net insurance proceeds received by the Agent under the provisions hereof or under any policy of insurance covering the Collateral or any part thereof shall be applied to the reduction of the Secured Obligations (whether or not then due) to the extent required under the Credit Agreement; *provided, however,* that the Agent agrees to release such insurance proceeds to the relevant Debtor in accordance with Section 2.8(b)(ii) of the Credit Agreement. All insurance proceeds shall be subject to the lien and security interest of the Agent hereunder.

UNLESS THE DEBTORS PROVIDE THE AGENT WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS AGREEMENT, THE AGENT MAY PURCHASE INSURANCE AT THE DEBTORS' EXPENSE TO PROTECT THE SECURED PARTY'S INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT THE DEBTORS' INTERESTS IN THE COLLATERAL. THE COVERAGE PURCHASED BY THE AGENT MAY NOT PAY ANY CLAIMS THAT ANY DEBTOR MAKES OR ANY CLAIM THAT IS MADE AGAINST ANY DEBTOR IN CONNECTION WITH THE COLLATERAL. THE RELEVANT DEBTOR MAY LATER CANCEL ANY SUCH INSURANCE PURCHASED BY THE AGENT, BUT ONLY AFTER PROVIDING THE AGENT WITH EVIDENCE THAT

SUCH DEBTOR HAS OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF THE AGENT PURCHASES INSURANCE FOR THE COLLATERAL, THE DEBTORS WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT THE AGENT MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE SECURED OBLIGATIONS SECURED HEREBY. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE THE DEBTORS MAY BE ABLE TO OBTAIN ON THEIR OWN.

(i) Each Debtor shall at all times allow the Secured Creditors and their respective representatives free access to and right of inspection of the Collateral in accordance with Section 8.6 of the Credit Agreement.

(j) If any Collateral is in the possession or control of any of any Debtor's agents or processors and the Agent so requests, such Debtor agrees to notify such agents or processors in writing of the Agent's security interest therein and instruct them to hold all such Collateral for the Agent's account and subject to the Agent's instructions. Each Debtor shall, upon the request of the Agent, authorize and instruct all bailees and other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping, or transferring all or any part of the Collateral to permit the Secured Creditors and their respective representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Creditors or their respective representatives may seek to verify. Subject to Section 8.25(a) of the Credit Agreement, as to any premises not owned by a Debtor wherein any of the Collateral is located, the relevant Debtor shall, at the Agent's request, use commercially reasonable efforts to cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title and interest in, and lien on, the Collateral and allows the removal of such Collateral by the Agent or its agents or representatives, and is otherwise in form and substance reasonably acceptable to the Agent; *provided, however,* that no such agreement need be obtained with respect to any one location wherein the value of the Collateral as to which such agreement has not been obtained aggregates less than $375,000 at any one time.

(k) Each Debtor agrees from time to time to deliver to the Agent such evidence of the existence, identity, and location of its Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by such Debtor, copies of customer invoices or the equivalent, and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered by it, together with such Debtor's warranty of the genuineness thereof, and reports stating the book value of its Inventory and Equipment by major category and location), in each case as the Agent may reasonably request. The Agent shall have the right to verify all or any part of the Collateral in any manner, and through any medium, which the Agent considers appropriate (including, without limitation, the verification of Collateral by use of a fictitious name), and each Debtor agrees to furnish all assistance and information, and perform any acts, which the Agent may reasonably require in connection therewith.

(l) Each Debtor shall comply in all material respects with the terms and conditions of all leases, easements, right-of-way agreements, and other similar agreements binding upon such Debtor or affecting the Collateral or any part thereof, and all orders, ordinances, laws, and statutes of any city, state, or other governmental entity, department, or agency having jurisdiction with respect to the premises wherein such Collateral is located or the conduct of business thereon except, in each case, as could not reasonably be expected to have a Material Adverse Effect.

(m) Schedule C attached hereto contains a true, complete, and current listing of all patents, trademarks, tradestyles, copyrights, and other intellectual property rights (including all registrations and applications therefor) owned by the Debtors as of the date hereof that are registered with any governmental authority. The Debtors shall promptly notify the Agent in writing of any additional intellectual property rights acquired or arising after the date

hereof that are or are required to be registered with any governmental authority, and shall submit to the Agent a supplement to Schedule C to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Agent's security interest therein). Each Debtor owns or possesses rights to use all franchises, licenses, patents, trademarks, trade names, tradestyles, copyrights, and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and the Debtors are not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(n) Schedule F attached hereto contains a true, complete and current listing of all Commercial Tort Claims held by the Debtors as of the date hereof, each described by reference to the specific incident giving rise to the claim. Each Debtor agrees to execute and deliver to the Agent a supplement to this Agreement in the form attached hereto as Schedule G, or in such other form acceptable to the Agent, promptly upon becoming aware of any other Commercial Tort Claim in excess of $375,000 held or maintained by such Debtor arising after the date hereof (provided such Debtor's failure to do so shall not impair the Agent's security interest therein).

(o) Each Debtor agrees to execute and deliver to the Agent such further agreements, assignments, instruments, and documents and to do all such other things as the Agent may reasonably deem necessary or appropriate to assure the Agent its lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Agent may from time to time reasonably require in order to comply with the UCC and any other applicable law, (ii) such agreements with respect to patents, trademarks, copyrights, and similar intellectual property rights as the Agent may from time to time reasonably require to comply with the filing requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to all Deposit Accounts, Investment Property, Letter-of-Credit Rights, and electronic Chattel Paper (in each case, other than Excluded Property), and to cause the relevant depository institutions, financial intermediaries, and issuers to execute and deliver such control agreements, as the Agent may from time to time reasonably require. Each Debtor hereby agrees that a carbon, photographic, or other reproduction of this Agreement or any such financing statement is sufficient for filing as a financing statement by the Agent without notice thereof to such Debtor wherever the Agent in its sole discretion desires to file the same. Each Debtor hereby authorizes the Agent to file any and all financing statements

covering the Collateral or any part thereof as the Agent may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Agent may order lien searches from time to time against each Debtor and the Collateral, and the Debtor shall promptly reimburse the Agent for all reasonable costs and expenses incurred in connection with such lien searches. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral or any part thereof, or to any of the Secured Obligations, each Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Agent in its sole discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Agent under the law of such other jurisdiction. Each Debtor agrees to mark its books and records to reflect the lien and security interest of the Agent in the Collateral.

(p) On failure of any Debtor to perform any of the covenants and agreements herein contained, the Agent may, at its option, perform the same and in so doing may expend such sums as the Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens, and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Agent may be compelled to make by operation of law or which the Agent may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the relevant Debtor immediately upon demand, shall constitute additional Secured Obligations secured hereunder and shall bear interest from the date payment of said amounts is demanded at the rate per annum (computed on the basis of a 360-day year for the actual number of days elapsed) determined by adding 2.0% per annum to the Base Rate from time to time in effect plus the Applicable Margin from time to time in effect for Base Rate Loans under the Revolving Credit, with any change in such rate per annum as so determined by reason of a change in such Base Rate to be effective on the date of such change in said Base Rate (such rate per annum as so determined being hereinafter referred to as the "*Default Rate*"). No such performance of any covenant or agreement by the Agent on behalf of any Debtor, and no such advancement or expenditure therefor, shall relieve the Debtor of any default under the terms of this Agreement or in any way obligate any Secured Creditor to take any further or future action with respect thereto. The Agent, in making any payment hereby authorized, may do so according to any bill, statement, or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement, or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, or title or claim. The Agent, in performing any act hereunder, shall be the sole judge of whether any Debtor is required to perform same under the terms of this Agreement. The Agent is hereby authorized to charge any account of the relevant Debtor maintained with any Secured Creditor for the amount of such sums and amounts so expended.

Section 5. Special Provisions Re: Receivables. (a) As of the time any Receivable owned by a Debtor becomes subject to the security interest provided for hereby, and at all times thereafter, such Debtor shall be deemed to have warranted as to each and all of such Receivables that all warranties of such Debtor set forth in this Agreement are true and correct in all material respects with respect to each such Receivable; that each Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be in all material respects; that each Receivable is valid and subsisting in all material respects; that no such

Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by such Debtor and delivered to the Agent (except that, prior to the occurrence of an Event of Default and thereafter until otherwise notified by the Agent, such Debtor will not be required to endorse and deliver to the Agent any such Instrument or Chattel Paper if and only so long as the aggregate outstanding balance of all such Instruments and Chattel Paper not so endorsed and delivered to the Agent hereunder is less than $375,000 at any one time outstanding); that the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business; and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions, or countercharges other than those arising in the ordinary course of such Debtor's business or which are disclosed to the Agent in writing promptly upon such Debtor becoming aware thereof. Without limiting the foregoing, if any Receivables in excess of $375,000 in the aggregate arise out of a contract with the United States of America, or any state or political subdivision thereof, or any department, agency, or instrumentality of any of the foregoing, each Debtor agrees to notify the Agent and, at the Agent's request, execute whatever instruments and documents are required by the Agent in order that such Receivable shall be assigned to the Agent and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar state or local statute, as the case may be.

(b) Unless and until an Event of Default occurs and is continuing, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by a Debtor in the ordinary course of its business as presently conducted in accordance with Section 7(b) hereof; and, during the existence of any Event of Default, such merchandise and other goods shall be set aside at the request of the Agent and held by the relevant Debtor as trustee for the Secured Creditors and shall remain part of the Secured Creditors' Collateral. Unless and until an Event of Default occurs and is continuing, the Debtors may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries, and grant discounts, credits, and allowances in the ordinary course of its business as presently conducted for amounts and on terms which the relevant Debtor in good faith considers advisable; and, during the existence of any Event of Default, at the Agent's request, the Debtors shall notify the Agent promptly of all returns and recoveries and, on the Agent's request, deliver any such merchandise or other goods to the Agent. During the existence of any Event of Default, at the Agent's request, the Debtor shall also notify the Agent promptly of all disputes and claims and settle or adjust them at no expense to the Agent, but no discount, credit, or allowance other than on normal trade terms in the ordinary course of business as presently conducted shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by any Debtor other than in the ordinary course of business as presently conducted without the Agent's consent. The Agent may, at all times during the existence of any Event of Default, settle or adjust disputes and claims directly with customers or account debtors for amounts and upon terms which the Agent considers advisable.

(c) Unless delivered to the Agent or its agent, all tangible Chattel Paper and Instruments shall contain a legend acceptable to the Agent indicating that such Chattel Paper or Instrument is subject to the security interest of the Agent contemplated by this Agreement.

Section 6. Collection of Receivables. (a) Except as otherwise provided in this Agreement, the Debtors shall make collection of all Receivables and may use the same to carry on its business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Upon the occurrence and during the continuance of any Event of Default, whether or not the Agent has exercised any or all of its rights under other provisions of this Section 6, in the event the Agent requests any Debtor to do so:

(i) all Instruments and Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by such Debtor, be immediately endorsed to and deposited with the Agent; and/or

(ii) such Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Agent and which are maintained at post office(s) selected by the Agent.

(c) Upon the occurrence and during the continuance of any Event of Default or of any event or condition which with the lapse of time or the giving of notice, or both, would constitute an Event of Default, whether or not the Agent has exercised any or all of its rights under other provisions of this Section 6, the Agent or its designee may notify the Debtors' customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Agent or of the Agent's security interest therein, and either in its own name, or the relevant Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 6(b)(ii) hereof), receive, receipt for, sue for, compound, and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Agent's discretion file any claim or take any other action or proceeding which the Agent may deem reasonably necessary or appropriate to protect or realize upon the security interest of the Agent in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Agent pursuant to any of the provisions of Sections 6(b) or 6(c) hereof may be handled and administered by the Agent in and through a remittance account at the Agent, and the Debtors acknowledge that the maintenance of such remittance account by the Agent is solely for the Agent's convenience and that the Debtors do not have any right, title, or interest in such remittance account. The Agent may, after the occurrence and during the continuation of any Event of Default, apply all or any part of any proceeds of Receivables or other Collateral received by it from any source to the payment of the Secured Obligations (whether or not then due and payable), such applications to be made in such amounts, in such manner and order and at such intervals as the Agent may from time to time in its discretion determine, but not less often than once each week. The Agent need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Agent has received final payment therefor at its office in cash or final solvent credits current in Chicago, Illinois, acceptable to the Agent as such. However, if the Agent does give credit for any item prior to receiving final payment therefor and the Agent fails to receive such final payment or an item is charged back to the Agent for any

reason, the Agent may at its election in either instance charge the amount of such item back against the remittance account or any account of the relevant Debtor maintained with the Agent, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to the remittance account, each Debtor shall furnish the Agent with a report in such form as the Agent shall reasonably require identifying the particular Receivable or other Collateral from which the same arises or relates. Unless and until an Event of Default shall have occurred and be continuing, the Agent will release proceeds of Collateral which the Agent has not applied to the Secured Obligations as provided above from the remittance account from time to time promptly after receipt thereof. Each Debtor hereby indemnifies the Secured Creditors from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges and attorneys' fees suffered or incurred by the Secured Creditors because of the maintenance of the foregoing arrangements; *provided, however,* that no Debtor shall be required to indemnify any Secured Creditor for any of the foregoing to the extent they arise solely from the gross negligence or willful misconduct of such Secured Creditor (as determined by a court of competent jurisdiction by final and nonappealable judgment). The Secured Creditors shall have no liability or responsibility to any Debtor for the Agent accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 7. Special Provisions Re: Inventory and Equipment. (a) Each Debtor shall at its own cost and expense maintain, keep and preserve its Inventory in good and merchantable condition and keep and preserve its Equipment in good repair, working order and condition, ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements and additions to its Equipment so that the efficiency thereof shall be fully preserved and maintained, except, in each as expressly permitted under the Credit Agreement.

(b) Each Debtor may, until otherwise notified by the Agent following the occurrence and during the continuance of an Event of Default, use, consume, lease and sell the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by such Debtor.

(c) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Agent, sell or otherwise dispose of Equipment to the extent permitted by Section 8.10 of the Credit Agreement.

(d) As of the time any Inventory or Equipment becomes subject to the security interest provided for hereby and at all times thereafter, the relevant Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of such Debtor set forth in this Agreement are true and correct in all material respects with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 4(b) hereof; and that, in the case of Inventory, such Inventory is new and unused and in good and merchantable condition. Each Debtor warrants and agrees that no

Inventory owned by it is or will be consigned to any other person without the Agent's prior written consent.

(e) Subject to Section 12.1 of the Credit Agreement, upon the Agent's request, each Debtor shall at its own cost and expense cause the lien of the Agent in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Agent.

(f) Except for Equipment from time to time located on the real estate described on Schedule D attached hereto and as otherwise disclosed to the Agent in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the relevant Debtor to the Agent except to the extent the Agent specifically requests such Debtor not to do so with respect to any such document.

Section 8. Special Provisions Re: Investment Property, Subsidiary Interests, and Deposits. (a) Unless and until an Event of Default has occurred and is continuing and thereafter until notified to the contrary by the Agent pursuant to Section 10(d) hereof:

(i) each Debtor shall be entitled to exercise all voting and/or consensual powers pertaining to its Investment Property and Subsidiary Interests constituting Collateral, or any part thereof, for all purposes not inconsistent with the terms of this Agreement, the Credit Agreement or any other document evidencing or otherwise relating to any Secured Obligations; and

(ii) each Debtor shall be entitled to receive and retain all cash dividends paid upon or in respect of its Investment Property and Subsidiary Interests constituting Collateral to the extent permitted by the Credit Agreement subject to the lien and security interest of this Agreement.

(b) All Investment Property (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) and Subsidiary Interests of the Debtors constituting Collateral on the date hereof is listed and identified on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Agent of any other Investment Property or Subsidiary Interests constituting Collateral acquired or maintained by such Debtor after the date hereof, and shall submit to the Agent a supplement to Schedule E to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Agent's security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property or Subsidiary Interests and part of the Collateral hereunder shall be promptly delivered by the relevant Debtor to the Agent duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto, including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision or reclassification of the

Investment Property or Subsidiary Interests constituting Collateral or any part thereof or received in addition to, in substitution of or in exchange for the Investment Property or Subsidiary Interests constituting Collateral or any part thereof as a result of a merger, consolidation or otherwise. With respect to any uncertificated securities or any Investment Property or Subsidiary Interests constituting Collateral held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, at the Agent's request, the relevant Debtor shall execute and deliver, and shall cause any such issuer or intermediary to execute and deliver, an agreement among such Debtor, the Agent, and such issuer or intermediary in form and substance reasonably satisfactory to the Agent which provides, among other things, for the issuer's or intermediary's agreement that it will comply with such entitlement orders, and apply any value distributed on account of any such Investment Property or Subsidiary Interests, as directed by the Agent without further consent by such Debtor. The Agent may, at any time after the occurrence of an Event of Default, cause to be transferred into its name or the name of its nominee or nominees any and all of the Investment Property and Subsidiary Interests constituting Collateral hereunder.

(c) Unless and until an Event of Default has occurred and is continuing, the Debtors may sell or otherwise dispose of any Investment Property and Subsidiary Interests to the extent permitted by the Credit Agreement. After the occurrence and during the continuation of any Event of Default, no Debtor shall sell all or any part of the Investment Property or Subsidiary Interests constituting Collateral without the prior written consent of the Agent.

(d) The Debtors represent that on the date of this Agreement, none of the Investment Property or Subsidiary Interests consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent the Debtors have delivered to the Agent a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or Subsidiary Interests or any part thereof consists of margin stock, the Debtors shall promptly so notify the Agent and deliver to the Agent a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Agent in form and substance reasonably satisfactory to the Agent.

(e) Each Debtor represents and warrants to, and agrees with, the Secured Creditors as follows: (i) as of the date hereof, the Subsidiary Interests listed and described on Schedule E hereto constitute the percentage of the equity interest in each Subsidiary set forth thereon owned by such Debtor; (ii) as of the date hereof, copies of the certificate or articles of incorporation and by-laws, certificate or articles of organization and operating agreement, and

partnership agreement of each Subsidiary (each such agreement being hereinafter referred to as an "*Organizational Agreement*") heretofore delivered to the Agent are true and correct copies thereof and have not been amended or modified in any respect other than as stated therein, and (iii) without the prior written consent of the Agent, such Debtor hereby agrees not to amend or modify any Organizational Agreement which would in any manner materially adversely affect or impair the Subsidiary Interests of such Debtor or reduce or dilute the rights of such Debtor with respect to any Subsidiary Interests, any of such actions done without such prior written consent to be null and void. Each Debtor shall perform when due all of its obligations under each Organizational Agreement.

(f) All Deposit Accounts of the Debtors on the date hereof are listed and identified (by account number and depository institution) on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Agent of any other Deposit Account opened or maintained by such Debtor after the date hereof, and shall submit to the Agent a supplement to Schedule E to reflect such additional accounts (provided such Debtor's failure to do so shall not impair the Agent's security interest therein). With respect to any Deposit Account (other than an Excluded Deposit Account) maintained by a depository institution other than the Agent, and, except as otherwise provided in Sections 8.25(c) and 12.2 of the Credit Agreement, as a condition to the establishment and maintenance of any such Deposit Account except as otherwise agreed to in writing by the Agent, such Debtor, the depository institution, and the Agent shall execute and deliver an account control agreement in form and substance reasonably satisfactory to the Agent which provides, among other things, for the depository institution's agreement that it will comply with instructions originated by the Agent directing the disposition of the funds in the Deposit Account without further consent by such Debtor.

Section 9. Power of Attorney. In addition to any other powers of attorney contained herein, each Debtor hereby appoints the Agent, its nominee, and any other person whom the Agent may designate, as such Debtor's attorney-in-fact, with full power and authority upon the occurrence and during the continuation of any Event of Default to sign such Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to such Debtor's customers, account debtors, and other obligors; to exercise all voting rights with respect to the Investment Property or other Collateral or any part thereof; to endorse or sign such Debtor's name on assignments, stock powers or other instruments of transfer and any checks, notes, acceptances, money orders, drafts, and any other forms of payment or security that may come into the Agent's possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign such Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of such Debtor's mail to an address designated by the Agent; to receive, open and dispose of all mail addressed to such Debtor; and to do all things necessary to carry out this Agreement. Each Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Agent nor any such attorney will be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct (as determined by a court of competent jurisdiction by final and nonappealable judgment); *provided* that in no event shall it be liable for any punitive, exemplary, indirect or consequential damages. The Agent may file one or more financing statements disclosing its security interest in any or all of the Collateral without the relevant Debtor's signature appearing thereon. Each Debtor also hereby grants the Agent a power of attorney to execute any such financing statements, or amendments and supplements to financing statements, on behalf of such Debtor without notice thereof to such Debtor. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Secured Obligations have been fully paid and satisfied (other than contingent indemnification obligations and Letters of Credit that have been Cash Collateralized in accordance with the terms of the Credit Agreement) and all commitments of the Lenders to extend credit to or for the account of the Borrower under the Credit Agreement have expired or otherwise have been terminated.

Section 10. Defaults and Remedies. (a) The occurrence of any one or more of the following events shall constitute an *"Event of Default"* hereunder:

(i) default for a period of 3 Business Days in the payment when due (whether by demand, lapse of time, acceleration or otherwise) of the Secured Obligations or any part thereof; or

(ii) default in the observance or performance of any other provision hereof which is not remedied within 30 days after the earlier of (a) the date on which such default shall first become known to any officer of any Debtor or (b) written notice thereof is given to the Debtors by the Agent; or

(iii) any representation or warranty made by any Debtor herein, or in any statement or certificate furnished by it pursuant hereto, or in connection with any loan or extension of credit made to or on behalf of or at the request of any Debtor by the Agent, shall be false in any material respect as of the date of the issuance or making thereof; or

(v) any event shall occur or condition shall exist which is specified as an "Event of Default" under the Credit Agreement.

(b) Upon the occurrence and during the continuation of any Event of Default, the Agent shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Agent may, without demand and without advertisement, notice, hearing, or process of law, all of which the Debtors hereby waive, at any time or times, sell and deliver all or any part of the Collateral (and any other property of the Debtors attached thereto or found therein) held by or for it at public or private sale, at any securities exchange or broker's board or at the Agent's office or elsewhere, for cash, upon credit, or otherwise, at such prices and upon such terms as the Agent deems advisable, in its sole discretion. In the exercise of any such remedies, the Agent may sell the Collateral as a unit even though the sales price thereof may be in excess of the amount remaining unpaid on the Secured Obligations. Also, if less than all the Collateral is sold, the Agent shall have no duty to marshal or apportion the part of the Collateral so sold as between the Debtors, or any of them, but may sell and deliver any or all of the Collateral without regard to which of the Debtors are the owners thereof. In addition to all other sums due any Secured Creditor hereunder, the Debtors shall pay the Secured Creditors all costs and expenses incurred by the Secured Creditors, including attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Secured Obligations or in the prosecution or defense of any action or proceeding by or against any Secured Creditor or any Debtor concerning any matter arising out of or connected with this Agreement or the Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if

such notice is personally served on or mailed, postage prepaid, to each Debtor in accordance with Section 13(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided however,* no notification need be given to any Debtor if such Debtor has signed, after an Event of

Default has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Agent shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. Any Secured Creditor may be the purchaser at any such sale. Each Debtor hereby waives all of its rights of redemption from any such sale. The Agent may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Agent may further postpone such sale by announcement made at such time and place. The Agent has no obligation to prepare the Collateral for sale. The Agent may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and each Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default hereunder, in addition to all other rights provided herein or by law, (i) the Agent shall have the right to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the relevant Debtor's premises (each Debtor hereby agreeing, to the extent it may lawfully do so, to lease such premises without cost or expense to the Agent or its designee if the Agent so requests) or to remove the Collateral or any part thereof to such other places as the Agent may desire, (ii) the Agent shall have the right to direct any intermediary at any time holding any Investment Property or other Collateral, or any issuer thereof, to deliver such Collateral or any part thereof to the Agent and/or to liquidate such Collateral or any part thereof and deliver the proceeds thereof to the Agent (including, without limitation, the right to deliver a notice of control with respect to any Collateral held in a securities account or commodities account and deliver all entitlement orders with respect thereto), (iii) the Agent shall have the right to exercise any and all rights with respect to all Deposit Accounts of each Debtor, including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw, and receive all amounts due or to become due or payable thereunder, and (iv) each Debtor shall, upon the Agent's demand, promptly assemble the Collateral and make it available to the Agent at a place designated by the Agent. If the Agent exercises its right to take possession of the Collateral, each Debtor shall also at its expense perform any and all other steps requested by the Agent to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Agent, appointing overseers for the Collateral and maintaining Collateral records. The Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of the Agent's remedies (for the benefit of the Secured Creditors), with respect to such appointment without prior notice or hearing as to such appointment.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, all rights of each Debtor to exercise the voting and/or consensual powers which it is entitled to exercise pursuant to Section 8(a)(i) hereof and/or to receive and retain the distributions which it is entitled to receive and retain pursuant to Section 8(a)(ii) hereof, shall, at the option of the Agent, cease and thereupon become vested in

the Agent, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property (including, without limitation, the right to deliver notice of control with respect to any Investment Property held in a securities account or commodity account and deliver all entitlement orders with respect thereto) and/or to receive and retain the distributions which any Debtor would otherwise have been authorized to retain pursuant to Section 8(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange, or subscription or any other rights, privileges, or options pertaining to any Investment Property as if the Agent were the absolute owner thereof. Without limiting the foregoing, the Agent shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization, or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Agent of any right, privilege, or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms and conditions as the Agent may determine. In the event the Agent in good faith believes any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) EACH DEBTOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS THE AGENT AS ITS PROXY AND ATTORNEY-IN-FACT WITH RESPECT TO ITS INVESTMENT PROPERTY AND OTHER COLLATERAL, INCLUDING THE RIGHT TO VOTE SUCH INVESTMENT PROPERTY AND OTHER COLLATERAL, WITH FULL POWER OF SUBSTITUTION TO DO SO. IN ADDITION TO THE RIGHT TO VOTE ANY SUCH INVESTMENT PROPERTY AND OTHER COLLATERAL, THE APPOINTMENT OF THE AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF SUCH INVESTMENT PROPERTY AND OTHER COLLATERAL WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS OR OTHER EQUITY HOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS OR OTHER EQUITY HOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY SUCH INVESTMENT PROPERTY AND OTHER COLLATERAL ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF SUCH INVESTMENT PROPERTY AND OTHER COLLATERAL OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE OF AN EVENT OF DEFAULT. EACH DEBTOR HEREBY RATIFIES AND APPROVES ALL ACTS OF ANY SUCH ATTORNEY AND AGREES THAT NEITHER THE AGENT NOR ANY SUCH ATTORNEY WILL BE LIABLE FOR ANY ACTS OR OMISSIONS OR FOR ANY ERROR OF JUDGMENT OR MISTAKE OF FACT OR LAW OTHER THAN SUCH PERSON'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION; PROVIDED THAT, IN NO EVENT SHALL THEY BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES. THE FOREGOING POWERS OF ATTORNEY AND PROXY, BEING COUPLED WITH AN INTEREST, ARE IRREVOCABLE UNTIL THE SECURED OBLIGATIONS HAVE BEEN FULLY PAID AND SATISFIED (OTHER THAN CONTINGENT INDEMNIFICATION OBLIGATIONS AND LETTERS OF CREDIT THAT HAVE BEEN CASH COLLATERALIZED IN ACCORDANCE WITH THE TERMS OF THE CREDIT AGREEMENT) AND ALL COMMITMENTS OF THE LENDERS TO EXTEND CREDIT TO OR FOR THE ACCOUNT OF THE BORROWER UNDER THE CREDIT AGREEMENT HAVE EXPIRED OR OTHERWISE TERMINATED.

(f) Without in any way limiting the foregoing, each Debtor hereby grants to the Agent a royalty-free irrevocable license and right to use all of such Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Agent or the Secured Creditors on all or any part of the Collateral. The license and right granted the Secured Creditors hereby shall be without any royalty or fee or charge whatsoever.

(g) The powers conferred upon the Secured Creditors hereunder are solely to protect their interest in the Collateral and shall not impose on them any duty to exercise such powers. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession or control if such Collateral is accorded treatment substantially equivalent to that which the Agent accords its own property, consisting of similar type assets, it being understood, however, that the Agent shall have no responsibility for ascertaining or taking any action with respect to calls, conversions, exchanges, maturities, tenders, or other matters relating to any such Collateral, whether or not the Agent has or is deemed to have knowledge of such matters. This Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtors, or any of them, in any way related to the Collateral, and the Agent shall have no duty or obligation to discharge any such duty or obligation. The Agent shall have no responsibility for taking any necessary steps to preserve rights against any parties with respect to any Collateral or initiating any action to protect the Collateral against the possibility of a decline in market value. Neither any Secured Creditor nor any party acting as attorney for any Secured Creditor shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than its gross negligence or willful misconduct (as determined by a court of competent jurisdiction by final and nonappealable judgment).

(h) Failure by the Agent to exercise any right, remedy, or option under this Agreement or any other agreement between the Debtors, or any of them, and the Agent or provided by law, or delay by the Agent in exercising the same, shall not operate as a waiver; and no waiver by the Agent shall be effective unless it is in writing and then only to the extent specifically stated. The rights and remedies of the Secured Creditors under this Agreement shall be cumulative and not exclusive of any other right or remedy which any Secured Creditor may have.

Section 11. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Agent upon the occurrence and during the continuation of any Event of Default shall, when received by the Agent in cash or its equivalent, be applied by the Agent in reduction of, or held as collateral security for, the Secured Obligations in accordance with the terms of the Credit Agreement. The Debtors shall remain liable to the Secured Creditors for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower, as agent for the Debtors, or to whomsoever the Agent reasonably determines is lawfully entitled thereto.

Section 12. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and all commitments of the Lenders to extend credit to or for the account of the Borrower have expired or otherwise have been

terminated. Upon such termination of this Agreement, the Agent shall, upon the request and at the expense of the Debtors, forthwith release its security interest hereunder.

Section 13. Miscellaneous. (a) This Agreement cannot be changed or terminated orally. This Agreement shall create a continuing lien on and security interest in the Collateral and shall be binding upon each Debtor, its successors and assigns and shall inure, together with the rights and remedies of the Secured Creditors hereunder, to the benefit of the Secured Creditors and their successors and permitted assigns; *provided, however*, that no Debtor may assign its rights or delegate its duties hereunder without the Agent's prior written consent. Without limiting the generality of the foregoing, and subject to the provisions of the Credit Agreement, any Lender may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other person, and such other person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below (or, if no such address is set forth below, at the address of the relevant Debtor as shown on the records of the Agent), or such other address or telecopier number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

If to the Agent:

BMO Harris Bank N.A.
115 South LaSalle Street, 20W
Chicago, Illinois 60603
Attention: Doug Chinery
Facsimile No.: (312) 765-1138
Telephone No. (312) 461-3016
Email: Doug.Chinery@bmo.com

If the Debtors:

Willdan Group, Inc.,
as Borrower
2401 East Katella Avenue, Suite 300
Anaheim, California 92806
Attention: Stacy McLaughlin
Facsimile No.: (714) 940-4920
Telephone No. (714) 940-6349
Email: smclaughlin@willdan.com

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt

requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section.

(c) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such jurisdictions where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect. Without limiting the generality of the foregoing, in the event that this Agreement shall be deemed to be invalid or otherwise unenforceable with respect to any Debtor, such invalidity or unenforceability shall not affect the validity of this Agreement with respect to the other Debtors.

(d) The lien and security interest herein created and provided for stand as direct and primary security for the Secured Obligations of the Borrower arising under or otherwise relating to the Credit Agreement as well as for the other Secured Obligations secured hereby. No application of any sums received by the Secured Creditors in respect of the Collateral or any disposition thereof to the reduction of the Secured Obligations or any part thereof shall in any manner entitle any Debtor to any right, title or interest in or to the Secured Obligations or any collateral or security therefor, whether by subrogation or otherwise, unless and until all Secured Obligations have been fully paid and satisfied (other than contingent indemnification obligations and Letters of Credit that have been Cash Collateralized in accordance with the terms of the Credit Agreement) and all commitments to extend credit to or for the account of the Borrower under the Credit Agreement have expired or otherwise terminated. Each Debtor acknowledges and agrees that the lien and security interest hereby created and provided are absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of any Secured Creditor or any other holder of any Secured Obligations, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by any Secured Creditor or any other holder of any Secured Obligations of any other security for or guarantors upon any of the Secured Obligations or by any failure, neglect or omission on the part of any Secured Creditor or any other holder of any of the Secured Obligations to realize upon or protect any of the Secured Obligations or any collateral or security therefor. The lien and security interest hereof shall not in any manner be impaired or affected by (and the Secured Creditors, without notice to anyone, are hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Secured Obligations or of any collateral or security therefor, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. The Secured Creditors may at their discretion at any time grant credit to the Borrower without notice to the other Debtors in such amounts and on such terms as the Secured Creditors may elect (all of such to constitute additional Secured Obligations hereby secured) without in any manner impairing the lien and security interest created and provided for. In order to realize hereon and to exercise the rights granted the Secured Creditors hereunder and under applicable law, there shall be no obligation on the part of any Secured Creditor or any other holder of any Secured Obligations at any time to first resort for payment to the Borrower or any other Debtor or

to any guaranty of the Secured Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Creditors shall have the right to enforce this Agreement against any Debtor or its Collateral irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

(e) In the event the Secured Creditors shall at any time in their discretion permit a substitution of Debtors hereunder or a party shall wish to become a Debtor hereunder, such substituted or additional Debtor shall, upon executing an agreement in the form attached hereto as Schedule H, become a party hereto and be bound by all the terms and conditions hereof to the same extent as though such Debtor had originally executed this Agreement and, in the case of a substitution, in lieu of the Debtor being replaced. Any such agreement shall contain information as to such Debtor necessary to update Schedules A, B, C, D, E, and F hereto with respect to it. No such substitution shall be effective absent the written consent of the Agent nor shall it in any manner affect the obligations of the other Debtors hereunder.

(f) This Agreement, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the laws of the State of New York (including Section 5-1401 and Section 5-1402 of the General Obligations law of the State of New York) without regard to conflicts of law principles that would require application of the laws of another jurisdiction. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(g) This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (e.g., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. Each Debtor acknowledges that this Agreement is and shall be effective upon its execution and delivery by such Debtor to the Agent, and it shall not be necessary for the Agent to execute this Agreement or any other acceptance hereof or otherwise to signify or express its acceptance hereof.

(h) Each Debtor hereby submits to the non-exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Debtor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. THE DEBTORS AND THE AGENT EACH HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 14. *The Agent.* In acting under or by virtue of this Agreement, the Agent shall be entitled to all the rights, authority, privileges, and immunities provided in the Credit Agreement, all of which provisions of said Credit Agreement (including, without limitation,

Section 10 thereof) are incorporated by reference herein with the same force and effect as if set forth herein in their entirety. The Agent hereby disclaims any representation or warranty to the Secured Creditors or any other holders of the Secured Obligations concerning the perfection of the liens and security interests granted hereunder or in the value of any of the Collateral.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Debtors have caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

"DEBTORS"

WILLDAN GROUP, INC.
LUNA FRUIT, INC.

By: /s/ Thomas D. Brisbin
Name: Thomas D. Brisbin
Title: Chief Executive Officer

ELECTROTEC OF NY ELECTRICAL INC.
PUBLIC AGENCY RESOURCES
WILLDAN ENERGY SOLUTIONS
WILLDAN ENGINEERING
WILLDAN FINANCIAL SERVICES
WILLDAN HOMELAND SOLUTIONS
WILLDAN LIGHTING & ELECTRIC, INC.
WILLDAN LIGHTING & ELECTRIC OF CALIFORNIA
WILLDAN LIGHTING & ELECTRIC OF WASHINGTON, INC.
ABACUS RESOURCE MANAGEMENT COMPANY
INTEGRAL ANALYTICS, INC.
NEWCOMB ANDERSON MCCORMICK, INC.

By: /s/ Thomas D. Brisbin
Name Thomas D. Brisbin
Title Chairman of the Board

GENESYS ENGINEERING, P.C.

By: /s/ Rachel Seraspe
Name Rachel Seraspe
Title Vice President

[Signature Page to Security Agreement]

Accepted and agreed to as of the date and year first above written.

BMO HARRIS BANK N.A., as Agent

By: /s/ Michael Gift
Name: Michael Gift
Title: Director

[Signature Page to Security Agreement]

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Willdan Group, Inc.:

We consent to the incorporation by reference in the registration statements (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) on Forms S-3 and S-8 of Willdan Group, Inc. of our report dated March 9, 2018, except as to notes 2 (Segment Information and Contract Accounting), 4, and 13, which is as of October 3, 2018, with respect to the consolidated balance sheets of Willdan Group, Inc. as of December 29, 2017 and December 30, 2016, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 29, 2017, December 30, 2016, and January 1, 2016, and the related notes, which is included in this Current Report on Form 8-K of Willdan Group, Inc.

/s/ KPMG LLP

Irvine, California
October 3, 2018

Exhibit 23.2

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. We also consent to the reference to our firm under the caption “Experts”.

/s/ CohnReznick LLP
New York, New York
October 3, 2018

Exhibit 23.3

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.

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

/s/ BDO USA, LLP

Woodbridge, New Jersey

October 3, 2018

Willdan Signs Agreement to Acquire Lime Energy

ANAHEIM, Calif.—(BUSINESS WIRE)—Willdan Group, Inc. (NASDAQ: WLDN) and Lime Energy Co. ("Lime Energy") announced today that Willdan has signed an agreement and plan of merger ("the Merger Agreement") to acquire all outstanding shares of Lime Energy. The total purchase price of this acquisition is $120 million in cash, subject to customary holdbacks and adjustments. Willdan expects the acquisition of Lime Energy to close during the fourth quarter of 2018.

The $120 million purchase price equates to approximately ten times Willdan's estimate of Lime Energy's anticipated Adjusted EBITDA for 2018, and Willdan anticipates that Lime Energy's 2018 revenue will be approximately $145 million.

Lime Energy designs and implements direct install energy efficiency programs for utilities that target energy savings for commercial customers. Lime Energy's programs help these businesses use less energy through the upgrade of existing equipment and installation of new, more energy efficient equipment. This service allows utilities to delay investments in transmission and distribution upgrades and new power plants, while cost-effectively complying with increasing environmental regulations. These programs benefit utilities' customers by lowering their energy bills, improving equipment reliability, reducing maintenance costs, and improving electric grid operations. Lime Energy has delivered energy efficiency programs for 10 of the 25 largest electric utilities and five of the 10 largest municipal utilities in the U.S.

Willdan believes the acquisition of Lime Energy will further expand Willdan's presence in the energy services market and enhance Willdan's offerings. The acquisition of Lime Energy will provide Willdan the opportunity to diversify Willdan's geographical presence, including in the southeastern and mid-Atlantic regions of the United States where Willdan currently has limited operations. The transaction will also expand Willdan's utility customer base, as Lime Energy delivers energy efficiency programs to some of the largest electric utilities that are not currently Willdan's clients. In addition, Willdan believes that the acquisition of Lime Energy will better position Willdan to take advantage of the anticipated upcoming expansions in energy efficiency budgets and contracts in California and the Northeastern United States.

Willdan will host a question and answer session by conference call to discuss the transaction on Tuesday, October 9, 2018, at 4:30 p.m. Eastern/1:30 p.m. Pacific). Interested parties may participate in the conference call by dialing 877-260-1479 and providing conference ID 5792163. The conference call will be webcast simultaneously on Willdan's website at www.willdan.com under Investors: Events and the replay will be archived for at least 12 months. The telephonic replay of the conference call may be accessed following the call by dialing 888-203-1112, conference ID 5792163. The replay will be available through October 23, 2018.

Willdan also announced today that it has entered into a new credit agreement with a syndicate of BMO Harris Bank, N.A. ("BMO") and MUFG Union Bank as lenders and with BMO as administrative agent. The new credit facility provides for up to a $90 million delayed draw senior secured term loan, subject to certain conditions that must be satisfied prior to any borrowings (including the completion of the acquisition of Lime Energy), and a $30 million senior secured revolving credit facility, each maturing on October 1, 2023. The new credit facilities replace Willdan's existing credit agreement with BMO, which has been in place in various forms since 2014.

The descriptions of the Merger Agreement and new credit agreement above do not purport to be complete and are qualified in their entirety by reference to the Merger Agreement and the new credit facilities, which will be filed as Exhibits 2.1 and 10.1, respectively, to Willdan's Current Report on Form 8-K to be filed with the Securities and Exchange Commission today.

About Willdan

Willdan is a nationwide provider of professional technical and consulting services to utilities, government agencies, and private industry. Willdan's service offerings span a broad set of complementary disciplines that include electric grid solutions, energy efficiency and sustainability, engineering and planning, and municipal financial consulting.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements can be identified by such words and phrases as "believes," "anticipates," "expects," "intends," "estimates," "may," "will," "should," "continue" and similar expressions, comparable terminology or the negative thereof.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including, but not limited to: Willdan's ability to complete its pending acquisition of Lime Energy and, if completed, to obtain the anticipated benefits therefrom, Willdan's ability to draw under the delayed draw senior secured term loan in connection with the new credit facilities, Willdan's ability to adequately complete projects in a timely manner, Willdan's ability to compete successfully in the highly competitive energy efficiency services market, changes in state, local, and regional economies and government budgets, Willdan's ability to win new contracts, to renew existing contracts (including with Willdan's two largest customers and, if the

---

acquisition of Lime Energy is completed, the two largest customers of Lime Energy) and to compete effectively for contract awards through bidding processes and Willdan's ability to successfully integrate its acquisitions and execute on its growth strategy. Willdan's business could be affected by a number of other factors, including the risk factors listed from time to time in Willdan's reports filed with the SEC, including, but not limited to, the Annual Report on Form 10-K filed for the year ended December 29, 2017 and the Current Report on Form 8-K to be filed with the Securities and Exchange Commission SEC on October 3, 2018, as such disclosures may be amended, supplemented or superseded from time to time by other reports Willdan files with the SEC. Willdan cautions investors not to place undue reliance on the forward-looking statements contained in this press release. Willdan disclaims any obligation to, and does not undertake to, update or revise any forward-looking statements in this press release.

Use of Non-GAAP Financial Measures

The anticipated “Adjusted EBITDA” of Lime Energy for fiscal year 2018, as used in this press release, is a financial measure not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). Willdan defines Adjusted EBITDA of Lime Energy as net income (loss) plus interest expense (income), income tax expense (benefit), depreciation and amortization, stock-based compensation expense, and (loss) gain from change in derivative liability. Willdan’s management uses Adjusted EBITDA to evaluate operating performance and compare the results of operations from period to period and against peers without regard to financing methods, capital structure and non-operating expenses.

Adjusted EBITDA of Lime Energy has limitations as an analytical tool and should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP. Willdan’s definition of Adjusted EBITDA of Lime Energy may also differ from those of many companies reporting similarly named measures or from similarly named measures that Willdan has previously disclosed. Willdan believes Adjusted EBITDA of Lime Energy is useful to investors, research analysts, investment bankers and lenders because it removes the impact of certain non-operational items from operational results, which may facilitate comparison of its results from period to period. Willdan is unable to provide a reconciliation of the anticipated Adjusted EBITDA of Lime Energy for fiscal year 2018 to the anticipated net income of Lime Energy for fiscal year 2018 without unreasonable efforts because of the unpredictability of adjustments to net income, such as interest rates and interest expense, and the tax effect of the items excluded from Adjusted EBITDA. It is also difficult to estimate certain discrete tax items, like the resolution of tax audits or changes to tax laws. As such, the costs that are being excluded from non-GAAP guidance are difficult to predict and a reconciliation or a range of results could lead to disclosure that would be imprecise or potentially misleading. Material changes to any one of the exclusions could have a significant effect on our guidance and future GAAP results.

Contacts

Willdan Group, Inc.
Stacy McLaughlin
Chief Financial Officer
714-940-6300
smclaughlin@willdan.com
or
Investor/Media Contact
Financial Profiles, Inc.
Tony Rossi, 310-622-8221
trossi@finprofiles.com

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

	June 30, 2018	June 30, 2017
Assets		
Current assets		
Cash	$ 2,055	$ 2,272
Accounts receivable, net	26,130	20,148
Inventories	—	1,469
Unbilled accounts receivable	10,320	11,797
Prepaid expenses and other (Note 4)	5,452	3,703
Total current assets	43,957	39,389
Property and equipment, net (Note 5)	3,520	2,999
Long-term receivables, net	1,100	1,118
Intangibles, net (Note 6)	729	1,048
Goodwill (Note 6)	8,173	8,173
Total assets	$ 57,479	$ 52,727
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 12,253	$ 16,386
Accrued expenses (Note 7)	15,535	8,134
Unearned revenue	454	760
Customer deposits	207	388
Line of credit	470	—
Other current liabilities	—	11
Current portion of long-term debt	125	99
Total current liabilities	29,044	25,778
Long-term debt, less current maturities	357	383
Long-term debt - related party, net	12,581	14,962
Derivative liability - related party	1,448	2,960
Total liabilities	43,430	44,083
Contingently redeemable Series C Preferred stock, $0.01 par value: 10,000 shares authorized; 10,000 shares issued and outstanding as of June 30, 2018 and 2017, respectively; accrued dividends of $5,325 and $3,573 as of June 30, 2018 and 2017, respectively	14,708	12,956
Stockholders' Equity (Deficit)		
Common stock, $.0001 par value; 50,000,000 shares authorized; 9,657,571 issued and outstanding as of June 30, 2018 and 2017	1	1
Additional paid-in capital	206,002	207,288
Accumulated deficit	(206,662)	(211,601)
Total Stockholders' Equity (Deficit)	(659)	(4,312)
Total Liabilities and Stockholders' Equity (Deficit)	$ 57,479	$ 52,727

See Notes to Consolidated Financial Statements

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

	For the six months ended June 30, 2018	2017
Revenue	$ 73,303	$ 62,424
Cost of sales	49,711	40,905
Gross profit	23,592	21,519
Selling, general and administrative expense	20,386	18,049
Amortization of intangibles	167	1,520
Operating income	3,039	1,950
Other income (expense)		

Interest income	213	210
Interest expense	(1,363)	(1,312)
Loss from change in derivative liability - Related Party	(794)	(12)
Total other expense	(1,944)	(1,114)
Income from continuing operations before income taxes	1,095	836
Income tax expense	(3)	(21)
Net income	1,092	815
Preferred dividend	(894)	(790)
Net income available to common stockholders	$ 198	$ 25
Basic earnings per common share	$ 0.02	$ 0.00
Weighted average common shares outstanding - basic	9,657,571	9,662,035
Diluted earnings per common share	$ 0.02	$ 0.00
Weighted average common shares outstanding - diluted	15,123,031	14,594,491

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	—	—	(790)	—	(790)
Adjustment in connection with reverse/forward stock split (Note 14)	(23)	—	(36)	—	(36)
Share-based compensation, net	—	—	150	—	150
Net income	—	—	—	815	815
Balance, June 30, 2017	9,657	$ 1	$ 207,288	$ (211,601)	$ (4,312)
Balance, January 1, 2018	9,657	$ 1	$ 206,612	$ (207,754)	$ (1,141)
Preferred stock dividends	—	—	(894)	—	(894)
Share-based compensation, net	—	—	284	—	284
Net income	—	—	—	1,092	1,092
Balance, June 30, 2018	9,657	$ 1	$ 206,002	$ (206,662)	$ (659)

See Notes to Consolidated Financial Statements

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

	For the six months ended June 30, 2018	2017
Cash flows from operating activities		
Net income	$ 1,092	$ 815
Provision for bad debts	378	534
Share-based compensation	284	150
Depreciation and amortization	1,040	2,226
Amortization of deferred financing costs	34	71

Change in derivative liability - related party	794	12
Interest on sub notes added to principal - related party	1,027	1,018
Amortization of original issue discount - related party	276	208
Changes in assets and liabilities:		
Accounts receivable	(4,073)	(1,147)
Inventories	300	347
Unbilled accounts receivable	(3,810)	(4,308)
Prepaid expenses and other current assets	(366)	419
Accounts payable	(2,241)	(1,439)
Accrued expenses	6,471	776
Unearned Revenue	153	(105)
Customer deposits and other current liabilities	(317)	9
Net cash provided by (used in) operating activities	1,042	(414)
Cash flows from investing activities		
Purchases of property and equipment	(1,038)	(759)
Net cash used in investing activities	(1,038)	(759)
Cash flows from financing activities		
Repayments of line of credit	(21)	—
Payments on vehicle financing	(59)	318
Repayment of long-term debt, related-party	(2,420)	—
Net cash (used in) provided by financing activities	(2,500)	318
Net decrease in cash	(2,496)	(855)
Cash, beginning of period	4,551	3,127
Cash, end of period	$ 2,055	$ 2,272

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

	For the six months ended June 30,	
	2018	2017
Cash paid during the year for interest	$ 26	$ 24
Non-cash financing and investing activities:		
Financed vehicle purchases	$ —	$ 110
Accrued dividends	$ 894	$ 790
Shares issued for benefit plans	$ —	$ 83

See Notes to Consolidated Financial Statements

Lime Energy Co.
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, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

For the six months ended June 30, 2018, revenue generated under two utility programs represented 69% of the Company's consolidated revenue. For the six months ended June 30, 2017, revenue generated under two utility programs represented 67% of the Company's consolidated revenue. Amounts due from two utility programs represented 49% and 47% of the Company's outstanding accounts receivable at June 30, 2018 and 2017, respectively.

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 six months ended June 30, 2018, one supplier was responsible for 43% of the Company's purchases. During the six months ended June 30, 2017 one supplier was responsible for 39% of the Company's purchases. Amounts payable to one vendor represented 73% of the Company's outstanding accounts payable at June 30, 2018. Amounts payable to one vendor represented 66% of the Company's outstanding accounts payable at June 30, 2017.

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 receivables 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 are 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.

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 June 30:

	2018	2017
Balance at the beginning of the period	$ 1,303	$ 1,488
Provision for bad debts	378	534
Amounts written off	(259)	(580)
Balance at the end of the period	$ 1,422	$ 1,442

The total unamortized discount at June 30, 2018 and 2017 was $215,139 and $213,328, respectively, and is included with long-term receivables, net, in the accompanying consolidated balance sheets.

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

Inventories

Inventories consist of products used for the Company's energy efficiency solutions 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 June 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 June 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 statement 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 serves 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 provide 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 results 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 balance sheets. The amounts reported in accounts receivable, unbilled accounts receivable, and long-term receivables, collectively referred to as “contract assets”, represent all the Company’s assets recorded under customer contracts as of June 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 $0.6 million and $0.3 million for the six months ended June 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 six months ended June 30, 2018 and 2017, respectively:

	2018	2017
Stock options	$ 284	$ 142
Restricted stock	—	8
Total	$ 284	$ 150

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 is not included in the basic earnings per share available to common stockholders:

	2018	2017
Weighted average shares issuable upon exercise of outstanding options	1,747,106	1,214,102
Weighted average shares issuable upon exercise of outstanding warrants	14,019	14,019
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
	9,646,146	9,113,142

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 June 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 six months ended June 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 June 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 June 30, 2018 and 2017:

		Basis for Valuation		
	Total	Level 1	Level 2	Level 3
June 30, 2017:				
Conversion feature - related party	$ 2,960	$ —	$ —	$ 2,960
June 30, 2018:				
Conversion feature - related party	$ 1,448	$ —	$ —	$ 1,448

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 reported in earnings	794	12
Balance, end of period	$ 1,448	$ 2,960

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 June 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 our 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 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 financial.

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 June 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 June 30:

	2018	2017
Vendor rebate receivable	$ 2,234	$ 1,257
Deposits and advances	323	387
Prepaid contract costs	2,026	1,662
Prepaid insurance	162	137
Prepaid state taxes	182	98
Other receivable	525	162
Total	$ 5,452	$ 3,703

Note 5 — Property and Equipment

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

	2018	2017
Buildings and improvements	$ 382	$ 284
Construction equipment	22	21
Furniture	794	729
Office equipment	1,672	1,432
Software	7,512	5,826
Transportation equipment	1,011	901
	11,393	9,193
Less accumulated depreciation	(7,873)	(6,194)
Property and equipment, net	$ 3,520	$ 2,999

Total depreciation expense was $1.0 million and $0.7 million for the six months ended June 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 June 30, 2018 and 2017, the Company had recorded goodwill of approximately $8.2 million. There were no goodwill impairments recorded during the six months ended June 30, 2018 and 2017. The following is a summary of the Company’s intangible assets (in thousands) at June 30:

	2018	2017

	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer Relationships	$ 1,505	$ 796	$ 709	$ 1,505	$ 457	$ 1,048
Technology and software	3,410	3,390	20	3,390	3,390	—
Trade name	825	825	—	825	825	—
Total	$ 5,740	$ 5,011	$ 729	$ 5,720	$ 4,672	$ 1,048

Total amortization expense of intangible assets was $0.2 million and $1.5 million for the six months ended June 30, 2018 and 2017, respectively. The total expected future amortization is as follows (in thousands):

Year	Amount
2018	$ 187
2019	233
2020	162
2021	117
2022	30
Total:	$ 729

Note 7 — Accrued Expenses

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

	2018	2017
Compensation	$ 1,643	$ 2,498
Contract costs	2,983	1,626
Material costs	9,963	2,811
Rent	181	190
Sales tax payable	—	21
Income taxes	198	105
Other	567	883
Total	$ 15,535	$ 8,134

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 $1.4 million and $3.0 million as of June 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 1.89%; expected volatility of 80%; 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 six months ended June 30, 2018 and 2017, respectively and added to the outstanding principal balance at June 30, 2018 and 2017, respectively. Going forward, if the Company is unable to further amend the Bison Note or significantly improve its EBITDA, the Company's consolidated EBITDA may not exceed the minimum consolidated EBITDA tests required by the Bison Note and, as a result, an event of default would exist under the Bison Note for which Bison could accelerate the Company's repayment of the indebtedness.

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 six months ended June 30, 2018, the Company incurred interest of $0.8 million, which was accrued at the Scheduled Cash Interest Rate. At June 30, 2018 and 2017 the Scheduled Cash Interest rate was 10% and the Scheduled Accrued Interest Rate was 12.5%. During the six months ended June 30, 2017, the Company incurred interest of $0.9 million, which was accrued at the Scheduled Accrued Interest Rate. The Company repaid $2.4 million of accrued interest during the six months ended June 30, 2018. As of June 30, 2018 and 2017, $12.6 million and $15.0 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 $5,000 and $51,000, and unamortized debt discount of $1.2 million and $1.7 million, respectively.

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 five percent 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 $0.9 million and $0.8 million during the six months ended June 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 has 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 five percent 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.

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 June 30, 2018 and 2017, the derivative was valued at $31,173.

Under an amendment to the Loan Agreement, the Bank established a sublimit of $2.0 million for Letters of Credit under the Credit Facility. The Company has one Letter of Credit agreement with the Bank in the amount of $0.1 million. The Letter of Credit is used to guarantee certain obligations of the Company in connection with its performance under contracts between the Company and a utility customer. The Letter of Credit reduce the Company's borrowing base as calculated under the Loan Agreement.

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 3.00% 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. In December 2015, the Company entered into two Letter of Credit agreements with Heritage Bank of Commerce for letters of credit of $1.3 million and $0.1 million. 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.

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 June 30, 2018 and 2017, the Company was in compliance with the asset coverage ratio covenant and the EBITDA covenant with the Bank. As of June 30, 2018 and 2017, the calculation of the borrowing base left approximately $9.5 million and $5.9 million, respectively, available to draw down from the Credit Facility. At June 30, 2018 and 2017, the principal balance of the Credit Facility was $0.5 million and nil, respectively.

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 comprised of the following (in thousands):

	2018	2017
Subordinated convertible notes	$ 1,027	$ 1,018
Amortization of deferred financing costs	34	71
Amortization of debt discount - related party	276	208
Other	26	15
Total	$ 1,363	$ 1,312

Note 13 — Commitments

The Company leased offices in California, New Jersey, New York, North Carolina, and Ohio during the six months ended June 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 June 30, 2018 are as follows (in thousands):

Year	Amount
2018	$ 306
2019	542
2020	523
2021	474
2022	373
2023	348
Thereafter	996
Total	$ 3,562

Total rent expense amounted to approximately $0.4 million and $0.5 million for the six months ended June 30, 2018 and 2017, 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 ranges from 5.22 percent to 6.94 percent. 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 June 30, 2018 are as follows (in thousands):

Year	Amount
2018	$ 58
2019	138

2020	121
2021	114
2022	46
2023	5
Total	482
Less: current portion	(125)
Total long-term debt	$ 357

Interest expense related to the vehicle loans amounted to $15,000 and $15,000 for the six months ended June 30, 2018 and 2017.

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 incorporate 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 entitles 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 9,570,398 of common stock outstanding, and after the reverse/forward split, it had 9,555,216 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 sheet 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.

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 June 30, 2018 and 2017, there were approximately 273 and 233 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 June 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	—		
Expired	(1,022)	$ 44.10	$ 44.10
Outstanding, June 30, 2017	1,033,957	$2.57 - $77.91	$ 3.76
Outstanding, January 1, 2018	2,368,359	$2.65-$37.24	$ 3.96
Granted	—		
Expired	(670)	$23.07-$25.62	$ 25.62
Outstanding, June 30, 2018	2,367,689	$2.57-$77.91	$ 3.94
Options exercisable at June 30, 2017	357,080	$2.57 - $77.91	$ 5.54
Options exercisable at June 30, 2018	730,475	$2.93- $34.49	$ 3.71

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

	Options Outstanding			Options Exercisable	
Exercise Price	Outstanding Shares at June 30, 2018	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares Exercisable at June 30, 2017	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 six months ended June 30, 2018 of $1.68 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 June 30, 2018 was nil. The aggregate intrinsic value of the exercisable options as of June 30, 2017 was nil. These amounts will change based on changes in the fair market value of the Company's common stock.

As of June 30, 2018, $0.4 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	$ 279
2019	104
2020	11
Total	$ 394

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 following table summarizes the shares of restricted stock granted, vested, forfeited and outstanding as of June 30, 2018 and 2017:

	Restricted Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2017	14,839	2.19
Granted	—	—
Vested	(14,839)	(2.19)
Outstanding at June 30, 2017	—	—
Outstanding at January 1, 2018	—	—
Granted	—	—
Vested	—	—
Outstanding at June 30, 2018	—	—

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. The Company recognized approximately nil and $13,000 of share-based compensation expense related to the issuances of restricted stock in the six months ended June 30, 2018 and 2017, respectively.

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 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. The Company recorded nil and $30,000 of share-based compensation expense under the 2015 ESPP and 2014 ESPP in the years ended June 30, 2018 and 2017, respectively.

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 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 earnings include all common stock equivalents. The Company has not included the preferred stock or outstanding warrants as common stock equivalents in the computation of diluted loss per share for the year ended June 30, 2018 because the effect will be anti-dilutive. The Company has not included the outstanding warrants, preferred stock, or convertible debt as common stock equivalents in the computation of diluted earnings per share for the six months ended June 30, 2018 and 2017 because the effect will be anti-dilutive.

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

	2018	2017
Earnings Per Share - Basic		
Income from continuing operations	$ 1,092	$ 815
Less: preferred stock dividends	(894)	(790)
Net income available to common stockholders	$ 198	$ 25
Weighted average common shares outstanding - Basic	9,658	9,662
Basic earnings per common share	$ 0.02	$ 0.00
Earnings Per Share - Diluted		
Net income available to common stock holders	$ 198	$ 25
Net income applicable to dilutive common stock	$ 198	$ 25
Weighted average common shares outstanding - Basic	9,658	9,662
Effect of dilutive shares:		
Dilutive stock options	1,747	1,214
Weighted average common shares outstanding - Dilutive	11,405	10,876
Diluted earnings per common share	$ 0.02	$ 0.00

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 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.

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 six months ended June 30, 2018 and 2017 was approximately $206,000 and $194,000, respectively, and is included in selling, general, and administrative expenses on the accompanying consolidated statements of operations.

Note 22 — Income Taxes

The Company's expense for income taxes was approximately $3,000 and $21,000 for the six months ended June 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 six months ended June 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 June 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 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 September 10, 2018 (the date the financial statements were available to be issued) and concluded that the following subsequent event occurred which requires disclosure; on August 23, 2018 the Company signed a Non-Binding Letter of Intent ("LOI") with a counter-party, setting forth certain terms of a proposed transaction pursuant to which the counter-party would acquire 100% of the share capital of the Company from the stockholders of the Company. The LOI is non-binding and the Company can provide no assurances that the acquisition will occur.

COHN REZNICK
ACCOUNTING • TAX • ADVISORY

CohnReznick LLP
cohnreznick.com

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Lime Energy Co.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lime Energy Co. and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to financial statements (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lime Energy Co. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of Lime Energy Co.'s management. Our responsibility is to express an opinion on Lime Energy Co.'s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Lime Energy Co. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

New York, New York
February 21, 2018

We have served as Lime Energy Co.'s auditor since 2016.

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

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 4,551	$ 3,127
Accounts receivable, net	22,320	19,499
Inventories	300	1,816
Unbilled accounts receivable	6,510	7,489
Prepaid expenses and other (Note 5)	5,086	4,122
Total current assets	38,767	36,053
Property and equipment, net (Note 6)	3,375	2,945
Long-term receivables, net	1,215	1,154
Intangibles, net (Note 7)	876	2,569
Goodwill (Note 7)	8,173	8,173
Total assets	$ 52,406	$ 50,894
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 14,494	$ 17,789
Accrued expenses (Note 8)	9,064	7,358
Unearned revenue	301	865
Customer deposits	524	380
Line of credit	491	—

Other current liabilities	—	10
Current portion of long-term debt	115	33
Total current liabilities	24,989	26,435
Long-term debt, less current maturities	426	131
Long-term debt - related party, net	13,664	13,665
Derivative liability - related party	654	2,948
Total liabilities	$ 39,733	$ 43,179
Contingently redeemable Series C Preferred stock, $0.01 par value: 10,000 shares authorized; 10,000 shares issued and outstanding as of December 31, 2017 and 2016, respectively; accrued dividends of $4,431 and $2,783 as of December 31, 2017 and 2016, respectively	13,814	12,166
Stockholders' Equity (Deficit)		
Common stock, $.0001 par value; 50,000,000 shares authorized; 9,657,571 and 9,680,472 issued and outstanding as of December 31, 2017 and 2016, respectively	1	1
Additional paid-in capital	206,612	207,964
Accumulated deficit	(207,754)	(212,416)
Total Stockholders' Equity (Deficit)	(1,141)	(4,451)
Total Liabilities and Stockholders' Equity (Deficit)	$ 52,406	$ 50,894

See Notes to Consolidated Financial Statements

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

	Year ended December 31,	
	2017	2016
Revenue	$ 124,595	$ 103,834
Cost of sales	81,732	69,750
Gross profit	42,863	34,084
Selling, general and administrative expense	36,536	37,888
Amortization of intangibles	1,693	2,148
Operating income (loss)	4,634	(5,952)
Other income (expense)		
Interest income	429	388
Interest expense	(2,568)	(4,117)
Other expense	—	(814)
Extinguishment of debt - Related Party	—	(2,052)
Gain from change in derivative liability - Related Party	2,294	3,723
Total other income (expense)	155	(2,872)
Income (loss) from continuing operations before income taxes	4,789	(8,824)
Income tax expense	(127)	(41)
Income (loss) from continuing operations	4,662	(8,865)
Discontinued operations		
Loss from operation of discontinued business	—	(45)
Net income (loss)	4,662	(8,910)
Preferred dividend	(1,648)	(1,463)
Net income (loss) available to common stockholders	$ 3,014	$ (10,373)
Basic earnings (loss) per common share from		
Continuing operations	$ 0.31	$ (1.07)
Discontinued operations	—	—
Basic earnings (loss) per common share	$ 0.31	$ (1.07)
Weighted average common shares outstanding - basic	9,659,785	9,654,093
Diluted earnings (loss) per common share from		
Continuing operations	$ 0.22	$ (1.07)

Discontinued operations	—	—
Diluted earnings (loss) per common share	$ 0.22	$ (1.07)
Weighted average common shares outstanding - diluted	15,123,442	9,654,093

See Notes to Consolidated Financial Statements

Lime Energy Co.
Consolidated Statement 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, 2016	9,570	$ 1	$ 208,603	$ (203,506)	$ 5,098
Preferred stock dividends	—	—	(1,463)	—	(1,463)
Shares issued for benefit plans	39	—	83	—	83
Share-based compensation, net	71	—	741	—	741
Net loss	—	—	—	(8,910)	(8,910)
Balance, December 31, 2016	9,680	$ 1	$ 207,964	$ (212,416)	$ (4,451)
Preferred stock dividends	—	—	(1,648)	—	(1,648)
Share-based compensation, net	—	—	332	—	332
Adjustment in connection with reverse/forward stock split (Note 16)	(15)	—	(36)	—	(36)
Cancelled restricted shares	(8)	—	—	—	—
Net income	—	—	—	4,662	4,662
Balance, December 31, 2017	9,657	$ 1	$ 206,612	$ (207,754)	$ (1,141)

See Notes to Consolidated Financial Statements

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

	Year ended December 31, 2017	2016
Cash flows from operating activities		
Net income (loss)	$ 4,662	$ (8,910)
Provision for bad debts	638	659
Share-based compensation	332	741
Depreciation and amortization	3,204	3,434
Amortization of deferred financing costs	113	113
Change in derivative liability - related party	(2,294)	(3,723)
Loss on extinguishment of debt - related party	—	2,052
Interest on sub notes added to principal - related party	1,974	3,599
Amortization of original issue discount - related party	440	383
Changes in assets and liabilities:		
Release of restricted funds to release letter of credit	—	1,300
Accounts receivable	(3,520)	3,463
Inventories	1,516	686
Unbilled accounts receivable	979	(1,038)
Prepaid expenses and other current assets	(964)	(2,738)
Assets of discontinued operations	—	90
Accounts payable	(3,295)	(5,105)
Accrued expenses	1,706	4,372
Unearned Revenue	(564)	(451)
Customer deposits and other current liabilities	134	548
Liabilities of discontinued operations	—	(138)
Net cash provided by (used in) operating activities	5,061	(663)
Cash flows from investing activities		
Purchases of property and equipment	(1,449)	(1,581)
Net cash used in investing activities	(1,449)	(1,581)

Cash flows from financing activities		
Advances of line of credit	1,315	—
Repayments of line of credit	(824)	—
Payments on vehicle financing	(115)	88
Deferred financing costs	(30)	(106)
Payments in connection with reverse/forward stock split (Note 16)	(36)	—
Repayment of long-term debt, related-party	(2,498)	—
Net cash used in financing activities	(2,188)	(18)
Net increase (decrease) in cash	$ 1,424	$ (2,262)
Cash, beginning of year	$ 3,127	$ 5,389
Cash, end of year	$ 4,551	$ 3,127

See Notes to Consolidated Financial Statements

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

	Year ended December 31,	
	2017	2016
Cash paid during the year for interest	$ 2,539	$ 24
Non-cash financing and investing activities:		
Financed vehicle purchases	$ 492	$ 110
Accrued dividends	$ 1,648	$ 1,463
Shares issued for benefit plans	$ —	$ 83

See Notes to Consolidated Financial Statements

Lime Energy Co.
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, or whose accounts receivable balances individually represented 10% or more of the Company’s total accounts receivable, as follows:

For the year ended December 31, 2017, revenue generated under two utility programs represented 58% of the Company’s consolidated revenue. For the year ended December 31, 2016, revenue generated under four utility programs represented 79% of the Company’s consolidated revenue. Amounts due

from two utility programs represented 43% and 34% of the Company's outstanding accounts receivable at December 31, 2017 and 2016, respectively.

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 year ended December 31, 2017 one supplier was responsible for 46% of the Company's purchases. During the year ended December 31, 2016 two suppliers were responsible for 56% of the Company's purchases, respectively. Amounts payable to one vendor represented 67% of the Company's outstanding accounts payable at December 31, 2017. Amounts payable to two vendors represented 75% of the Company's outstanding accounts payable at December 31, 2016.

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 receivables 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 are 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.

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 December 31:

	2017	2016
Balance at the beginning of the year	$ 1,488	$ 1,636
Provision for bad debts	638	659
Amounts written off	(823)	(807)
Balance at the end of the year	$ 1,303	$ 1,488

The total unamortized discount at December 31, 2017 and 2016 was $201,697 and $199,791, respectively, and is included with long-term receivables, net, in the accompanying consolidated balance sheets.

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

Inventories

Inventories consist of products used for the Company's energy efficiency solutions 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 December 31, 2017, or December 31, 2016.

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.

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 statement 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, we evaluate 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 serves 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 provide the scope of services and payment terms, including the utility responsibility of the overall contract price. The utility companies and end-users contract with us to provide a desired output, which is energy efficiencies. We achieve this by providing a series of goods and services that results 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. We use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer which occurs as we incur costs on our 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 balance sheets. The amounts reported in accounts receivable, unbilled accounts receivable, and long-term receivables, collectively referred to as “contract assets”, represent all the Company’s assets recorded under customer contracts as of December 31, 2017 and 2016.

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.

We account 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. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts 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. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our

anticipated performance and all information that is currently available to us, including historical and forecasted information.

Revenue recognized during the year ended December 31, 2017, that represented contract liabilities at December 31, 2016 amounted to $1 million. Revenue recognized during the year ended December 31, 2016 that represented contract liabilities at December 31, 2015 amounted to $1.8 million.

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 $0.5 million for the years ended December 31, 2017 and 2016, 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 of $0.1 million and nil, for the years ended December 31, 2017 and 2016, respectively:

	2017	2016
Stock options	$ 319	$ 504
Restricted stock	13	208
Employee stock purchase plan	—	29
Total	$ 332	$ 741

Please refer to Notes 17, 18, and 19 for additional information regarding share-based compensation expense.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for the tax consequences in future years of the differences between the tax basis of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable earnings. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. The Company recognizes the effect of an uncertain income tax position on the income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company’s policy for recording interest and penalties is to record such items as a component of the provision for income taxes.

Net Earnings (Loss) Per Share

The Company computes income (loss) per share under ASC 260, “Earnings Per Share”, which requires presentation of two amounts: basic and diluted income (loss) per share. Basic income (loss) per share is computed by dividing the income (loss) 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 is not included in the basic earnings (loss) per share available to common stockholders:

	2017	2016
Weighted average shares issuable upon exercise of outstanding options	1,747,088	1,265,144
Weighted average shares issuable upon exercise of outstanding warrants	14,019	14,019
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
	9,646,128	9,164,184

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 December 31, 2017 and December 31, 2016.

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 years ended December 31, 2017 and 2016.

The guidance in ASC 815, “Derivatives and Hedging” requires that the Company mark the value of its derivative liability —related party (See Note 9) 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 December 31, 2017 and 2016. See Note 9 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 at December 31, 2017 and 2016:

		Basis for Valuation		
	Total	Level 1	Level 2	Level 3
December 31, 2016:				
Conversion feature - related party	$ 2,948	$ —	$ —	$ 2,948
December 31, 2017:				
Conversion feature - related party	$ 654	$ —	$ —	$ 654

The following sets forth a summary of the changes in the fair value of the Company’s level 3 liabilities:

Balance, January 1, 2016	$ 6,671
Unrealized gain reported in earnings	(3,723)
Balance, December 31, 2016	2,948
Unrealized gain reported in earnings	(2,294)
Balance, December 31, 2017	$ 654

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 December 31, 2017 and December 31, 2016 (see Note 9).

Recently Adopted Accounting Pronouncements

During the year ended December 31, 2017, the Company adopted certain Accounting Standards Update’s (“ASU”), in accordance with the guidance set forth by the Financial Accounting Standards Board (“FASB”). The background of these ASU’s along with the financial statement impact, if any, is disclosed below.

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 our 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 financial statements.

The Company has adopted ASU 2015-03, "Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs", which was issued by the FASB in April 2015. Because of adopting this ASU, the December 31, 2016 balance sheet has been reclassified by presenting the deferred financing costs as a direct deduction to long-term debt — related party. This resulted in a decrease to total assets in the amount of $0.1 million and a decrease to total liabilities in the amount of $0.1 million in the accompanying December 31, 2016 consolidated balance sheet.

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 the financial. See Note 7 for results of the annual goodwill impairment test.

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 December 31, 2017 and 2016 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. See Note 15 for income tax disclosure information.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15 "Statement of Cashflows (Topic 230): Classification of certain cash receipts and cash payments". The objective of ASU 2016-15 is to eliminate the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for periods beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-15 on its consolidated financial statements and related disclosures.

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 2016, FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements and related disclosures.

In January 2016, FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 provides guidance concerning certain matters involving the recognition, measurement, and disclosure of financial assets and financial liabilities. The guidance does not alter the basic framework for classifying debt instruments held as financial assets. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is not permitted, with some exceptions. The Company is currently evaluating the impact of adopting ASU 2016-01 on its consolidated financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the December 31, 2016 balance sheet to conform with December 31, 2017 presentation. The December 31, 2016 balance sheet reflects an increase in total assets of $1.0 million and an increase in total liabilities of $1.0 million, as compared to the presentation in the December 31, 2016 financial statements. The December 31, 2016 consolidated statement of cash flows was adjusted to reflect the reclassifications. There is no effect on cash provided by (used by) operating, investing, or financing activities because of these reclassifications. There was no impact on the equity of the Company at December 31, 2016 because of these reclassifications.

Note 4 —Discontinued Operations

During 2013, the Company sold the majority of its public-sector business. In addition, during the third quarter of 2013, the Company disposed of GESPC, its contract with the Army Corp of Engineers under the Federal Renewal and Renovation program, and the regional service business located in Bethlehem, Pennsylvania. These businesses, along with the asset development business that the Company shut down at the end of 2012, have all been reported as discontinued operations in the consolidated financial statements. For the years ended December 31, 2017 and 2016, the Company recorded

losses from discontinued operations of nil and $45,000, which are included in loss from operations of discontinued business in the accompanying consolidated statements of operations.

Note 5 — Prepaid expenses and other

Prepaid expenses and other consist of the following (in thousands) at December 31:

	2017	2016
Vendor rebate receivable	$ 2,572	$ 1,622
Deposits and advances	347	379
Prepaid job costs	1,899	1,853
Prepaid insurance	121	187
Prepaid state taxes	40	40
Other receivable	107	41
Total	$ 5,086	$ 4,122

Note 6 —Property and Equipment

Property and equipment consist of the following (in thousands) at December 31:

	2017	2016
Buildings & improvements	$ 372	$ 283
Construction equipment	21	21
Furniture	790	728
Office equipment	1,539	1,372
Software	6,642	5,482
Transportation equipment	1,010	547
	10,374	8,433
Less accumulated depreciation	(6,999)	(5,488)
Property and equipment, net	$ 3,375	$ 2,945

Total depreciation expense was $1.5 million and $1.2 million for the year ended December 31, 2017 and 2016, respectively, and are included in selling, general, and administrative expense in the accompanying consolidated statements of operations.

Note 7 —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 December 31, 2017 and 2016, the Company had recorded goodwill of approximately $8.2 million. There were no goodwill impairments as a result of performing the Company's annual impairment test as of December 31, 2017 and 2016.

The following is a summary of the Company's intangible assets (in thousands) at December 31:

	2017			2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer Relationships	$ 1,505	$ 629	$ 876	$ 1,505	$ 285	$ 1,220
Technology and software	3,390	3,390	—	3,390	2,041	1,349
Trade name	825	825	—	825	825	—
Total	$ 5,720	$ 4,844	$ 876	$ 5,720	$ 3,151	$ 2,569

Total amortization expense of intangible assets was $1.7 million and $2.1 million for the year ended December 31, 2017 and 2016, respectively. During the year ended December 31, 2016, the Company adjusted the amortization periods of certain intangible assets that experienced a change of estimated useful lives as a result of operational decisions. This change resulted in additional charges of $0.5 million and $0.8 million for the years ended December 31, 2017 and 2016, respectively.

The total expected future amortization is as follows (in thousands):

Year	Amount
2018	$ 334
2019	233
2020	162
2021	117
2022	30
Total:	$ 876

Note 8 — Accrued Expenses

Accrued expenses consist of the following (in thousands) at December 31:

	2017	2016
Compensation	$ 2,934	$ 2,072
Job costs	1,677	2,210
Material costs	3,555	1,429
SEC settlement (Note 21)	—	800
Rent	185	187
Sales tax payable	45	18
Income taxes	186	65
Other	482	577
Total	$ 9,064	$ 7,358

Note 9 —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 $11,750,000 (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 $0.7 million and $2.9 million as of December 31, 2017 and 2016.

The fair value of the derivative liability was determined using a binomial option pricing model with the following assumptions: a risk-free rate of 1.89%; expected volatility of 80%; 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, resulting in a net charge to earnings in the Consolidated Statement of Operations for the year ended December 31, 2016 of $2.1 million. The fair value of the amended note was determined by reference to its probability weighted average expected cash flows discounted at an estimated market interest rate for a hypothetical similar non-convertible note issued by the Company. The March 30, 2016 carrying value of $9.5 million will incur interest charges at an effective interest rate required to result in the ultimate amount of cash flows needed to service the Bison Note. As of March 30, 2016, that

effective interest rate was estimated at 26.4% but may change depending on actual cash requirements to service the Bison Note pursuant to the various interest payment alternatives described above.

The Company was not in compliance with the revised covenants related to minimum consolidated EBITDA at December 31, 2016, September 30, 2016, June 30, 2016, and March 31, 2016 and as a result, $0.5 million of interest was accrued and added to the note principal for each period end. During the year ended December 31, 2016, a total of $3.6 million of interest was accrued and added to the note principal.

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. Going forward, if the Company is unable to further amend the Bison Note or significantly improve its EBITDA, the Company's consolidated EBITDA may not exceed the minimum consolidated EBITDA tests required by the Bison Note and, as a result, an event of default would exist under the Bison Note for which Bison could accelerate the Company's repayment of the indebtedness.

At December 31, 2017 and March 31, 2017, the Company was not in compliance with the revised covenants related to minimum consolidated EBITDA and, as a result, a total of $0.3 million of penalty was accrued. The amount of penalty related to the March 31, 2017 was compounded into the Bison Note on September 24, 2017 and the amount of penalty related to December 31, 2017 will be compounded into the Bison Note on March 24, 2018, in accordance with the Note Purchase Agreement.

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". At December 31, 2017 and 2016 the Scheduled Cash Interest rate was 10% and the Scheduled Accrued Interest Rate was 12.5%.

During the year ended December 31, 2016, interest was accrued at the Scheduled Accrued Interest Rate. During the year ended December 31, 2017, interest was accrued at the Scheduled Cash Interest Rate. The Company repaid $2.5 million of interest on September 24, 2017, and the Company intends to make an interest payment on March 24, 2018. During the year ended December 31, 2017, a total of $2.0 million of interest was accrued and added to the note principal.

As of December 31, 2017 and 2016, $13.7 million and $13.7 million of principal and accrued interest was 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 $39,000 and $122,000, respectively.

Note 10 —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 five percent 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 $1.6 million and $1.5 million during the years ended December 31, 2017 and 2016, 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 has 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 five percent 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.

Note 11 —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 December 31, 2017 and December 31, 2016 the derivative was valued at $31,173.

Under an amendment to the Loan Agreement, the Bank established a sublimit of $2.0 million for Letters of Credit under the Credit Facility. The Company has one Letter of Credit agreement with the Bank in the amount of $0.1 million. The Letter of Credit is used to guarantee certain obligations of the Company in connection with its performance under contracts between the Company and a utility customer. The Letter of Credit reduce the Company's borrowing base as calculated under the Loan Agreement.

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 3.00% 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. In December 2015, the Company entered into two Letter of Credit agreements with Heritage Bank of Commerce for letters of credit of $1.3 million and $0.1 million. 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.

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 December 31, 2017 and 2016, the Company was in compliance with the asset coverage ratio covenant and the EBITDA covenant with the Bank. As of December 31, 2017 and 2016, the calculation of the borrowing base left approximately $9.4 million and $4.3 million, respectively, available to draw down from the Credit Facility. At December 31, 2017 and 2016, the principal balance of the Credit Facility was $0.5 million and nil, respectively.

Note 12 —Business Segment Information

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

Note 13 —Interest Expense

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

	2017	2016
Subordinated convertible notes	$ 1,974	$ 3,599
Amortization of deferred financing costs	113	113
Amortization of debt discount - related party	440	383
Other	41	22
Total	$ 2,568	$ 4,117

Note 14 —Commitments

The Company leased offices in California, New Jersey, New York, North Carolina, and Ohio during the year ended December 31, 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 December 31, 2017 are as follows (in thousands):

Year	Amount
2018	$ 621
2019	538
2020	475
2021	473
2022	373
Thereafter	1,345
Total	$ 3,825

Total rent expense amounted to approximately $879,000 and $1.1 million for the years ending December 31, 2017 and 2016, 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 ranges from 5.22 percent to 6.94 percent. 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 annual payments to be made by the Company under the vehicle loans as of December 31, 2017 are as follows:

2018	$ 117
2019	138
2020	121
2021	114
2022	46
Thereafter	5
Total	541

Less: current portion	(115)
Total long-term debt	$ 426

Interest expense related to the vehicle loans amounted to $29,000 and $8,000 for the year ended December 31, 2017 and 2016.

Note 15 — Income Taxes

The components of tax expense (benefit) for the years ended December 31, 2017 and 2016 consisted of the following (in thousands):

	2017	2016
Current tax expense		
Federal	$ 119	$ 9
State	8	32
Total	$ 127	$ 41
Deferred tax expense (benefit)		
Federal	$ 17,204	$ (1,959)
State	(1,572)	2,853
Change in valuation allowance	(15,632)	(894)
Total	$ —	$ —
Total tax expense	$ 127	$ 41

Significant components of the Company's net deferred taxes are as follows (in thousands):

	2017	2016
Deferred tax assets		
Federal net operating loss	$ 24,516	$ 41,454
State net operating loss	4,461	2,913
Accrued compensation	735	524
Derivative value	159	1,146
Share-based compensation	610	963
Bad debt reserve	332	585
Fixed assets	61	—
Other	25	56
Total deferred tax assets	30,899	47,641
Valuation allowance	(30,322)	(45,952)
Deferred tax asset	$ 577	1,689
Deferred tax liabilities		
Intangible assets	(183)	(920)
Debt discount	(394)	(769)
Total deferred tax liabilities	$ (577)	(1,689)
Net deferred taxes	$ —	$ —

The Company has recorded a valuation allowance of $30.9 million due to the uncertainty of future utilization of the deferred tax assets. At December 31, 2017, the Company had U.S. federal net operating loss carryforwards available to offset future taxable income of approximately $123 million, which expire in the years 2018 through 2037. Under Section 382 of the Internal Revenue Code ("IRC") of 1986, as amended, the utilization of U.S. net operating loss carryforwards may be limited under the change in stock ownership rules of the IRC. As a result of ownership changes as defined by Section 382, which have occurred at various points in the Company's history, utilization of its net operating loss carryforwards will be significantly limited under certain circumstances. Based on an analysis of ownership changes prior to 2008, approximately $30.0 million of the net operating losses will expire unused due to Section 382 limitations and are therefore have been removed from the available federal NOLs. Based on an analysis of ownership changes post 2008, NOLs incurred from January 1, 2008 through December 31, 2016 are not subject to limitation under Section 382. The Company also has state tax effected net operating loss carryforwards of approximately $5.1 million, which if unused, will expire at various dates through 2037.

A reconciliation of the statutory federal rate of 34% and the effective income tax rate for continuing operations for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Federal tax expense at statutory rate	34.0%	34.0%
Federal income tax	3.8%	0.0%
State income tax expense (benefit), net of federal benefit	-49.9%	0.8%
Meals and entertainment	1.2%	-0.3%
Dividend expense	17.8%	-4.8%

Penalities	0.0%	-3.4%
Return to provision adjustment	14.8%	-4.4%
Provision true up	-4.1%	-1.9%
Valuation allowance	-497.7%	-20.0%
Rate change	487.5%	0.0%
Other	-3.4%	-0.5%
	4.0%	-0.5%

The Company files income tax returns in the United States and various state and local jurisdictions. The effects of the Tax Cuts and Jobs Act ("Tax Act"), enacted on December 22, 2017 by the U.S. Government, has been reflected in the rate change above and, as a result, has decreased the deferred tax asset arising from federal net operating losses and the related valuation allowance required to reserve for the uncertainty of future utilization of these net operating losses. The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to, the following changes that will take effect in 2018: reducing the U.S. federal corporate tax rate structure from a graduated rate structure with a maximum rate of 35 percent to a flat rate of 21 percent, eliminating the corporate alternative minimum tax, eliminating, with certain exceptions, the ability to carryback net operating losses (NOLs) generated after December 31, 2017, replacing the 20-year NOL carryforward period with an indefinite carryforward period for NOLs generated after December 31, 2017, and limiting the deductibility of NOLs generated after December 31, 2017 to 80 percent of taxable income.

In accordance with generally accepted accounting principles, the Company has remeasured its deferred tax asset, and corresponding valuation allowance, as of December 31, 2017 to account for the changes brought by the Tax Act, including the change in the federal corporate tax rate that will take effect in 2018. The Company's re-measurement resulted in an adjustment to decrease its deferred tax assets by $15 million as of December 31, 2017 and to adjust its valuation allowance proportionately due to the uncertainty of future utilization of the deferred tax assets.

The effects of a tax position taken or expected to be taken in a tax return are to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. No uncertain tax positions have been identified as of December 31, 2017 and 2016. If we did identify any uncertain tax positions, any accrued interest related to unrecognized tax expenses and penalties would be recorded in income tax expense. The statute of limitations is normally three years from the extended due date of the return for federal and state tax purposes. However, for taxpayers with net operating losses, the statute is effectively open to any year in which a net operating loss was generated. The statute of limitations for the Company is therefore effectively open for the years 1998 through 2016.

Note 16 —Equity Transactions

2016 Transactions

During 2016, the Company granted 71,344 shares of restricted stock to eight of its outside directors pursuant to the 2010 Non-Employee Directors' Stock Plan as compensation for their service on the Board. These shares vest 50% upon grant and 50% on the first anniversary of the grant date if the director is still serving on the Company's board of directors on the vesting date.

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 incorporate 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 entitles 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 9,570,398 of common stock outstanding, and after the reverse/forward split, it had 9,555,216 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 sheet 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.

Note 17 —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 December 31, 2017, there were approximately 255 employees of the Company eligible to participate in the 2017 Plan, 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 December 31, under the 2017 Plan:

	Shares	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding, January 1, 2016	1,267,036	$2.57 - $77.91	$ 3.95
Granted	100,000	$2.65	$ 2.65
Forfeited	(332,057)	$2.57 - $70.00	$ 3.06
Outstanding, December 31, 2016	1,034,979	$2.57 - $77.91	$ 4.13
Granted	1,420,000	$4.23	$ 4.23
Forfeited	(86,620)	$2.57 - $77.91	$ 6.56
Outstanding, December 31, 2017	2,368,359	$2.65 - $37.24	$ 3.96
Options exercisable at December 31, 2016	357,080	$2.57 - $77.91	$ 5.54
Options exercisable at December 31, 2017	598,246	$2.65 - $37.24	$ 3.81

The following table summarizes information about stock options outstanding at December 31, 2017:

	Options Outstanding			Options Exercisable	
Exercise Price	Outstanding Shares at December 31, 2017	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Shares Exercisable at December 31, 2017	Weighted Average Exercise Price
$2.65 - $3.00	868,354	7.4	$ 2.92	534,907	$ 2.89
$3.01 - $4.00	49,286	9.5	$ 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	19,491	1.9	$ 24.95	19,491	$ 24.80
$30.01 - $40.00	4,085	1.2	$ 34.49	4,085	$ 34.49
	2,368,359	6.7	$ 3.96	598,246	$ 3.81

The aggregate intrinsic value of the outstanding options (the difference between the closing stock price on the last trading day of 2017 of $1.35 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 December 31, 2017 was nil. The aggregate intrinsic value of the exercisable options as of December 31, 2017 was nil. These amounts will change based on changes in the fair market value of the Company's common stock.

During the year ended December 31, 2017, the Company used the Black-Scholes model to value its employee options on the date of grant. During the year ended December 31, 2016, the Company uses an Enhanced Hull-White Trinomial model to value its employee options. The weighted-average

assumptions using the Black Scholes option pricing model and the Enhanced Hull-White Trinomial model during the year ended December 2017, and 2016, respectively, for stock options under ASC 718, are as follows:

	2017	2016
Weighted average fair value per options granted	$ 0.55	$ 1.24
Significant assumptions (weighted average):		
Current stock price	$ 2.15	n/a
Exercise price	$ 4.23	n/a
Risk free interest rate at grant date	1.49%	0.22%
Expected stock price volatility	65%	63%
Expected option life	3	6
Expected turn-over rate	n/a	4.80%
Expected exercise multiple	n/a	2.2

The risk-free interest rate is based on the U.S. Treasury Bill rates at the time of grant. The dividend reflects the fact that the Company has never paid a dividend on its common stock and does not expect to in the foreseeable future. The Company estimated the volatility of its common stock at the date of grant based on the historical volatility of its stock. The expected term of the options is based on the simplified method as described in a Staff Accounting Bulletin No. 107 (“SAB 107”). The expected turn-over rate represents the expected forfeitures due to employee turnover and is based on historical rates experienced by the Company. The expected exercise multiple represents the mean ratio of the stock price to the exercise price at which employees are expected to exercise their options and is based on an empirical study completed by S. Huddart and M. Lang (1996). The Black Scholes model and Hull-White Trinomial model differ as it relates to the inputs for each model. As such, the above table reflects an “n/a” for those inputs that are not applicable for the model used during that year end.

The Company recognizes compensation expense for stock options on a straight-line basis over the requisite service period, which is generally equal to the vesting period of the option. The subject stock options expire ten years after the date of grant. The Company recognized share compensation expense for stock options, net of forfeitures, of $0.0 million and $0.5 million during the years ended December 31, 2017, and 2016, respectively.

As of December 31, 2017, $0.7 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	$ 452
2019	172
2020	54
Total	$ 678

Note 18 —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.

During the year ended December 31, 2017, the Board approved a cash payout to independent non-employee directors in lieu of granting restricted shares of stock, therefore, there were no restricted stock grants to Board members.

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 following table summarizes the shares of restricted stock granted, vested, forfeited and outstanding as of December 31, 2017:

	Restricted Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2015	32,391	$ 3.15
Granted	71,344	2.59
Vested	(88,896)	2.86
Outstanding at December 31, 2016	14,839	2.19
Granted	—	—
Vested	(14,839)	2.19
Outstanding at December 31, 2017	—	—

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. The Company recognized approximately $13,000, and $207,000 of share-based compensation expense related to the issuances of restricted stock in the years ended December 31, 2017 and 2016, respectively.

Note 19—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 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. The Company recorded nil and $30,000 of share-based compensation expense under the 2015 ESPP and 2014 ESPP in the years ended December 31, 2017 and 2016, respectively.

Note 20 — 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 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 earnings include all common stock equivalents. The Company has not included the preferred stock or outstanding warrants as common stock equivalents in the computation of diluted loss per share for the year ended December 31, 2017 because the effect will be anti-dilutive. The Company has not included the outstanding stock options, outstanding warrants, preferred stock, or convertible debt as common stock equivalents in the computation of diluted loss per share for the year ended December 31, 2016 and 2016 because the effect will be anti-dilutive.

The following table sets forth the basic and diluted loss per common share at December 31, (in thousands):

	2017	2016
Earnings (loss) Per Share - Basic		
Income (loss) from continuing operations	$ 4,662	$ (8,865)
Less: preferred stock dividends	(1,648)	(1,463)
Income available to common stockholders	3,014	(10,328)
Loss from operation of discontinued business	—	(45)
Net income (loss) available to common stockholders	$ 3,014	$ (10,373)
Weighted average common shares outstanding - Basic	9,658	9,654
Basic earnings (loss) per common share	$ 0.31	$ (1.07)
Earnings (loss) Per Share - Diluted		
Net income (loss) available to common stock holders	$ 3,014	$ (10,373)
Less: Gain from change in derivative liability	(2,294)	—
Add interest on convertible term notes	2,568	—
Net income (loss) applicable to dilutive common stock	3,288	(10,373)
Weighted average common shares outstanding - Basic	9,658	9,654

Effect of dilutive shares:		
Dilutive stock options	1,747	—
Dilutive debt conversions	3,718	—
Weighted average common shares outstanding - Dilutive	15,123	9,654
Diluted earnings (loss) earnings per common share	$ 0.22	$ (1.07)

Note 21 —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.

SEC Investigation. On October 17, 2016, the Company and the Securities and Exchange Commission (the “SEC”) reached a settlement with respect to the previously-disclosed SEC investigation into the Company’s revenue recognition practices and financial reporting during the 2010 to 2012 reporting periods. In connection with the settlement process, the SEC filed a complaint against the Company and four former officers in the U.S. District Court for the Southern District of New York (the “Court”).

On October 18, 2016, the Court entered a final judgment which (i) approved the settlement; (ii) permanently enjoined the Company from violating Section 17(a) of the Securities Act of 1933, as amended, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended, and rules 10b-5, 13a-1, and 13a-13 promulgated thereunder; and (iii) ordered the Company to pay the agreed-to civil penalty. The Company, without admitting or denying the allegations in the SEC’s complaint, had consented to the entry of a final judgment pursuant to which it would pay a civil monetary penalty of $1 million, payable in 5 equal installments over the next 12 months.

An accrual for the civil penalty amount was established and expensed in the second fiscal quarter of 2016, as disclosed in the Company’s Quarterly Report on Form 10-Q filed on August 15, 2016. During the third fiscal quarter of 2016, the Company received approximately $0.2 million from insurance relating to the clawback of bonuses from the former officers of the Company during the impacted period 2010 to 2012. This amount was recorded in Other income (expense) on the consolidated statements of operations for the year ended December 31, 2016. As of December 31, 2017, the Company has made all payments in accordance with the judgment.

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. Although the Company believes the lawsuit has no merit, the court has denied the Company’s motion to dismiss the case. The Company can provide no assurances that this matter will be successfully resolved. As of the date of this report, a potential loss or a potential range of loss cannot be reasonably estimated.

Note 22 —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 9 —Subordinated Convertible Term Notes 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 10 —Series C Preferred Stock.

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 23 — 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. For the years ending December 31, 2017 and 2016, the Company elected to making matching contributions equal to 50% of the participants' contributions to the Plan up to 6% of the individual participant's compensation. Total expense for the years ended December 31, 2017 and 2016 was approximately $369,000 and $258,000 and was included in selling, general, and administrative expenses on the accompanying consolidated statements of operations.

Note 24 — 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 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 February 21, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events occurred which requires disclosure.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Lime Energy Co.
Newark, New Jersey

We have audited the accompanying consolidated balance sheet of Lime Energy Co. as of December 31, 2015, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lime Energy Co. at December 31, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Woodbridge, NJ
March 30, 2016

/s/ BDO USA, LLP

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

December 31,	2015
Assets	
Current assets	
Cash and cash equivalents	$ 5,389
Restricted cash	1,300
Accounts receivable, less allowance for doubtful accounts of $1,636	23,641
Inventories	2,502
Unbilled Accounts Receivable	6,451
Prepaid expenses and other	1,300
Current assets of discontinued operations	90
Total Current Assets	40,673
Property and Equipment, net of accumulated depreciation of $4,304 (Note 5)	2,651
Long-Term Receivables	1,224
Deferred Financing Costs, net of accumulated amortization of $305	129
Intangibles, net of accumulated amortization of $1,004 (Note 6)	4,716
Goodwill (Note 6)	8,173
Total Assets	$ 57,566

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

December 31,	2015
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	$ 22,423
Accrued expenses (Note 7)	2,909

Unearned Revenue	1,313
Customer deposits	471
Other current liabilities	11
Current portion of long-term liabilities	16
Current liabilities of discontinued operations	138
Total Current Liabilities	27,281
Long-Term Debt, less current maturities	60
Long-Term Debt - Related Party	7,753
Derivative Liability - Related Party	6,671
Total Liabilities	41,765
Commitments and Contingencies	
Contingently redeemable Series C Preferred stock, $0.01 par value: 10,000 shares authorized; 10,000 shares issued and outstanding (includes accrued dividends of $1,320).	10,703
Stockholders' Equity	
Common stock, $.0001 par value; 50,000,000 shares authorized; 9,570,398 issued and outstanding	1
Additional paid-in capital	208,603
Accumulated deficit	(203,506)
Total Stockholders' Equity	5,098
Total Liabilities and Stockholders' Equity	$ 57,566

See accompanying notes to consolidated financial statements.

Lime Energy Co.
Consolidated Statement of Operations
($ in thousands, except per share and share amounts)

	Year ended December 31, 2015
Revenue	$ 112,623
Cost of sales (1)	74,860
Gross Profit	37,763
Selling, general and administrative expense	35,077
Acquisition costs	1,941
Amortization of intangibles	879
Operating loss	(134)
Other Income (Expense)	
Interest income	193
Interest expense - Related Party $1,221	(1,313)
Extinguishment of debt - Related Party	(1,420
Loss from change in derivative liability - Related Party	(996)
Total other expense	(3,536)
Loss from continuing operations before income taxes	(3,670)
Income tax benefit	1,147
Loss from continuing operations	(2,523)
Discontinued Operations:	
Loss from operation of discontinued business	(632)
Net loss	$ (3,155)
Preferred dividend	(1,293)
Net loss available to common stockholders	(4,448)

Basic and diluted loss per common share from	
Continuing operations	$ (0.40)
Discontinued operations	(0.07
Basic and Diluted Loss Per Common Share	**$** (0.47)
Weighted Average Common Shares Outstanding (Note 3)	9,548,261

(1) Excludes amortization of intangibles of $630.

See accompanying notes to consolidated financial statements.

Lime Energy Co.
Consolidated Statement of Stockholders' Equity
(in thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2015	**9,460**	**$ 1**	**$ 208,916**	**$ (200,351)**	**$ 8,566**
Preferred stock dividends	—	—	(1,293)	—	(1,293)
Shares issued for benefit plans	18	—	41	—	41
Share-based compensation	92	—	939	—	939
Net loss	—	—	—	(3,155)	(3,155)
Balance, December 31, 2015	**9,570**	**$ 1**	**$ 208,603**	**$ (203,506)**	**$ 5,098**

See accompanying notes to consolidated financial statements.

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

	Year ended December 31, 2015
Cash Flows From Operating Activities	
Net Loss	**$** (3,155)
Adjustments to reconcile net loss to net cash provided by operating activities, net of assets acquired and disposed of:	
Provision for bad debts	743
Share-based compensation	939
Depreciation and amortization	1,768
Amortization of deferred financing costs	67
Change in derivative liability - Related Party	996
Loss on extinguishment of debt - Related Party	1,420
Deferred income tax benefit	(1,246)
Interest on Sub Notes added to principal - Related Party	396
Amortization of original issue discount - Related Party	169
Establishment of restricted funds to release Letter of Credit	(1,300)
Release of restricted funds	500
Changes in assets and liabilities, net of business acquisitions and dispositions	
Accounts receivable	(6,605)
Inventories	(21)
Unbilled Accounts Receivable	956
Prepaid expenses and other current assets	(486)
Assets of discontinued operations	523
Accounts payable	5,101
Accrued expenses	1,130
Unearned Revenue	550
Customer deposits and other current liabilities	(107)
Liabilities of discontinued operations	(668)
Net cash provided by operating activities	1,670
Cash Flows From Investing Activities	

Acquistion of EnerPath	(11,000)
Purchases of property and equipment	(2,012)
Net cash used in investing activities	(13,012)
Cash Flows From Financing Activities	
Payments on vehicle financing	(12)
Deferred Financing costs	(480)
Proceeds from issuance of convertible notes - Related Party	11,750
Net cash provided by financing activities	11,258
Net Decrease in Cash and Cash Equivalents	(84)
Cash and Cash Equivalents, at beginning of period	5,473
Cash and Cash Equivalents, at end of period	**$** 5,389

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2015
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the period for interest:	
Continuing operations	$ 651
Warrants issued for deferred financing fees:	$ 31

See accompanying notes to consolidated financial statements.

Lime Energy Co.
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").

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.

Note 3 - Summary of Significant Accounting Policies

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. During 2015, revenue generated under four utility programs represented 69% of the Company's consolidated revenue.

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. During 2015, two suppliers were responsible for 68% and 15% of the Company's purchases, respectively.

The Company maintains cash and cash equivalents 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.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts based on 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 following is a summary of changes to the allowance for doubtful accounts (in thousands):

Year ended December 31,	2015
Balance at the beginning of the period	$ 1,794
Additions charged to costs and expenses	743
Amounts written-off	(901)
Balance at the end of the period	$ 1,636

Inventories

Inventories are stated at the lower of cost or market. Cost is determined utilizing the first-in, first-out (FIFO) method.

Properties & Equipment

Property and equipment are stated at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the following estimated useful lives:

Building Improvements	3 - 10 years
Office equipment	3 - 5 years
Furniture	5 - 10 years
Transportation equipment	3 - 5 years
Software	3 – 5 years

Long-Lived Assets

We evaluate our long-lived assets periodically for impairment in accordance with ASC 360-10-35, “Accounting for the Impairment or Disposal of Long-Lived Assets.” We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. Our estimates of fair value represent our best estimate based on industry trends and reference to market rates and transactions.

Goodwill

Goodwill represents the purchase price in excess of the fair value of assets acquired in business combinations. Accounting Standards Codification (“ASC”) 350, “Goodwill and Other Intangible Assets,” requires the Company to assess goodwill and other indefinite-lived intangible assets for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. During the fourth quarter of 2015, the Company undertook an assessment of its goodwill for possible impairment and concluded that the fair value of the continuing business, based on the discounted current value of the estimated future cash flows, exceeded the carrying value, indicating that the goodwill was not impaired.

The Company considered various factors in determining the fair value of its business, including discounted cash flows from projected earnings, values for comparable companies and the market price of its common stock. It will continue to monitor for any impairment indicators such as underperformance of projected earnings, net book value compared to market capitalization, declining stock price and significant adverse economic and industry trends. In the event that the business does not achieve projected results, or as the result of changes in facts or circumstances, the Company could incur an additional goodwill impairment charge in a future period.

Revenue Recognition

The Company provides energy efficient solutions that focus on the different uses of energy, including lighting and electrical, mechanical and HVAC, and refrigeration. These solutions consist of product sales and installation services. Customers purchase solutions individually or combined. When purchased individually, the Company recognizes revenue when performance is complete, typically when the products have been installed. When purchased together, the Company recognizes revenue as installation occurs in accordance with the arrangement.

Unbilled Accounts Receivable in the accompanying Consolidated Balance Sheet represents revenue earned on completed installations for which the customer has not been invoiced as well as the cost of products that have been shipped to the customer but not installed. Customer Deposits in the accompanying Consolidated Balance Sheet, represent deposits received from customers in advance of related project installation.

During 2015, the Company determined that completed contract revenue recognition was appropriate. The impact of the change in the current year was immaterial.

Unbilled Accounts Receivable

As of December 31, 2015, the Company had customer projects underway for which it had recognized revenue but not yet invoiced the customer. The Company records this unbilled revenue as a current asset titled "Unbilled Accounts Receivable." The Company had Unbilled Accounts Receivable of $6.5 million at December 31, 2015.

Advertising, Marketing and Promotional Costs

Expenditures on advertising, marketing and promotions are charged to operations in the period incurred and totaled $1.2 million for the year ended December 31, 2015.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for the tax consequences in future years of the differences between the tax basis of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory

tax rates applicable to the periods in which the differences are expected to affect taxable earnings. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

Net Loss Per Share

The Company computes loss per share under ASC 260-10, "Earnings Per Share." This statement requires presentation of two amounts: basic and diluted loss per share. Basic loss per share is computed by dividing the loss 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 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 Company has not included the outstanding options, warrants, preferred stock or convertible debt as common stock equivalents when calculating the diluted loss per share for the year ended December 31, 2015, because the effect would be anti-dilutive.

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

December 31,	2015
Weighted average shares issuable upon exercise of outstanding options	**747,720**
Weighted average shares issuable upon exercise of outstanding warrants	**6,651**
Weighted average shares issuable upon conversion of convertible preferred stock	**4,166,666**
Weighted average shares issuable upon conversion of convertible debt	**3,718,354**
Total	**8,639,391**

Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value and enhances disclosures about fair value measurements. 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 and cash equivalents are classified as Level 1 at December 31, 2015.

The Company is required by U.S. GAAP to record certain assets and liabilities at fair value on a recurring basis.

The guidance in ASC 815 required that the Company mark the value of its Derivative Liability — Related Party (See Note 9) 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 required 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. See Note 9 for a description of the manner in which the fair value was calculated.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheet for accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of these amounts. The fair value of the long-term debt — related party, also approximates fair value, as the debt was originated in 2015 and the Company believes its credit rating and prevailing market rates are comparable at December 31, 2015.

Share-based Compensation

The Company has a stock incentive plan that provides for stock-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.

The following are the components of the Company’s stock compensation expense during the year ended December 31, 2015:

	2015
Stock Options	$ 510
Restricted Stock	362
Employee Stock Purchase Plan	67
Total Stock Compensation Expense	$ 939

Please refer to Notes 19, 20 and 21 for additional information regarding share-based compensation expense.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842).” ASU 2016-02 will require organizations that lease assets—referred to as “lessees”—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (“GAAP”), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We are currently evaluating the impact of adopting ASU 2016-02 on our consolidated financial statements and related disclosures.

In January 2016, FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” ASU 2016-01 provides guidance concerning certain matters involving the recognition, measurement, and disclosure of financial assets and financial liabilities. The guidance does not alter the basic framework for classifying debt instruments held as financial assets. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is not permitted, with some exceptions. The adoption of ASU 2016-01 will not have a material impact on our consolidated financial statements and related disclosures.

In November 2015, FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes.” ASU 2015-17 simplifies the presentation of deferred income taxes and requires deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. ASU 2015-17 may be applied either prospectively or retrospectively to all periods presented. We are currently evaluating the impact of adopting ASU 2015-17 on our consolidated financial statements and related disclosures.

Lime Energy Co.
Notes to Consolidated Financial Statements

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 using a defined five-step process. More judgment and estimates may be required to achieve this principle than under existing GAAP. ASU 2014-09 is effective for annual periods beginning after December 15, 2017, including interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption which includes additional footnote disclosures. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company’s consolidated financial statements and has not yet determined the method of adoption.

In April 2015, FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. FASB issued the ASU to simplify the presentation of debt issuance costs, and to align with other existing FASB guidance. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. The adoption of this standard is not expected to have a significant impact on the Company’s consolidated financial statements.

Note 4 — Discontinued Operations

As previously disclosed, the Company sold the majority of its public sector business in early 2013. In addition, during the third quarter of 2013, the Company disposed of GESPC, its contract with the Army Corp of Engineers under the Federal Renewal and Renovation program, and the regional service business located in Bethlehem, Pennsylvania. These businesses, along with the asset development business that the Company shut down at the end of 2012, have all been reported as discontinued operations in the consolidated financial statements.

The revenue and loss related to discontinued operations were as follows (in thousands):

Year ended December 31,	2015
Revenue	$ (199)
Operating Loss	$ (632)

The assets and liabilities related to discontinued operations were as follows (in thousands):

December 31,	2015
Total current assets	$ 90
Total Assets	$ 90
Accrued expenses	$ 117
Unearned Revenue	3
Customer deposits	18
Total current liabilities	138
Total Liabilities	$ 138

Note 5 — Property and Equipment

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

December 31,	2015
Buildings & improvements	$ 251
Construction equipment	21
Furniture	575
Office equipment	1,233
Software	4,437
Transportation equipment	438
	6,955
Less accumulated depreciation	(4,304)

Property and Equipment, Net	$	2,651

Total depreciation expense was $0.9 million for the year ended December 31, 2015.

Note 6 — Goodwill and Other Intangible Assets

Goodwill represents the purchase price in excess of the fair value of net assets acquired in business combinations. ASC 350, "Goodwill and Other Intangible Assets," requires the Company to assess goodwill for impairment at least annually in the absence of an indicator of possible impairment and immediately upon an indicator of possible impairment. The following is a summary of the Company's goodwill (in thousands):

Balance at January 1, 2015	$	6,009
Acquisition of Enerpath		2,164
Balance at December 31, 2015	$	8,173

The following is a summary of the Company's intangible assets (in thousands):

	Remaining Life (months)	Gross Book Value	Accumulated Amortization	Net Book Value
As of December 31, 2015				
Amortized intangible assets:				
Customer Relationships	84	1,505	37	1,468
Technology and software	39	3,265	630	2,635
Trade name	27	825	212	613
Total		$ 5,595	$ 879	$ 4,716

The total expected future annual amortization is as follows (in thousands):

Year		Amount
2016	$	1,340
2017		1,435
2018		1,213
2019		420
2020		162
Thereafter		146
Total	$	4,716

Note 7 — Accrued Expenses

Accrued expenses are comprised of the following (in thousands):

December 31,		2015
Compensation	$	2,075
Job costs		310
Rent		48
Sales tax payable		191
Taxes		76
Other		209
Accrued Expenses	$	2,909

Note 8 — Acquisition of EnerPath

On March 24, 2015, the Company acquired EnerPath International Holding Company, a California-based provider of software solutions and program administration for utility energy efficiency programs ("EnerPath"). The consideration paid in connection with the EnerPath acquisition was approximately $11 million in cash with $1.0 million held in escrow, subject to adjustment as set forth in the Agreement and Plan of Merger by and among the Company, EIHC Merger Sub, Inc., a wholly-owned subsidiary of the Company, EnerPath, and the EnerPath stockholders. The purchase price adjustment indemnification escrow of $250 thousand was released on June 25, 2015, together with the $75 thousand escrow that had been set aside to cover expenses of the stockholders' representative. An amount equal to approximately $629 thousand remains in escrow to cover any post-closing indemnification.

The fair values of the assets acquired and liabilities assumed related to the acquisition are based on estimates and assumptions. These preliminary estimates and assumptions could change significantly during the purchase price measurement period as we finalize the valuations of the assets acquired and liabilities assumed. Such changes could result in material variances between the Company's future financial fair values recorded and expenses associated with these items, including variances in the estimated purchase price.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the closing of the acquisition (in thousands).

Current assets	$ 8,932
Property and equipment	153
Other assets	41
Intangible assets - finite life	5,595
Goodwill	2,164
Total assets acquired	16,885
Current Liabilities assumed	(4,639)
Deferred income tax liability	(1,246)
Net assets acquired	$ 11,000

The preliminary estimate of intangible assets acquired from EnerPath, the acquired intangible asset categories, fair value and average amortization periods are as follows (in thousands):

	Fair Value	Average Amortization Method/Period	Estimated Annual Amortization Expense
Customer relationships	$ 1,505	Cash flow/7 years	$ 215
Enerworks System Software	3,265	4 years	816
Trade name	825	3 years	275
	$ 5,595		$ 1,306

The following unaudited pro forma information represents the Company's results of operations as if the acquisition had occurred on January 1, 2014 (in thousands, except per share data):

Year ended December 31,	2015
Revenue	$ 123,035
Loss from continuing operations	$ (346)
Loss from operation of discontinued business	(632)
Net loss	$ (978)
Preferred stock dividends	(1,293)
Net loss available to common stockholders	$ (2,271)
Basic and Diluted Loss Per Common Share From	
Continuing operations	$ (0.17)
Discontinued operations	(0.07)
Basic and Diluted Loss Per Common Share	$ (0.24)
Weighted Average Common	
Shares Outstanding	9,548

The pro forma results have been prepared for informational purposes only and include adjustments to amortize acquired intangible assets with finite life, eliminate acquisition-related expenses, and reflect additional interest expense on debt used to fund the acquisition. These pro forma results do not purport to be indicative of the results of operations that would have occurred had the purchase been made as of the beginning of the periods presented or of the results of operations that may occur in the future.

The results of operations of the EnerPath International Holding Company have been included in the Company's consolidated financial statements since the March 24, 2015 closing date, including approximately $34.1 million of total revenue and $0.4 million of operating income.

Acquisition costs on the Consolidated Statement of Operations are comprised of acquisition expenses, including legal, accounting, and banking expenses.

Note 9 — Subordinated Convertible Term Notes

2015 Convertible Debt Financing to Fund the EnerPath Acquisition — Related Party

To finance the purchase price for the acquisition of EnerPath (described in Note 8—"Acquisition of EnerPath" above), the Company entered into a Note Purchase Agreement, dated March 24, 2015 (the "Note Purchase Agreement") with Bison Capital Partners IV, L.P., a Delaware limited partnership ("Bison"), pursuant to which the Company sold to Bison a note in the amount of $11.75 million (the "Note"). The proceeds from the sale of the Note were used to finance the EnerPath 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 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 that date, convertible into approximately 30% of the Company's common stock, making Bison the Company's single largest stockholder. Two members of the Company's Board, Andreas Hildebrand and Peter Macdonald, are partners of an affiliate of Bison. Mr. Hildebrand and Mr. Macdonald recused themselves from the Board's consideration of the Note issuance. The Note is guaranteed by each subsidiary of the Company, including EnerPath and each of EnerPath's subsidiaries, and is secured by a lien on all of the assets of the Company and each of its subsidiaries. The Company may not elect to prepay the Note.

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. 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 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 Note. That discount, absent the Note amendment described below, would have been amortized to interest expense over the term of the Note. The Company determined the estimated fair value of the derivative liability to be $5.6 million and $6.6 million as of the Note issuance date and December 31, 2015, 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 1.36%; expected volatility of 77%; a maturity date of March 24, 2020; probability factors regarding the Company's ability to meet the EBITDA covenants in the Note; and a 0% probability that a future financing transaction would reduce the conversion price.

On March 31, 2015, we executed an amendment ("Amendment No. 1") to the Subordinated Secured Convertible Promissory Note dated March 24, 2015 between us and Bison. The Amendment provided that, should the Company fail to meet certain trailing EBITDA targets as of June 30, 2015, September 30, 2015, or December 31, 2015, then for each such quarter in which such EBITDA target was not met, an additional $1 million in interest would have accrued and been added to the note principal. We were in compliance with all of the financial covenants in Amendment No. 1 and no penalty interest was accrued.

Pursuant to prevailing accounting guidance, Amendment No. 1, for accounting purposes, was treated as an extinguishment of the original 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 and deferred financing costs) of $5.8 million was written off and the fair value of the amended Note was established, resulting in a net charge to earnings in the statement of operations of $1.4 million. The fair value of the amended Note was determined by reference to its probability weighted average expected cash flows discounted at an estimated market interest rate for a hypothetical similar non-convertible note issued by the Company. The March 31, 2015 carrying value of $7.3 million will incur interest charges at an effective interest rate required to result in the ultimate amount of cash flows needed to service the Note. As of March 31, 2015, that effective interest rate was estimated at 25.4% but may change depending on actual cash requirements to service the Note pursuant to the various interest payment alternatives described above.

On March 30, 2016, we 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, 2016, June 30, 2016, September 30, 2016, and December 31, 2016. Pursuant to Amendment No. 2, if we fail to meet the specified trailing EBITDA targets for any of these quarters, then for each such quarter in which such EBITDA target is not met up to an additional $500 thousand in interest will accrue and be added to the note principal. As a result of Amendment No. 2, a failure on our part to meet the specified trailing EBITDA targets for any of the four consecutive fiscal quarters ending March 31, 2016, June 30, 2016, September 30, 2016, and December 31, 2016 would not be an event of default under the Note. Amendment No. 2 did not, however, revise the required minimum consolidated EBITDA targets for periods subsequent to December 31, 2016. Going forward, if we are unable to further amend the Bison Note or significantly improve our EBITDA, our consolidated EBITDA may not exceed the minimum consolidated EBITDA tests required by the Bison Note and, as a result, an event of default would exist under the Bison Note for which Bison could accelerate our repayment of the indebtedness.

Note 10 —Sale of Series C Preferred Stock

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 (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 $1.3 million during the year ended December 31, 2015.

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.

In connection with the issuance of the Series C Preferred Stock, the Company, Bison, Mr. Kiphart and The John Thomas Hurvis Revocable Trust entered into a Shareholder and Investor Rights Agreement dated as of December 23, 2014 (the "Shareholder Agreement"). 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 five percent 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.

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 $617 thousand 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 has 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 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 five percent 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. Additionally, Mr. Kiphart and the John Thomas Hurvis Revocable Trust are entitled to include certain of their shares of common stock in a registration statement 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.

Note 11 — Letter of Credit Agreement

On August 1, 2014, the Company entered into a Letter of Credit Agreement with Mr. Richard Kiphart (the "LOC Agreement"), which replaced a previous letter of credit agreement the Company had entered into with Mr. Kiphart on December 7, 2012. Pursuant to the LOC Agreement, Mr. Kiphart agreed to cause, at the Company's request, the issuance of one or more letters of credit (collectively, the "Kiphart Letter of Credit") for the benefit of a surety, up to an aggregate amount of $1.3 million. The Kiphart Letter of Credit was used to guarantee certain obligations of the Company in connection with its performance under a contract between the Company and a utility customer. Mr. Kiphart's obligation to cause the issuance of, or leave in place, the Kiphart Letter of Credit was to terminate on December 31, 2019. The Company agreed to indemnify Mr. Kiphart for any liability in connection with any payment or disbursement made under the Kiphart Letter of Credit. The Company also had agreed to pay for or reimburse any fees and out-of-pocket expenses incurred by Mr. Kiphart in connection with the Kiphart Letter of Credit. All amounts due to Mr. Kiphart under the LOC Agreement were payable by the Company within ten business days of the Company's receipt of a written demand thereof from Mr. Kiphart.

In addition, the Company had agreed to pay Mr. Kiphart simple interest on the aggregate amount of the Kiphart Letter of Credit at a rate of six percent (6%) per annum. The Company accrued interest of $34 thousand during 2015.

As consideration for Mr. Kiphart's obligations under the LOC Agreement, the Company had issued to Mr. Kiphart warrants to purchase 50,000 shares of the Company's common stock. The value of the warrants, which had been determined to be $100 thousand, was capitalized as deferred financing costs. In connection with the issuance of Series C Preferred Stock discussed in Note 10 - "Sale of Series C Preferred Stock," the warrants were forfeited and deferred financing costs of $100 thousand were recorded to interest expense.

In May 2015, the Company replaced the Kiphart Letter of Credit with restricted funds of the Company. The restriction on these funds was released in January 2016 as the Company entered into two Letter of Credit agreements with Heritage Bank of Commerce in December 2015 for letters of credits of $1.3 million and $0.1 million as discussed under Note 13 — "Line of Credit — Heritage Bank of Commerce." 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 our borrowing base as calculated in the Company's Line of Credit with Heritage Bank of Commerce as described in Note 13.

Note 12 — Business Segment Information

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

Note 13 — Line of Credit — Heritage Bank of Commerce

On July 24, 2015, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Heritage Bank of Commerce (the "Bank"), whereby the Bank agreed to make available to the Company a secured credit facility (the "Credit Facility") consisting of a $6.0 million revolving line of credit 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 shares of the Company's common stock up to $60 thousand in the aggregate.

The line of credit, which matures on July 24, 2017, bears variable interest at the prime rate plus 1.00% and is collateralized by certain assets of the Company and its subsidiaries including their respective accounts receivable, certain deposit and investment 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 will be 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 3.00% above the interest rate that would otherwise be applicable.

In December 2015, the Company entered into two Letter of Credit agreements with Heritage Bank of Commerce for $1.3 million and $0.1 million. 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 our borrowing base as calculated under the Loan Agreement.

Note 14 — Interest Expense

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

Year ended December 31,	2015

Letter of credit — Related Party (Note 11)	$	39
Subordinated convertible notes — Related Party (Note 9)		1,013
Total Contractual Interest		1,052
Amortization of deferred issuance		67
Amortization of debt discount — Related Party (Note 9)		169
Other		25
Total Interest Expense	$	1,313

Note 15 — Lease Commitments

The Company leased offices in California, Massachusetts, New Jersey, New York, North Carolina, Ohio, Tennessee and Pennsylvania at various times during 2015 from unrelated third parties under leases expiring through 2026, for which it paid a total of $807 thousand during 2015.

Future annual minimum rentals to be paid by the Company under these non-cancellable operating leases as of December 31, 2015 are as follows (in thousands):

Year ending December 31,	Total
2016	720
2017	610
2018	507
2019	489
2020	472
Thereafter	2,180
Total	$ 4,978

Note 16 — Income Taxes

The composition of income tax expense (benefit) is as follows (in thousands):

Year ended December 31,	2015
Current Tax Expense/(Benefit)	
Federal	$ —
State	—
Other	99
Total Current Tax Expense/(Benefit)	99
Deferred Tax Expense/(Benefit)	
Federal	$ 246
State	(526)
Change in valuation allowance	280
Tax benefit - acquistion of EnerPath	(1,246)
Total Deferred Tax Expense/(Benefit)	(1,246)
Total Tax Expense/(Benefit)	$ (1,147)

Significant components of the Company's net deferred tax asset are as follows (in thousands):

December 31	2015
Deferred Tax Assets:	
Federal and state net operating loss carryforwards	$ 45,444
Debt Modification	558
Change in Derivative Value	391
Stock-based compensation	842
Allowance for doubtful accounts	588
Transaction costs	763
Intangible assets	(1,853)
Property & equipment	(53)
Other	166
Valuation allowance	(46,846)
Total deferred tax assets	$ —

The Company has recorded a valuation allowance in an amount equal to the net deferred tax assets due to the uncertainty of its realization in the future. At December 31, 2015, the Company had U.S. federal net operating loss carryforwards available to offset future taxable income of approximately $140 million, which expire in the years 2018 through 2034. Under Section 382 of the Internal Revenue Code ("IRC") of 1986, as amended, the utilization of U.S. net operating loss carryforwards may be limited under the change in stock ownership rules of the IRC. As a result of ownership changes as defined by Section 382, which have occurred at various points in the Company's history, utilization of its net operating loss carryforwards will be significantly limited

under certain circumstances. Based on an analysis of ownership changes prior to 2008, approximately $30.0 million of the net operating losses will expire unused due to Section 382 limitations. For the same periods, the Company also has state net operating loss carryforwards of approximately $130 million, which unused, will expire at various dates through 2034.

A reconciliation of the statutory federal rate of 34% and the effective income tax rate for continuing operations for the year ended December 31, 2015 is as follows:

Year ended December 31,	2015
Federal income tax at statutory rate	34.0%
Preferred dividends	(8.0)%
Other	3.6%
Valuation Reserve	(29.6)%
Effective income tax rate	0.0%

The Company has recorded a valuation allowance of $46.8 million due to the uncertainty of future utilization of the deferred tax assets.

The effects of a tax position taken or expected to be taken in a tax return are to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. No uncertain tax positions have been identified through December 31, 2015. If we did identify any uncertain tax positions, any accrued interest related to unrecognized tax expenses and penalties would be recorded in income tax expense. The statute of limitations is normally three years from the extended due date of the return for federal and state tax purposes. However, for taxpayer's with net operating losses, the statute is effectively open to any year in which a net operating loss was generated. The statute of limitations for the Company is therefore effectively open for the years 1998 through 2015. The Company's federal returns have been audited for the 2008 and 2009 tax years.

Note 17 — Commitments and Contingencies

The Company carries Directors and Officers insurance, which it anticipates will cover the cost of defending an existing class action suit and derivative action and any related awards or settlements, up to the limit of the policy. At this point in the legal process, the Company estimates that it's reasonably possible costs, over and above the amounts covered by insurance, of responding to these lawsuits, responding to an SEC investigation and completing its internal investigation and restatement will be approximately $7.0 million, of which $6.7 million had been incurred through December 31, 2015. There are many factors that could cause the actual costs to exceed or be less than this estimate, therefore the Company has not accrued for these potential future costs.

Note 18 — Equity Transactions

a) During 2015, the Company granted 92,413 shares of restricted stock to eight of its outside directors pursuant to the 2010 Non-Employee Directors' Stock Plan as compensation for their service on the Board. These shares vest 50% upon grant and 50% on the first anniversary of the grant date if the director is still serving on the Company's board of directors on the vesting date.

b) On July 24, 2015, the Company entered into a Loan and Security Agreement with Heritage Bank of Commerce, whereby the Bank agreed to make available to the Company a secured credit facility. As part of the agreement the Company issued to the Bank a warrant to purchase shares of the Company's common stock up to $60 thousand in the aggregate. Please see Note 13 — "Line of Credit — Heritage Bank of Commerce," for additional information regarding this transaction.

Note 19 — Stock Options

The Compensation Committee of the Board of Directors of the Company (the "Board") grants stock options and restricted stock under the Company's 2008 Long-Term Incentive Plan (as amended, the "2008 Plan"). Prior to an amendment to the 2008 Plan that became effective on October 15, 2015, the 2008 Plan provided that up to 407,143 shares of our common stock could be delivered under the plan to certain of our employees, consultants, and non-employee directors. As amended, the 2008 Plan provides for the issuance

of up to 1,585,718 shares of our common stock. In addition, the 2008 Plan provides for an automatic annual increase in the number of shares of our common stock reserved under the plan in an amount equal to 35,715 shares.

Awards granted under the 2008 Plan may be incentive stock options ("ISOs") or non-qualified stock options ("NQSOs"). The exercise price for any ISO may not be 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 exceed $100,000 in the first year that they can be exercised. There is no comparable limitation with respect to NQSOs. The term of all options granted under the 2008 Plan will be 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 2008 Plan permits 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 may only be granted to employees.

The 2008 Plan is administered by the Board, which is authorized to interpret the 2008 Plan, to prescribe, amend and rescind rules and regulations relating to the 2008 Plan and to determine the individuals to whom, and the time, terms and conditions under which, options and awards are granted. The Board may also amend, suspend or terminate the 2008 Plan in any respect at any time. However, no amendment may (i) adversely affect the rights of a participant under an award theretofore granted without the consent of such participant, (ii) increase the number of shares reserved under the 2008 Plan, (iii) modify the requirements for participation in the 2008 Plan, or (iv) modify the 2008 Plan in any way that would require stockholder approval under the rules and regulations under the Exchange Act or the rules of any stock exchange or market on which the Common Stock is listed (unless such stockholder approval is obtained).

As of December 31, 2015, there were approximately 270 employees of the Company eligible to participate in the 2008 Plan, and 1,267,036 shares of common stock reserved for issuance under the 2008 Plan.

Effective April 1, 2000, the Company adopted a stock option plan for all independent directors, which is separate and distinct from the 2008 Stock Incentive Plan described above. The Directors' Plan was replaced during 2010 by the 2010 Non-Employee Directors' Stock Plan, which is described in Note 21 — "Employee Stock Purchase Plan."

The following table summarizes the options granted, exercised, forfeited and outstanding through December 31, 2015:

	Shares	Exercise Price Per Share	Weighted Average Exercise Price
Outstanding at January 1, 2015	**102,215**	**$2.57 - $77.91**	**$ 21.78**
Granted	**1,252,680**	**$2.71 - $3.21**	**$ 2.91**
Exercised	**—**		
Forfeited	**(87,859)**	**$2.82 - $31.50**	**$ 9.96**
Outstanding at December 31, 2015	**1,267,036**	**$2.57 - $77.91**	**$ 3.95**
Options exercisable at December 31, 2015	**89,089**	**$2.57 - $77.91**	**$ 17.55**

The following table summarizes information about stock options outstanding at December 31, 2015:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding at December 31, 2015	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2015	Weighted Average Exercise Price
$2.57 - $3.00	1,172,280	9.7 years	$ 2.91	29,333	$ 2.69
$3.01 - $5.00	49,286	9.0 years	$ 3.27	14,286	$ 3.64
$5.01 - $6.00	7,143	6.7 years	$ 5.25	7,143	$ 5.25
$20.01 - $30.00	22,092	4.5 years	$ 24.84	22,092	$ 24.84
$30.01 - $40.00	4,373	6.1 years	$ 34.28	4,373	$ 34.28
$40.01 - $50.00	7,789	0.6 years	$ 49.21	7,789	$ 49.21
$50.01 - $77.91	4,073	1.8 years	$ 76.94	4,073	$ 76.94
$2.57 - $77.91	1,267,036	9.5 years	$ 3.95	89,089	$ 17.55

The aggregate intrinsic value of the outstanding options (the difference between the closing stock price on the last trading day of 2015 of $2.88 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 December 31, 2015 was $20.4 thousand. The aggregate intrinsic value of the exercisable options as of December 31, 2015 was $5.7 thousand. These amounts will change based on changes in the fair market value of the Company's common stock.

The Company uses an Enhanced Hull-White Trinomial model to value its employee options. The weighted-average, grant-date fair value of stock options granted to employees during the year, and the weighted-average significant assumptions used to determine those fair values, using the Enhanced Hull-White Trinomial model for stock options under ASC 718, are as follows:

Year ended December 31,	2015
Weighted average fair value per options granted	**$ 1.19**
Significant assumptions (weighted average):	
Risk-free interest rate at grant date	**0.02%**
Expected stock price volatility	**64%**
Expected dividend payout	**—**
Expected option life (years) (1)	**6.0**
Expected turn-over rate	**20.3%**
Expected exercise multiple	**2.2**

(1) The Company continues to use the simplified method to estimate expected term due to the historical structural changes to its business such that historical exercise data may no longer provide a reasonable basis on which to estimate expected term.

The risk-free interest rate is based on the U.S. Treasury Bill rates at the time of grant. The dividend reflects the fact that the Company has never paid a dividend on its common stock and does not expect to in the foreseeable future. The Company estimated the volatility of its common stock at the date of grant based on the historical volatility of its stock. The expected term of the options is based on the simplified method as described in a Staff Accounting Bulletin. The expected turn-over rate represents the expected forfeitures due to employee turnover and is based on historical rates experienced by the Company. The expected exercise multiple represents the mean ratio of the stock price to the exercise price at which employees are expected to exercise their options and is based on an empirical study completed by S. Huddart and M. Lang (1996).

The Company recognizes compensation expense for stock options on a straight-line basis over the requisite service period, which is generally equal to the vesting period of the option. The subject stock options expire ten years after the date of grant. The Company recognized stock compensation expense for stock options of $509 thousand during the year ended December 31, 2015.

As of December 31, 2015, $975 thousand of total unrecognized compensation cost related to outstanding stock options, unadjusted for potential forfeitures, is expected to be recognized as follows:

Year ending December 31, (in thousands)	
2016	**$ 633**
2017	**$ 270**
2018	**72**
Total	**$ 975**

Note 20 —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 also granted shares of restricted stock to certain senior managers under its 2009 Management Incentive Compensation Plan as a form of long-term incentive. 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 following table summarizes the shares of restricted stock granted, vested, forfeited and outstanding as of December 31, 2015:

	Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested Shares at January 1, 2015	**73,333**	**$ 2.79**
Granted	**92,413**	**$ 2.73**
Vested	**(129,895)**	**$ 2.69**
Forfeited	**(3,460)**	**$ 2.89**
Unvested Shares at December 31, 2015	**32,391**	**$ 3.15**

The Company accounts for grants of restricted stock in accordance with ASC 718. 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. The Company recognized $362 thousand of stock compensation expense related to the issuances of restricted stock in the year ended December 31, 2015. As of December 31, 2015, there was approximately $36 thousand of unrecognized expense related to these restricted stock issuances which will be recognized over a weighted-average period of 5.2 months.

Note 21 - Employee Stock Purchase Plan

During the first quarter of 2015, our Board adopted, and subsequently our shareholders 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, our Board adopted, and subsequently our shareholders approved, the Lime Energy Co. 2015 Employee Stock Purchase Plan (the "2015 ESPP"), which became effective on June 18, 2015. The 2015 ESPP provides 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.

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. The Company recorded net share-based compensation expense under the 2015 ESPP and 2014 ESPP during 2015 of $17 thousand.

Note 22 — Legal Matters

Kuberski v. Lime Energy Co., et al., United States District Court for the Northern District of Illinois, Case No. 12 cv 7993. As previously disclosed, this putative shareholder derivative action alleged that

several of the Company's former officers and present and former directors breached their fiduciary duties to the Company from May 14, 2008 through the date of the action. On April 1, 2015, the parties entered a Stipulation and Agreement of Settlement, and a hearing on the proposed settlement was scheduled for July 7, 2015. On May 5, 2015, the Court entered a preliminary order approving the Stipulation and Agreement of Settlement. On July 7, 2015, the Court entered a final Order approving the settlement and dismissed the case with prejudice. The settlement amount was fully covered by the Company's insurance policy.

SEC Investigation. In 2012, the SEC commenced an investigation with respect to certain of the Company's revenue recognition practices and financial reporting. The Company has cooperated with the SEC staff throughout the course of the investigation, which is likely to lead to regulatory or legal proceedings and could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company is in discussions with the SEC regarding the possibility of resolving this matter. There can be no assurances that these discussions will lead to a resolution, or of the amount or timing of any such resolution.

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 Executive Protection Portfolio Policy. Although the Company believes the lawsuit has no merit, the court has denied the Company's motion to dismiss the case. The lawsuit remains in early stages and the Company intends to continue to defend itself vigorously.

Note 23 — Related Parties

On August 1, 2014, the Company entered into a Letter of Credit Agreement with Mr. Richard Kiphart, which replaced the December 7, 2012 Letter of Credit Agreement, for the benefit of a surety at the Company's request. Please see Note 11 — Letter of Credit Agreement for additional information regarding this transaction.

On December 23, 2014, the Company entered into a Preferred Stock Purchase Agreement with Bison Capital Partners IV, L.P., a Delaware limited partnership ("Bison"). Pursuant to the terms of the Series C Purchase Agreement, the Series C Investors purchased 10,000 shares of the Company's Series C Preferred Stock. Effective December 22, 2014, the holders of the Company's Series A Preferred Stock and Series B Preferred Stock converted all of the shares thereof into shares of Common Stock. Also the holders of the Company's Subordinated Secured Convertible Pay-In-Kind Notes and warrants converted such notes for shares of Common Stock and cancelled such warrants. Please see Note 10 — "Sale of Series C Preferred Stock" for additional information regarding this transaction.

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. Please see Note 9 — Subordinated Convertible Term Notes for additional information regarding this transaction.

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.

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."

Acquisition of Lime Energy

On October 1, 2018, the Company, through two of its wholly-owned subsidiaries, entered into an agreement and plan of merger (the "Merger Agreement"), with Lime Energy Co. ("Lime Energy") and Luna Stockholder Representative, LLC, as representative of the participating securityholders of Lime Energy, to acquire, subject to certain conditions, all of the outstanding shares of capital stock of Lime Energy through a merger. The aggregate purchase price of the acquisition of Lime Energy is $120.0 million, subject to customary holdbacks and adjustments, and will be paid in cash. The Company currently expects to close the acquisition of Lime Energy during the fourth quarter of 2018, subject to the satisfaction or waiver of customary closing conditions.

New Credit Facilities

The Company intends to fund a portion of the purchase price for Lime Energy by borrowing under its new Credit Agreement (as defined herein). On October 1, 2018, in connection with signing the Merger Agreement, the Company entered into a credit agreement (the "Credit Agreement") with a syndicate of financial institutions as lenders, and BMO Harris Bank, N.A. ("BMO"), as administrative agent. The Credit Agreement provides 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. The amount available for borrowing under the Delayed Draw Term Loan Facility will be reduced by the net proceeds from any equity offering completed by the Company prior to any borrowings under such facility but, in no event, will the amount available for borrowing be less than $70.0 million. The Company may borrow under the Delayed Draw Term Loan Facility until December 31, 2018, provided that it must satisfy certain conditions, including, but not limited to, that:

- no default has occurred under the Credit Agreement and is continuing or would occur as a result of the acquisition of Lime Energy and borrowings under the Credit Agreement;
- the acquisition of Lime Energy has been approved by the board of directors and the requisite percentage of stockholders of Lime Energy (both of which have already occurred), and all necessary legal and regulatory approvals with respect to the acquisition have been obtained;
- there is no injunction, temporary restraining order, or other legal action in effect that would prohibit the closing of the acquisition of Lime Energy or the closing and funding under the Credit Agreement;
- the acquisition of Lime Energy has been completed pursuant to the Merger Agreement without giving effect to any amendment, modification or waiver to the Merger Agreement that would materially and adversely affect the Company's financial condition or our ability to perform our obligations under the Credit Agreement;
- Lime Energy and its subsidiaries (other than inactive subsidiaries) have been or concurrently with the making of the Delayed Draw Term Loan Facility will be added as subsidiary guarantors to the Credit Agreement;
- after giving effect to the acquisition of Lime Energy and borrowings under the Credit Agreement, the Company, on a consolidated basis, is solvent, able to pay debts as they become due, and has sufficient capital to carry on its business and all businesses in which it is about to engage;
- since December 31, 2017, there has been no change in the condition (financial or otherwise) or business prospects of Lime Energy and its subsidiaries except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a material adverse effect; and
- the Company has certified that its adjusted EBITDA (as defined in the Credit Agreement) for the most recently ended twelve months is at least $32.8 million and that its consolidated total leverage ratio on the closing date of the acquisition of Lime Energy does not exceed 4.00 to 1.00, calculated based on such adjusted EBITDA, provided that calculations are made on a pro forma basis after giving effect to the acquisition of Lime Energy and borrowings under the Credit Agreement in connection therewith.

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.

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 financial statements of Lime Energy and is intended to provide information about how the proposed acquisition of Lime Energy and borrowings under the New Credit Facilities 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 the proposed acquisition of Lime Energy 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 six months ended June 29, 2018 are presented as if the proposed acquisition of Lime Energy and borrowings under the New Credit Facilities occurred on December 30, 2017. The unaudited pro forma condensed combined balance sheet as of

June 29, 2018 is presented as if the proposed acquisition of Lime Energy 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 available that we believe are reasonable at the time of the filing of this Current Report on Form 8-K.

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

- the Company's historical 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 in this Current Report on Form 8-K;

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

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

- Lime Energy's historical financial statements and related notes thereto as of and for the six months ended June 30, 2018 and 2017, attached to this Current Report on Form 8-K as Exhibit 99.2.

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 proposed acquisition of Lime Energy 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 Condensed Combined Statements of Operations
(Unaudited)

	Willdan Group, Inc. Historical Six Months Ended June 29, 2018	Lime Energy Co. Historical Six Months Ended June 30, 2018	Pro Forma Adjustments	Willdan Group, Inc. Pro Forma Combined
Contract revenue	$ 114,428,000	$ 73,303,000	$ —	$ 187,731,000
Direct costs of contract revenue (exclusive of depreciation and amortization shown separately below):				
Salaries and wages	22,125,000	—	6,385,000 (a)	28,510,000
Subconsultant services and other direct costs	49,613,000	49,711,000	(250,000)(b)	99,074,000
Total direct costs of contract revenue	71,738,000	49,711,000	6,135,000	127,584,000
General and administrative expenses:				
Salaries and wages, payroll taxes and employee benefits	20,750,000	—	7,689,000 (c)	28,439,000
Facilities and facilities related	2,595,000	—	756,000 (c)	3,351,000
Stock-based compensation	2,726,000	—	285,000 (c)	3,011,000
Depreciation and amortization	2,175,000	167,000	3,805,000 (d)	6,147,000
Other	8,265,000	20,386,000	(15,670,000)(e)	12,981,000
Total general and administrative expenses (income)	36,511,000	20,553,000	(3,135,000)	53,929,000
Income (loss) from operations	6,179,000	3,039,000	(3,000,000)	6,218,000
Other income (expense):				
Interest income	—	213,000	—	213,000
Interest (expense)	(53,000)	(1,363,000)	(2,418,000)(f)	(3,834,000)
Other, net	19,000	(794,000)	794,000 (g)	19,000
Total other (expense)	(34,000)	(1,944,000)	(1,624,000)	(3,602,000)
Income (loss) before income taxes	6,145,000	1,095,000	(4,624,000)	2,616,000
Income tax expense (benefit)	627,000	3,000	(1,295,000)(h)	(665,000)
Net income (loss)	$ 5,518,000	$ 1,092,000	$ (3,329,000)	$ 3,281,000
Earnings per share:				
Basic	$ 0.63			$ 0.37

Diluted	$ 0.60	$ 0.35
Weighted-average shares outstanding:		
Basic	8,775,000	8,775,000
Diluted	9,247,000	9,247,000

(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 $3.0 million of amortization expenses attributable to intangible assets assumed to be acquired as part of the acquisition and reclassification of $0.8 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 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 expected interest expense after repayment of the outstanding debt of Lime Energy in connection with the acquisition and assumed borrowings of $25.0 million under the revolving credit facility and $90.0 million under the Delayed Draw Term Loan Facility to finance the acquisition. The interest expense for borrowings under the New Credit Facilities is based on an expected interest rate of 6.39%, which assumes LIBOR as of October 1, 2018 plus an applicable margin of 4.00% based on Willdan's expected consolidated leverage ratio after the acquisition of Lime Energy. Borrowings under the New Credit Facilities will 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 or 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin will be 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 $72,000.

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

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

WILLDAN GROUP, INC. AND SUBSIDIARIES
Pro Forma Condensed Combined 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 separately 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 (income)	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 income (expense):				
Interest income	—	429,000	—	429,000
Interest expense	(111,000)	(2,568,000)	(4,991,000)(f)	(7,670,000)
Other, net	98,000	2,294,000	(2,294,000)(g)	98,000
Total other income (expense)	(13,000)	155,000	(7,285,000)	(7,143,000)
Income (loss) before income tax expense	13,691,000	4,789,000	(13,285,000)	5,195,000
Income tax expense (benefit)	1,562,000	127,000	(3,720,000)(h)	(2,031,000)
Net income (loss)	$ 12,129,000	$ 4,662,000	$ (9,565,000)	$ 7,226,000

Earnings per share:		
Basic	$ 1.42	$ 0.85
Diluted	$ 1.32	$ 0.79
Weighted-average shares outstanding:		
Basic	8,541,000	8,541,000
Diluted	9,155,000	9,155,000

(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 assumed to be 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 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 expected interest expense after repayment of the outstanding debt of Lime Energy in connection with the acquisition and assumed borrowings of $25.0 million under the revolving credit facility and $90.0 million under the Delayed Draw Term Loan Facility to finance the acquisition. The interest expense for borrowings under the New Credit Facilities is based on an expected interest rate of 6.39%, which assumes LIBOR as of October 1, 2018 plus an applicable margin of 4.00% based on Willdan's expected consolidated leverage ratio after the acquisition of Lime Energy. Borrowings under the New Credit Facilities will 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 or 1.25% to 4.00% with respect to LIBOR borrowings. The applicable margin will be 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 $144,000.

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

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

WILLDAN GROUP, INC. AND SUBSIDIARIES
Pro Forma Condensed Combined Balance Sheet

	Willdan Group, Inc. Historical As of June 29, 2018	Lime Energy Co. Historical As of June 30, 2018	Pro Forma Adjustments	Willdan Group, Inc. Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 11,225,000	$ 2,055,000	$ (7,055,000)(a)	$ 6,225,000
Accounts receivable, net of allowance for doubtful accounts of $714,000 at June 29, 2018	22,896,000	26,130,000	—	49,026,000
Contract assets	42,410,000	10,320,000	—	52,730,000
Other receivables	777,000	—	—	777,000
Prepaid expenses and other current assets	3,242,000	5,452,000	—	8,694,000
Total current assets	80,550,000	43,957,000	(7,055,000)	117,452,000
Equipment and leasehold improvements, net	5,142,000	3,520,000	—	8,662,000
Goodwill	40,342,000	8,173,000	51,025,000 (b)	99,540,000
Other intangible assets, net	11,201,000	729,000	42,000,000 (c)	53,930,000
Other assets	920,000	1,100,000	—	2,020,000
Deferred income taxes, net of current portion	—	—	—	—
Total assets	$ 138,155,000	$ 57,479,000	$ 85,970,000	$ 281,604,000
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 14,024,000	$ 12,255,000	—	$ 26,279,000
Accrued liabilities	24,198,000	15,535,000	—	39,733,000
Contingent consideration payable	4,224,000	—	—	4,224,000
Contract liabilities	6,163,000	661,000	—	6,824,000
Notes payable	—	595,000	(595,000)(d)	—
Capital lease obligations	237,000	—	—	237,000

Current portion of deferred income taxes	—	—	—	—
Total current liabilities	48,846,000	29,046,000	(595,000)	77,297,000
Contingent consideration payable	3,650,000	—	—	3,650,000
Notes payable	2,000,000	357,000	114,643,000 (e)	117,000,000
Capital lease obligations, less current portion	192,000	—	—	192,000
Deferred lease obligations	631,000	—	—	631,000
Deferred income taxes, net	2,404,000	—	—	2,404,000
Other noncurrent liabilities	468,000	14,029,000	(14,029,000)(d)	468,000
Total liabilities	58,191,000	43,432,000	100,019,000	201,642,000
Commitments and contingencies		14,708,000	(14,708,000)	—
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; 8,857,000 issued and outstanding at June 29, 2018	89,000	1,000	(1,000)(f)	89,000
Additional paid-in capital	54,216,000	206,002,000	(206,002,000)(g)	54,216,000
Accumulated earnings (deficit)	25,659,000	(206,662,000)	206,662,000 (h)	25,659,000
Total stockholders' equity	79,964,000	(659,000)	659,000	79,964,000
Total liabilities and stockholders' equity	$ 138,155,000	$ 57,479,000	$ 85,970,000	$ 281,604,000

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

(b) Reflects the estimated amount of goodwill to be acquired at the date of the acquisition of Lime Energy. 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 the acquisition of Lime Energy will vary from goodwill presented in the unaudited pro forma condensed combined balance sheet due to changes in the net book value of intangible assets during the period from June 30, 2018 through the date of the acquisition of Lime Energy 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 the acquisition.

(e) Reflects assumed borrowings under the New Credit Facilities entered into in connection with the acquisition of Lime Energy of $25.0 million under the revolving credit facility and $90.0 million under the Delayed Draw Term Loan Facility.

(f) Represents the elimination of the historical owners' equity interest in Lime Energy.

(g) Represents the elimination of the historical owners' equity interest in Lime Energy.

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

ITEM 1. BUSINESS

Overview

We are a provider of professional technical and consulting services to utilities, private industry, and public agencies at all levels of government. We enable our clients to realize cost and energy savings by providing a wide range of specialized services. We assist our clients with a broad range of complementary services relating to:

- energy efficiency and sustainability;
- engineering, construction management and planning;
- economic and financial consulting; and
- national preparedness and interoperability.

We operate our business through a nationwide network of offices in Arizona, California, Connecticut, Colorado, Florida, Illinois, Kansas, Nevada, New Jersey, New York, Ohio, Oregon, Texas, Utah, Washington and Washington, DC. As of December 29, 2017, we had 882 employees, which includes licensed engineers and other professionals.

We seek to establish close working relationships with our clients and expand the breadth and depth of the services we provide to them over time. Our business with public and private utilities is concentrated primarily in New York and California, but we also have business with utilities in other states. We currently serve more than 25 major utility customers across the country. Our business with public agencies is concentrated in New York and California. We provide services to many of the cities and counties in California. We also serve special districts, school districts, a range of public agencies and private industry.

We were founded in 1964 and Willdan Group, Inc., a Delaware corporation, was formed in 2006 to serve as our holding company. Historically, our clients were public agencies in communities with populations ranging from 10,000 to 300,000 people. We believe communities of this size are underserved by large outsourcing companies that tend to focus on securing large federal and state projects and private sector projects. Since expanding into energy efficiency services, our client base has grown to include investor-owned and other public utilities as well as substantial energy users in government and business.

We consist of a group of wholly-owned companies that operate within the following two segments for financial reporting purposes:

Energy. Our Energy segment consists of the business of our subsidiary, Willdan Energy Solutions (“WES”), which offers energy efficiency and sustainability consulting services to utilities, public agencies and private industry under a variety of business names, including Willdan Energy Solutions, Abacus Resource Management, 360 Energy Engineers, Genesys Engineering and Integral Analytics. This segment is currently our largest segment based on contract revenue, representing approximately 73% and 68% of our consolidated contract revenue for fiscal years 2017 and 2016, respectively.

Engineering and Consulting. Our Engineering and Consulting segment includes the operation of our remaining subsidiaries, Willdan Engineering, Willdan Infrastructure, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions. Willdan Engineering provides civil engineering-related construction management, building and safety, city engineering, city planning, geotechnical, material testing and other engineering consulting services to our clients. Willdan Infrastructure, which was launched in fiscal year 2013, provides engineering services to larger rail, port, water, mining and other civil engineering projects. Public Agency Resources primarily provides staffing to Willdan Engineering. Willdan Financial Services provides economic and financial consulting to public agencies. Willdan Homeland Solutions provides national preparedness and interoperability services and communications and technology solutions. Contract revenue for the Engineering and Consulting segment represented approximately 27% and 32% of our consolidated contract revenue for fiscal years 2017 and 2016, respectively.

We changed our reportable segments during the three months ended March 30, 2018 to conform to changes in our internal management reporting. As a result, beginning with the three months ended March 30, 2018, the Company’s two segments are Energy and Engineering and Consulting. We have revised segment information for all periods shown herein for comparison purposes.

Our Markets

We provide energy efficiency and sustainability, engineering, construction management and planning, economic and financial consulting and national preparedness and interoperability services primarily to public agencies and utilities, as well as private utilities and firms. We believe the market for these privatized governmental services is, and will be, driven by a number of factors, including:

- Increased demand for services and solutions that provide energy efficiency, sustainability, water conservation, infrastructure development and renewable energy in the public and private sectors;
- Aging infrastructure, which leads to a need for increased capacity in engineering consulting services;
- Growth of small and medium sized communities, which creates the need to obtain highly specialized services without incurring the costs of hiring permanent staffing and the associated support structure;
- Demand by constituents for a wider variety of services; and
- Government funding programs and various state legislation that provide funds for local communities to provide services to their constituents.

Energy

Energy Efficiency and Sustainability Services

In response to an increased awareness of global warming and climate change issues, private industry and public agencies are increasingly seeking out cost-effective, turnkey solutions that provide innovative energy efficiency, renewable energy, water conservation and sustainability services. State and local governments are frequently turning to specialized resource conservation firms to strike the balance between environmental responsibility and economic competitiveness. Our consultants have the expertise to develop efficient and cost effective solutions. The use of energy efficiency services, including audits, program design, benchmark analysis, metering and partnerships provides government agencies, utilities and private firms with the ability to realize long-term savings.

Engineering and Consulting

Engineering, Construction Management and Planning Services

Engineering, construction management and planning services encompass a variety of disciplines associated with the design and construction of public infrastructure improvements. We expect continued population growth in California and other western states to place a significant strain on the infrastructure in those areas, driving the need for both new infrastructure and the rehabilitation of aging structures. Federal, state and local governments have responded to this need by proposing an increase in their funding of infrastructure related activities.

Economic and Financial Consulting Services

Public agencies must raise the necessary funding to build, improve and maintain infrastructure and to provide services to their local communities. While tax revenue is the primary source of public agency funding, certain states, including California, impose property tax and spending limits that curtail the generation of such funds. Alternatives include the issuance of tax-exempt securities; the formation of special financing districts to assess property owners on a parcel basis for infrastructure and public improvements, such as assessment districts and community facilities districts (known as Mello-Roos districts in California); the implementation of development impact fee programs that require developers to bear the cost of the impact of development on local infrastructure; user fee programs that pass costs along to the actual users of services; optimization of utility rates; and special taxes enacted by voters for specific purposes.

Public agencies frequently contract with private consultants to provide advance studies, manage the processes and provide the administration necessary to support these methods. Our consultants have the expertise necessary to form the special financing districts and produce an impact fee study used to develop a schedule of developer fees. Privatized services are also utilized to implement the programs or revised rate schedules, and in the case of special financing districts, administer the districts through the life of the bonds. Consultants also frequently provide the services necessary to comply with federal requirements for tax-exempt debt, such as arbitrage rebate calculations and continuing disclosure reports. Use of such services allows public agencies to capitalize on innovative public finance techniques without incurring the cost of developing in-house expertise.

National Preparedness and Interoperability Services

After September 11, 2001, the need to protect civil infrastructure and implement additional security measures became a priority at all levels of government. In addition to the threat of terrorism, Hurricanes Harvey and Irma and Superstorm Sandy highlighted the vulnerability of our country's infrastructure to natural disasters, the devastating fires and mudslides in California, and the Deepwater Horizon oil spill along the Louisiana Gulf Coast emphasized the need for disaster preparedness. Such events place an increased burden on local and regional public agencies to be prepared to respond. In addition to fire and safety personnel, agencies responsible for the physical safety of infrastructure elements, such as water and wastewater systems, ports and airports, roads and highways, bridges and dams, are under increased pressure to prepare for natural and man-made disasters. Accordingly, the federal government now considers public works staff members to be "first responders" to such incidents and we believe that agencies are allocating resources accordingly.

Our Services

We specialize in providing professional technical and consulting services to utilities, private industry and public agencies at all levels of government. Our core client base is composed of public and private utilities, commercial and industrial firms, cities, counties, special districts, other local and state agencies and tribal governments.

We are organized to profitably manage numerous small to large contracts at the same time. Our contracts typically range from $1,000 to over $10,000,000 in contract revenue. Our contracts typically have a duration of between two and thirty-six months, although we have city services contracts that have been in effect for over 30 years. At December 29, 2017, we had approximately 2,249 open projects.

Along with our more typical shorter-term projects, we also derive substantial revenue from two significant long-term contracts with Consolidated Edison of New York, Inc. ("Consolidated Edison") and the Dormitory Authority-State of New York ("DASNY"). For fiscal year 2017, Consolidated Edison and DASNY represented 16% and 22%, respectively, of our consolidated contract revenue. In January 2017, we announced a new three-year contract with Consolidated Edison to implement Consolidated Edison's Commercial Direct Install ("CDI") program across the utility's New York City and Westchester County service area. This new program replaces and expands Consolidated Edison's Small Business Direct Install ("SBDI") program, which we had implemented since 2009, by increasing the size of eligible commercial customers and diversifying the program offerings. The Consolidated Edison contract continues through the end of 2019. The CDI program, Consolidated Edison's largest energy efficiency program, helps customers save energy, lower their bills and protect the environment by providing financial incentives to identify and buy down the cost of energy efficiency measures. To support this effort, we will provide full-service program implementation including outreach and direct sales to potential commercial customers, on-site energy efficiency assessments, direct implementation of energy savings measures and subcontractor management. While the contract does not obligate Consolidated Edison to engage us for a minimum amount of services, the contract terms include an anticipated budget for our services of up to $81.0 million of services, of which $52.0 million remained as of December 29, 2017. Consolidated Edison may terminate the contract at any time for any reason.

Additionally, in connection with our acquisition of substantially all of the assets of Genesys Engineering P.C. ("Genesys"), we entered into an administrative services agreement with Genesys pursuant to which our subsidiary, WES, provides Genesys with ongoing administrative, operational and other non-professional support services. Under such administrative services agreement, WES provides administrative services for a series of Genesys's DASNY contracts. WES provides administrative services to Genesys in its performance of rehabilitation and construction work and architectural and engineering services at various sites within New York State for DASNY under these contracts, including energy efficient design, utility cost evaluation and review, and various regulatory compliance services. Specific project descriptions are set out by DASNY in work authorizations, which are issued under the terms of the

contracts. The termination dates of the DASNY contracts vary; the latest of which is currently February 13, 2019, but DASNY has the option to extend this contract term twice, one year at a time. DASNY may at any time terminate any of the contracts or suspend all projects, for its convenience and without cause.

We offer services in two segments: (1) Energy and (2) Engineering and Consulting. The interfaces and synergies among these segments are key elements of our strategy. Management established these segments based upon the services provided, the different marketing strategies associated with these services and the specialized needs of their respective clients. The following table presents, for the years indicated, the approximate percentage of our consolidated contract revenue attributable to each segment:

	Fiscal Year		
	2017	2016	2015
Energy	73%	68%	55%
Engineering and Consulting	27%	32%	45%

See Note 13 "—Segment Information" in our revised consolidated financial statements included with our Current Report on Form 8-K filed on October 3, 2018 for additional segment information.

Energy

Energy Efficiency and Sustainability Services

We commenced providing energy efficiency services with the creation of our subsidiary WES and its acquisition of Intergy Corporation in fiscal year 2008. Since then, we have grown our Energy segment through organic growth and through the acquisitions by WES of Abacus Resource Management Company ("Abacus") and of substantially all of the assets of 360 Energy Engineers, LLC ("360 Energy") in January 2015, substantially all of the assets of Genesys in March 2016 and the acquisition of Integral Analytics, Inc. ("Integral Analytics") in July 2017. Abacus and Integral Analytics are wholly-owned subsidiaries of WES.

WES is an energy efficiency consulting firm that provides specialized, innovative, comprehensive energy solutions to businesses, utilities, state agencies, municipalities, and non-profit organizations in the U.S. Our experienced engineers, consultants and staff help our clients realize cost and energy savings by tailoring efficient and cost-effective solutions to assist them in optimizing their energy spend. WES's energy efficiency services include comprehensive surveys, program design, master planning, benchmarking analyses, design engineering, construction management, performance contracting, installation, alternative financing, and measurement and verification services. Through Integral Analytics, WES also provides proprietary software tools for analyzing, planning and managing electrical grid loads.

Our range of energy efficiency services are described below:

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

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

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

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

Representative Projects. The following are examples of typical ongoing projects with respect to our energy efficiency and sustainability services:

- *Consolidated Edison, New York.* We serve as Consolidated Edison's program manager and implementer for its CDI program across the utility's New York City and Westchester County service area. This new program replaces and expands Consolidated Edison's predecessor SBDI program, which we had implemented since 2009, by increasing the size of eligible commercial customers and diversifying the program offerings. The CDI program, Consolidated Edison's largest energy efficiency program, helps customers save energy, lower their bills and protect the environment by providing financial incentives to identify and buy down the cost of energy efficiency measures. To support this effort, we provide full-service program implementation including outreach and direct sales to potential commercial customers, on-site energy efficiency assessments, direct implementation of energy savings measures and subcontractor management. During the fiscal year 2017, we had delivered over 8 megawatts of electric demand reduction in the load pocket and over 100 million kilowatt hours of energy savings across the CDI program.

- *DASNY, New York.* WES provides services to Genesys in its performance of rehabilitation and construction work and architectural and engineering services at various sites within New York State for DASNY under these contracts, including energy efficient design, utility cost evaluation and review, and various regulatory compliance services. Specific project descriptions are set out by DASNY in work authorizations, which are issued under the terms of the contracts.

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

- *Central Boiler and Chiller Plant, Lehman College, Bronx, New York.* This project includes the installation of a new 5,400-ton central chiller plant with high pressure steam turbine driven chillers and electric motor driven chillers and a 100,000 pound per hour high pressure steam boiler plant and the upgrade of the campus 27 kilovolt high voltage electric service. We are responsible for the study, design and construction management for this energy project that also includes the installation of temporary high pressure boilers and a temporary chiller in order to supply the campus with heating and cooling throughout the duration of the project.

- *Southern California Edison ("SCE") Schools Energy Efficiency Program, Southern California.* The Schools Energy Efficiency Program (SEEP) is a comprehensive energy efficiency retrofit program that delivers services to public and private pre-K-12 school facilities, including administration and service buildings, private colleges and universities and trade schools serviced by SCE, which include schools in Mono, Inyo, Tulare, San Bernardino, Ventura, Los Angeles and Orange counties. SEEP will involve all energy end-uses found in an educational environment such as heating, ventilation and air-conditioning, lighting, and controls, at little to no cost to the customer, to comprehensively address the needs of the target market. We are involved in this comprehensive process from audit through installation.

- *California Energy Commission, South Coast Air Quality Management District, Diamond Bar, California.* The California Energy Commission awarded us a grant titled, Bundle-Based Energy Efficiency Technology Solutions for California, to demonstrate emerging energy efficiency technologies through the Electric Program Investment Charge, which provides funding for applied research and development, technology demonstration and deployment, and market facilitation for clean energy technologies. We are the general contractor performing the work, managing multiple subcontractors to install three bundles of pre-commercial technologies in commercial buildings including chilled water plants, office and exterior space, and laboratory and critical environments. We are managing the design, construction, and commissioning of all equipment.

- *City of Lawrence, Kansas.* We assisted the City of Lawrence with the planning and installation of energy efficiency measures in 40 buildings throughout the city. We worked with all levels of city government to establish project priorities and to identify, design, and install a project that optimally meets these priorities.

Engineering and Consulting

Engineering, Construction Management and Planning Services

We provide a broad range of engineering-related services to the public sector and limited services to the private sector. In general, contracts for engineering services (as opposed to construction contracts) are awarded by public agencies based primarily upon the qualifications of the engineering professional, rather than the proposed fees. We have longstanding relationships with many of these agencies and are recognized as an engineering consultant with relevant expertise and customer focused services. A substantial percentage of our engineering-related work is for existing clients that we have served for many years.

Our engineering-related services are described individually below:

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

City Engineering. We specialize in providing engineering services tailored to the unique needs of municipalities. City engineering services range from staffing an entire engineering department to carrying out specific projects within a municipality, such as developing a pavement management program or reviewing engineering plans on behalf of a city. This service is the core of our original business and was the first service offered when we were founded.

Code Enforcement. We assist municipalities with the development and implementation of neighborhood preservation programs and the staffing of code enforcement personnel. Our code enforcement and neighborhood preservation services include reviewing, studying and analyzing existing programs, developing and implementing community educational programs, developing ordinances and writing grant proposals, and providing project managers and/or supervisors.

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

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

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

Landscape Architecture. We assist public agencies in the design and planning of parks and recreation developments, as well as redevelopment and community-wide beautification plans. Our services in the area of landscape architecture include design, landscape management, urban forestry and planning. Specific projects include park design and master planning, bidding and construction documents, water conservation plans, urban beautification programs, landscape maintenance management, site planning, and assessment district management.

Planning. We assist communities with a full range of planning services, from the preparation of long-range policy plans to assistance with the day-to-day operations of a planning department. For several cities, we provide contract staff support. We provide environmental documentation services (including National Environmental Policy Act, California Environmental Quality Act, and Environmental Impact Report compliance and document preparation), mitigation monitoring programs, and third party environmental review. We also provide urban planning and design services focused on investigation of specific planning and design issues and the formulation of plans, policies, and strategies for communities as a whole or for specific study areas. Typical assignments include land use studies, development of specific plans or general plan elements, design guidelines, and zoning ordinances. Our urban planning services include assisting communities with the implementation of general plans, land use enforcement, capital improvement planning, community development and redevelopment programs, and economic development strategies.

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

Contract Staff Support Services. We provide cities and counties with both interim and long-term contract staff support services, including capital improvement planning, contract administration, and code enforcement management. Public agencies have contracted with us when it is not cost-effective to have a full-time engineer on staff, to relieve peak workload situations, or to fill vacant positions during a job search. We have also provided small cities with the functions of entire departments, such as building and safety, engineering, planning, or public works. In other instances, public agencies have retained our personnel to serve as city engineers, building officials, case planners, public works directors, or project managers for large or unusually complex projects.

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

Survey. Our surveying and mapping services include major construction layout, design survey, topographic survey, aerial mapping, Geographic Information Systems, and right-of-way engineering.

Traffic. We specialize in providing traffic engineering and planning services to governmental agencies. Our services range from responding to citizen complaints to designing and managing multimillion dollar capital improvement projects. Traffic engineering services include serving as the contract city traffic engineer in communities, as well as performing design and traffic planning projects for our clients. These services and projects include parking management studies, intersection analyses and improvements, traffic impact reports, and traffic signal and control systems. We develop geometric design and channelization, traffic signal and street lighting plans, parking lot designs, and traffic control plans for construction.

Transportation. Our engineers design streets and highways, airport and transit facilities, freeway interchanges, high-occupancy vehicle lanes, pavement reconstruction, and other elements of city, county, and state infrastructure. Our transportation engineering services cover a full spectrum of support functions, including right of way, utility relocation, landscape, survey and mapping, geographic information systems, public outreach, and interagency coordination. These services are typically provided to local public works agencies, planning and redevelopment agencies, regional and state transportation agencies and commissions, transit districts, ports, railroads, and airports.

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

Representative Projects. The following are examples of typical projects with respect to our engineering-related services:

- *City of Elk Grove, California, Public Works Department Services.* We provide all-encompassing Public Works Department and Development Engineering services for the over 160,000-residents of the City of Elk Grove. Services include traditional public works, including public counter service, permitting, land development review and inspection, managing the Capital Improvement Program, civil engineering design and construction management, drainage study and engineering, traffic engineering, pavement management and inspections, project management and oversight, subconsultant procurement and selection, and infrastructure operations and maintenance. Staffing of the Department consists of eight city employees overseeing our staff of over 45 full-time engineers, managers, observers/inspectors, administrative support staff and a variety of subconsultants and subcontractors. Select representative projects completed for the city include the Aquatic Center Design, Citywide Pavement Program, Camden North & South Laguna Trail, and Costco Store Development Plan Review and Approval.

- *City of Paramount, California, City Engineering Services.* We have provided city engineering services to the City of Paramount for over 40 years, and presently serve as City Engineer and Water Engineer. In addition to providing staff augmentation services, we provided traffic engineering, agency engineering, public works permits/inspection, development review, Capital Improvements Plan design/inspection,

Community Development Block Grant administration, grant writing, and National Pollutant Discharge Elimination System compliance services.

- *City of Culver City, California, Contract Planning Project Management Services — Culver Studios Comprehensive Plan Update.* We provide project planners to assist the city with their advance-planning needs. Our planners assisted the Community Development Department with updating the Culver Studios Comprehensive Plan tasks including historic resources, peer review of the California Environmental Quality Act document, and entitlement processing.

- *City of Ridgecrest, California, Various Engineering and Construction Management Services.* We are performing engineering, construction management/inspection and federal funding compliance services for the City of Ridgecrest under numerous distinct contracts. Services have included planning, engineering, construction management, inspection, bidding assistance, federal funding compliance, labor compliance, and materials testing.

- *Soboba Tribal Gaming Commission, Building and Safety Services (Riverside County, CA).* The Soboba Tribal Gaming Commission located in Riverside County is constructing a new 300,000 square foot casino and hotel. We are providing, building and safety plan review and inspection, civil plan review, public works inspection, special inspection, and material testing services.

- *City of Davis, California, On Call Engineering Services.* We provide a full range of construction management and inspection services (including materials testing) for pavement rehabilitation and utility improvement projects for a federal grant-funded street surface improvement project located on Third Street.

- *City of Phoenix, Arizona. Building and Safety Plan Review and Inspection Services.* We currently have a contract to provide in house plan review services including building, plumbing, mechanical, electrical, energy, and fire code compliance for permit issuance purposes. Our current contract also provides in house field inspections for building, mechanical, plumbing, electrical, energy, and fire code compliance for construction of new developments within the city. We were awarded the Planning and Development Department field inspections and building plan review services for residential and commercial projects.

- *City of Fillmore, California, City Engineering Services.* We provide the City of Fillmore with a contract City Engineer, Deputy City Engineer, and as-needed staffing to deliver city engineering Services. The scope of our work includes the development of the city's capital improvement program and implementation and oversight of the current and future engineering/public works projects. As City Engineer, our staff attends council meetings and represents the city in meetings as requested by the City Manager. Serving as the Engineering Department, we work closely with all city departments to deliver timely and professional services to the City of Fillmore.

- *City of Westlake Village, California, City Engineering Services.* The City of Westlake Village has contracted with us since 1983 for general engineering services. Based on the ongoing needs of the city, our services include administrative duties, development review, capital projects, public works permits and inspections, and miscellaneous engineering. Administrative duties include an analysis of the city needs and preparation of long and short range programs, attendance at City Council and city requested meetings, review of planning and land development projects, general engineering consulting, recommending regulations and ordinances, technical supervision of city inspectors, advising the city on engineering and construction financing, offering recommendations on development control and acting as liaison with other public agencies.

- *City of Inglewood, California, Various Engineering Services.* We provide engineering services including construction observation and material testing, traffic and civil engineering design, map and legal description checking, and pavement management. Projects include collecting and analyzing traffic data, both historical and current, updating the existing Pavement Management System by evaluating and developing the existing condition of all pavements within the city's roadway (streets and alleys) network, and acting as city and traffic engineer.

- *County of Mariposa, California, Engineering Services and Bridge Preventative Maintenance Program.* We are completing the preliminary engineering phase, including design, environmental clearance, and permitting through plans, specifications, and estimate delivery and construction support for 25 bridges in the county's Bridge Preventive Maintenance Program. Eleven bridges potentially require the full suite of environmental technical studies due to the in-channel work anticipated, while 14 bridges require minimal environmental effort because in-channel work is not anticipated. We are also providing the preliminary engineering phase including design, environmental clearance, and permitting through plans, specifications, and estimate delivery and construction support for the replacement of five bridges throughout the county.

Economic and Financial Consulting Services

Since 1999, our subsidiary Willdan Financial Services, a public finance consulting business, has supplemented the engineering services that we offer our clients. In general, we supply expertise and support for the various financing techniques employed by public agencies to finance their operations and infrastructure. We also support the mandated reporting and other requirements associated with these financings. We do not provide underwriting or financial advisory services for municipal securities.

Unlike our engineering services business, we often compete for business, at least initially, through a competitive bid process. Agencies competitively bid out services on a regular basis. The new contract terms are generally one to three years per contract.

Our economic and financial consulting services include the following:

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

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

Financial Consulting. We perform economic analyses and financial projects for public agencies, including:

- Fee and rate studies, such as cost allocation studies and user fee analysis;
- Utility rate analysis for water, wastewater and storm water;
- Utility system appraisals and acquisitions;
- Fiscal and economic impact analysis;
- Strategic economic development and redevelopment plans;
- Community Choice Aggregation feasibility studies, in which local entities contemplate aggregating buying power in order to secure alternative energy supply contracts;
- Real estate and market analysis associated with planning efforts, and development fee studies;
- Proposition 218 studies, assessment noticing and balloting, and re-engineering;
- Special district formation, which involves the feasibility determinations, design, development and initiation of community facilities districts, school facilities improvement districts, tax increment financing districts, assessment districts, landscape and lighting districts, benefit assessment districts, business improvement districts, and fire suppression assessments;

- Other special projects, including facility financing plans, formation of new public entities, annexations and incorporations; financial analysis for bond offerings or refundings; development and financial projections; and nexus studies between public and private enterprises, including public-private partnerships and the benefits of economic development to municipalities and to state, provincial, regional and national governments.

Federal Compliance. We offer federal compliance services to issuers of municipal securities, which can be cities, towns, school districts, housing authorities, and other entities that are eligible to issue tax-exempt securities. Specifically, we provide arbitrage rebate calculations and annual continuing disclosure services that help issuers remain in compliance with federal regulations. We provide these reports, together with related compliance services such as bond elections, temporary period yield restriction, escrow fund monitoring, rebate payments, and refund requests. In terms of continuing disclosure services, we both produce the required annual reports and disseminate those reports on behalf of the issuers. We provide federal compliance services to approximately 750 issuers in 42 states and the District of Columbia on more than 2,500 bond issues totaling over $60 billion in municipal debt.

Representative Projects. Examples of typical projects we have with respect to our economic and financial consulting services:

- *Gainesville Regional Utilities ("GRU"), Florida, Cost of Service and Utility Rates Study.* GRU serves approximately 95,000 electric customers, 72,000 water customers, 64,000 wastewater customers, 35,000 natural gas customers, and 6,000 telecommunications customers with combined system revenues of approximately $420.0 million annually. We were selected by GRU to provide cost of service and rate studies for the electric, natural gas, water and wastewater systems, including connection fees.
- *City of Homestead, Florida, Downtown Redevelopment Fiscal and Economic Impact Analysis and New Market Tax Credit Financing.* We were retained to test the fiscal and economic impact of a series of proposed public-private redevelopment projects in downtown Homestead. The strategic redevelopment initiatives include more than $200.0 million of proposed public and private investment. We are also assisting the city with the securing of up to $34.0 million in financing through New Market Tax Credits for some projects.
- *City of Lancaster, Texas, Economic Development Strategic Plan.* The City of Lancaster is a suburb of Dallas and is part of the Best Southwest area, which includes Lancaster, Cedar Hill, DeSoto and Duncanville. We were retained by the city to complete an extensive market research evaluating the metro area and local economy, resulting in the preparation of an Economic Development Strategic Plan.
- *Property Assessed Clean Energy ("PACE").* PACE is a financing mechanism that enables low-cost, long-term funding for energy efficiency, renewable energy and water conservation projects. PACE financing is repaid as an assessment on the property owner's regular tax bill, and is processed the same way as other local public benefit assessments that have been utilized for decades. Depending on local legislation, PACE can be used to pay for new heating and cooling systems, solar panels, insulation and more for commercial, nonprofit and residential properties. This allows property owners to implement improvements without a large up-front cash payment. We have partnered with Ygrene Energy Fund to provide a national PACE program. The program spans over 40 counties in California and 10 counties in Florida, and it is currently expanding into Texas, Missouri and Georgia.
- *City of Moreno Valley, California, Grant Administration Services.* We are currently providing in-house grant administration services to annually manage approximately $2.7 million received annually from the city's Housing and Urban Development programs, Community Development Block Grants, Home Investment Partnership Program Emergency Solutions Grant, and Neighborhood Stabilization Program Grant.

National Preparedness and Interoperability Services

In fiscal year 2004, we formed our subsidiary Willdan Homeland Solutions, formerly known as American Homeland Solutions. Willdan Homeland Solutions provides emergency preparedness planning, emergency preparedness training and emergency preparedness exercises that focus on integrating local resources and assets within state and federal systems to cities, counties and related municipal service agencies, such as utility and water companies, as well as school districts, port and transportation authorities, tribal governments and large business enterprises with a need for homeland security related services. We staff our projects in this area with former high-level local and regional public safety officers and focus on solutions tailored for local agencies and their personnel. Our services include the following:

Emergency Preparedness Planning. We design, develop, implement, review and evaluate public and private agencies' emergency operations and hazard mitigation plans, including compliance and consistency with federal, state and local laws and policies. Plans are tailored to respond to terrorism, intentional acts of sabotage and natural disasters. We also provide command and control and emergency response training for all types of unusual occurrences. We have developed emergency operations, hazard mitigation, continuity of operations and business continuity and recovery plans for municipal governments, special districts school districts, and private-industry clients.

Emergency Preparedness Training. We design customized training courses for all aspects of disaster, unusual occurrence and emergency responses. In this regard, we have developed and own several training courses that meet or exceed the requirements for the federal National Incident Management System ("NIMS") training. These courses assist clients in meeting their obligations to prepare their staff to utilize the NIMS.

Emergency Preparedness Exercises. We conduct planning sessions and exercises, including those relating to weapons of mass destruction, large events, mass casualty transportation disasters, terrorism incident response, natural disaster response and recovery and civil disorder events. We design these exercises for multi-agency involvement so they are fully compliant with the federal government's Homeland Security Exercise and Evaluation Program, the State Emergency Management System for California, and the National Response Framework. Exercises are designed to evaluate and test first responders and support personnel, as well as elected officials and agency management.

Representative Projects. Examples of projects related to our national preparedness and interoperability services include:

- *New York State Metropolitan Transportation Authority - Advanced Security And Emergency Response Training.* We are providing an advanced, instructor led, decision-based curriculum that incorporates video scenarios and simulations, creating a realistic training environment and facilitating discussion for this effort. The knowledge and skills taught in this course enables "first contact" employees, as "on-scene" responders, to better secure themselves and their peers, as well as their work environment and customers, by quickly reacting to potentially threatening and stressful events and emergencies. The curriculum supporting the Phase III First Line of Defense course received Federal Emergency Management Agency approval, through the National Training and Education Division, for inclusion in the Approved Sponsored Course Catalog.

- *US Department of Homeland Security, Federal Emergency Management Agency, National Exercise Division.* We are currently a part of a team of firms providing emergency preparedness exercise planning and conduct technical assistance for jurisdictions across the U.S., in support of the Federal Emergency Management Agency, National Exercise Division's National Exercise Program. Willdan supports the implementation of this program by leading the design, planning, delivery, and evaluation of emergency preparedness response and recovery training exercises, for jurisdictions, regions, and states throughout the U.S.

Competitive Strengths

We provide a wide range of privatized services to the public sector, private firms and utilities. We have developed the experience base, professional staff and support technology and software necessary to quickly and effectively respond to the needs of our clients. We believe we have developed a reputation within our industry as problem solvers across a broad range of client issues. Some of our competitive strengths include:

Quality of service. We pride ourselves on the quality of service that we provide to our clients. The work for which we compete is awarded primarily based on the company's qualifications, rather than the fees proposed. We believe that our service levels, experience and expertise satisfy even the most rigorous qualification standards. We have developed a strong reputation for quality, based upon our depth of experience, ability to attract quality professionals, customized technology and software that support our services, local knowledge and the expertise we possess across multiple disciplines. We believe we are well-positioned to serve utilities and public sector clients due to our knowledge of the unique reporting processes and operating procedures of utilities and public agencies, which differ substantially from the private sector.

Broad range of services. Our focus on customer service has led us to continually broaden the scope of the services we provide. While we started as an engineering business, at different stages in our history, as the needs of our clients have evolved, we have expanded into new services, such as energy efficiency and homeland security services, and developed complementary service capabilities, including building and safety services, financial and economic services, planning services, geotechnical services, code enforcement services. Further, because we recognize that local public sector projects and issues often cross departmental lines, we have developed the ability to deliver multiple services in a cohesive manner to better serve our client communities as a whole.

Strategic locations in key markets. Local agencies want professionals who understand their local needs. Therefore, we deliver our services through a network of offices dispersed throughout the United States in: Arizona, California, Connecticut, Colorado, Florida, Illinois, Kansas, Nevada, New Jersey, New York, Ohio, Oregon, Texas, Utah, Washington and Washington, D.C. Each of our offices is staffed with quality professionals, including former management level public sector employees, such as planners, engineers, inspectors, and police and fire department personnel. These professionals understand the local and regional markets in which they work.

Strong, long-term client relationships. We have developed strong relationships with our public agency clients, some of whom we have worked with for over 40 years. The value of these long-term relationships is reflected in the recurring award of new projects, ongoing staffing assignments, and long-term projects that require high-level supervision. We also seek to maintain close personal relationships with public agency decision-makers to strengthen our relationships with them and the agencies with which they work. We frequently develop new client relationships as our public agency contacts are promoted or move to other agencies. Our strong culture of community involvement and leadership in key public agency organizations underscores our customer focus and helps us cultivate and expand our client base.

Experienced, talented and motivated employees. Our staff consists of seasoned professionals with a broad array of specialties, and a strong customer service orientation. Our corporate culture places a high priority on investing in our people, including providing opportunities for stock ownership to attract, motivate and retain top professionals. Our executive officers have an average of greater than 30 years of experience in the engineering and consulting industry, and an average of greater than 9 years with our company.

Clients

Our clients primarily consist of investor owned utilities, public and governmental agencies including cities, counties, redevelopment agencies, water districts, school districts and universities, state agencies, federal agencies and a variety of other special districts and agencies. We also provide services to private utilities and private industry. In fiscal year 2017, we served over 1,036 distinct clients. For fiscal year 2017, two clients accounted for more than 10% of our consolidated contract revenue. Consolidated Edison and DASNY accounted for 16% and 22%, respectively, of our consolidated contract revenue for fiscal year 2017. Our clients are primarily based in New York and California. In fiscal year 2017, services provided to clients in New York accounted for approximately 46% of our contract revenue and services provided to clients in California accounted for approximately 30% of our contract revenue.

Contract Structure

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

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

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

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

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

	Fiscal Year	
	2017	2016
Time-and-materials	19%	24%
Unit-based	32%	30%
Fixed price	49%	46%
Total	100%	100%

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

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

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

Competition

The market for our services is highly fragmented. We often compete with many other firms ranging from small local firms to large national firms. Contract awards are based primarily on qualifications, relevant experience, staffing capabilities, geographic presence, stability and price.

Doing business with utilities and governmental agencies is complex and requires the ability to comply with intricate regulations and satisfy periodic audits. We have been serving cities, counties, special districts and other public agencies for over 50 years. We believe that the ability to understand these requirements and to successfully conduct business with utilities, governmental entities and agencies is a barrier to entry for potential competitors.

Our competition varies by type of client, type of service and geography. The range of competitors for any one project can vary depending upon technical specialties, the relative value of the project, geographic location, financial terms, risks associated with the work, and any client imposed restrictions. Unlike most of our competitors, we focus our services on utilities and public sector clients. Utility and public sector clients generally choose among competing firms by weighing the quality, experience, innovation and timeliness of the firm’s services. When selecting consultants for engineering projects, many utilities and government agencies are required to, and others choose to, employ Qualifications Based Selection (“QBS”). QBS requires the selection of the most technically qualified firms for a project, while the financial and legal terms of the engagement are generally secondary.

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

We believe that our Energy segment competes primarily with Lockheed-Martin Corp., EnerPath Services, Inc., KEMA Laboratories (a division of the DNV GL Group AS), CLEAResult Consulting, Inc., AM Conservation Group, Inc., Ameresco, Inc., Lime Energy Co., ICF International, Inc., and Nexant, Inc. We believe that the primary competitors for our engineering, construction management and planning services within our Engineering and Consulting segment include Charles Abbott & Associates, Inc., Harris & Associates, Inc., RBF Consulting, Inc., Tetra Tech, Inc., Stantec, Inc., Michael Baker Corporation, TRC Companies, Inc., AECOM Technology Corporation, NV5 Holdings, Inc., Ecology & Environment, Inc., Iteris, Inc., Kimley-Horn and Associates, Inc., Kleinfelder, Inc., HNTB Corporation and Jacobs Engineering Group, Inc. Our chief competitors for our economic and financial consulting services within our Engineering and Consulting segment include David Taussig & Associates, Inc., Harris & Associates, Inc., BLX Group, Inc., Arbitrage Compliance Specialists, Inc., Raftelis Financial Consultants, Inc., FCS Group Inc. and NBS Government Finance Group Inc. We believe our national preparedness and interoperability services within our Engineering and Consulting segment compete primarily with Leidos, Inc., Tetra Tech, Inc., Witt O'Brien's, LLC and IEM, Inc.

Insurance

We currently maintain the following insurance coverage: commercial general liability insurance, automobile liability insurance, workers' compensation and employer's liability insurance and cyber liability insurance. We also carry professional liability insurance and an umbrella/excess liability insurance. We are liable to pay these claims from our assets if and when the aggregate settlement or judgment amount exceeds our policy limits.

Employees

At December 29, 2017, we had approximately 631 full-time employees and 251 part-time employees. All Public Agency Resources' employees are classified as part-time. Our employees include, among others, licensed electrical, mechanical, structural and civil engineers, land surveyors, certified building officials, licensed geotechnical engineers and engineering geologists, certified inspectors and plans examiners, licensed architects and landscape architects, certified planners, and information technology specialists. We believe that we attract and retain highly skilled personnel with significant industry experience and strong client relationships by offering them challenging assignments in a stable work environment. We believe that our employee relations are good.

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

	As of Fiscal Year End		
	2017	2016	2015
Energy	381	334	224
Engineering and Consulting	448	446	423
Holding Company Employees (Willdan Group, Inc.)	53	51	41
Total	882	831	688

At December 29, 2017, we contracted with approximately 100 former and current public safety officers to conduct homeland security services training courses. These instructors are classified as subcontractors and not employees.

Intellectual Property

The Willdan, Willdan Group, Inc., Willdan Engineering, Willdan Infrastructure, Willdan Financial Services, Willdan Energy Solutions and Willdan Homeland Services names are service marks of ours, and we have obtained a service mark for the Willdan and "W" logo. In connection with our acquisition of Integral Analytics, we have obtained the patent for "Optimization of Microgrid Energy Use and Distribution." We have also obtained federal service mark registration with the United States Patent and Trademark Office for the "Willdan" name, "Willdan Group, Inc." name and the "extending your reach" tagline. We believe we have strong name recognition in the western United States and New York, and that this provides us a competitive advantage in obtaining new business. Consequently, we believe it is important to protect our brand identity through trademark registrations. The name and logo of our proprietary software, MuniMagic[SM], are registered service marks of Willdan Financial Services, and we have registered a federal copyright for the source code for the MuniMagic[SM] software.

Available Information

Our website is www.willdan.com and our investor relations page is under the caption "Investors" on our website. We make available on this website under "SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. We also make available on this website our prior earnings calls under the heading "Investors—Investor Relations" and our Code of Ethical Conduct under the heading "Investors—Corporate Governance." The information on our website is not a part of or incorporated by reference into this filing. Further, a copy of this annual report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at http://www.sec.gov.

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

Overview

We are a provider of professional technical and consulting services to utilities, private industry, and public agencies at all levels of government. We enable our clients to realize cost and energy savings by providing a wide range of specialized services. We assist our clients with a broad range of complementary services relating to:

- Energy; and
- Engineering and Consulting.

We operate our business through a nationwide network of offices in Arizona, California, Connecticut, Colorado, Florida, Illinois, Kansas, Nevada, New Jersey, New York, Ohio, Oregon, Texas, Utah, Washington and Washington, DC. As of December 29, 2017, we had 882 employees which includes licensed engineers and other professionals.

We seek to establish close working relationships with our clients and expand the breadth and depth of the services we provide to them over time. Our business with public and private utilities is concentrated primarily in New York and California, but we also have business with utilities in other states. We currently serve more than 25 major utility customers across the country. Our business with public agencies is concentrated in New York and California. We provide services to many of the cities and counties in California. We also serve special districts, school districts, a range of public agencies and private industry.

We were founded in 1964 and Willdan Group, Inc., a Delaware corporation, was formed in 2006 to serve as our holding company. Historically, our clients were public agencies in communities with populations ranging from 10,000 to 300,000 people. We believe communities of this size are underserved by large outsourcing companies that tend to focus on securing large federal and state projects and private sector projects. Since expanding into energy efficiency services, our client base has grown to include investor-owned and other public utilities as well as substantial energy users in government and business.

We consist of a group of wholly owned companies that operate within the following segments for financial reporting purposes:

- *Energy*. Our Energy segment consists of the business of our subsidiary Willdan Energy Solutions ("WES") which offers energy efficiency and sustainability consulting services to utilities, public agencies and private industry under a variety of business names, including Willdan Energy Solutions, Abacus Resource Management, 360 Energy Engineers, Genesys Engineering and Integral Analytics. This segment is currently our largest segment based on contract revenue, representing approximately 73% and 68% of our consolidated contract revenue for fiscal years 2017 and 2016, respectively.

- *Engineering and Consulting*. Our Engineering and Consulting segment includes the operations of our subsidiaries, Willdan Engineering, Willdan Infrastructure, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions. Willdan Engineering provides civil engineering-related construction management, building and safety, city engineering, city planning, geotechnical, material testing and other engineering consulting services to our clients. Willdan Infrastructure, which was launched in fiscal year 2013, provides engineering services to larger rail, port, water, mining and other civil engineering projects. Public Agency Resources primarily provides staffing to Willdan Engineering. Contract revenue for the Engineering and Consulting segment represented approximately 27% and 32% of our consolidated contract revenue for fiscal years 2017 and 2016, respectively.

During the three months ended March 30, 2018, we revised our segment reporting to conform to changes in our internal management reporting. Segment information has been revised for comparison purposes for all periods presented in the consolidated financial statements. For additional information regarding the changes to the reportable segments, see Note 13 "Segment Information" of the notes to our consolidated financial statements included elsewhere in this report.

Acquisition of Integral Analytics

On July 28, 2017, we and our wholly-owned subsidiary WES acquired all of the outstanding shares of Integral Analytics, Inc., a data analytics and software company, pursuant to the Stock Purchase Agreement, dated July 28, 2017, by and among us, WES, Integral Analytics, the stockholders of Integral Analytics and the Sellers' Representative (as defined therein).

WES will pay the stockholders of Integral Analytics a maximum purchase price of $30.0 million, consisting of (i) $15.0 million in cash paid at closing (subject to certain post-closing tangible net asset value adjustments), (ii) 90,611 shares of our common stock, issued at closing, equaling $3.0 million, calculated based on the volume-weighted average price of shares of our common stock for the ten trading days immediately prior to, but not including, the closing date of the acquisition of Integral Analytics and (iii) up to $12.0 million in cash for a percentage of sales attributable to the business of Integral Analytics during the three years after the closing date of the Integral Analytics acquisition, as more fully described below (such potential payments of up to $12.0 million, being referred to as "Earn-Out Payments" and $12.0 million in respect thereof, being referred to as the "Maximum Payout"). We used cash on hand for the $15.0 million cash payment paid at closing.

The size of the Earn-Out Payments to be paid will be determined based on two factors. First, the stockholders of Integral Analytics will receive 2% of gross contracted revenue for new work sold by us in close collaboration with Integral Analytics during the three years following the closing date of the acquisition of Integral Analytics (the "Earn-Out Period"). Second, the stockholders of Integral Analytics will receive 20% of the gross contracted revenue specified in each executed and/or effective software licensing agreement entered into by us or one of our affiliates that contains pricing either equal to or greater than standard pricing of software offered for licensing by Integral Analytics during the Earn-Out Period. The amounts due to the stockholders of Integral Analytics pursuant to these two factors will in no event, individually or in the aggregate, exceed the Maximum Payout. Earn-Out Payments will be made in quarterly installments for each year of the Earn-Out Period. For the purposes of both of these factors, credit will be given to Integral Analytics for the

gross contracted revenue in the quarter in which the contract/license is executed, regardless of when the receipt of payment thereunder is expected. The amount of gross contracted revenue for contracts with unfunded ceilings or of an indeterminate contractual value will be mutually agreed upon. Further, in the event of a change of control of WES during the Earn-Out Period, any then-unpaid amount of the Maximum Payout will be paid promptly to the stockholders of Integral Analytics, even if such Earn-Out Payments have not been earned at that time. We have agreed to certain covenants regarding the operation of Integral Analytics during the Earn-Out Period, of which a violation by us could result in damages being paid to the stockholders of Integral Analytics in respect of the Earn-Out. In addition, the Earn-Out Payments will be subject to certain subordination provisions in favor of BMO Harris Bank, N.A. ("BMO"), our senior secured lender.

WES has also established a bonus pool for the employees of Integral Analytics to be paid based on Integral Analytics' performance against certain targets.

Components of Revenue and Expense

Contract Revenue

We generally provide our services under contracts, purchase orders or retainer letters. The agreements we enter into with our clients typically incorporate one of four principal types of pricing provisions: time-and-materials, unit-based, fixed price and service-related contracts. Revenue on our time-and-materials and unit-based contracts are recognized as the work is performed in accordance with specific terms of the contract. Approximately 19% of our contracts are time-and-materials contracts and approximately 32% of our contracts are unit-based contracts. Some of these contracts include maximum contract prices, but contract maximums are often adjusted to reflect the level of effort to achieve client objectives and thus the majority of these contracts are not expected to exceed the maximum. Contract revenue on our fixed price contracts is determined on the percentage of completion method based generally on the ratio

of direct costs incurred to date to estimated total direct costs at completion. Many of our fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Our service-related contracts, including operations and maintenance services and a variety of technical assistance services, are accounted for over the period of performance, in proportion to the cost of performance.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate indicates a loss, such loss is recognized currently in its entirety. Claims revenue is recognized only upon resolution of the claim. Change orders in dispute are evaluated as claims. Costs related to un-priced change orders are expensed when incurred and recognition of the related contract revenue is based on an evaluation of the probability of recovery of the costs. Estimated profit is recognized for un-priced change orders if realization of the expected price of the change order is probable.

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

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

Direct Costs of Contract Revenue

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

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

General and Administrative Expenses

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

Critical Accounting Policies

This discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S., or GAAP. To prepare these financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Note 2 to our consolidated financial statements included elsewhere in this report. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date of this report.

Contract Accounting

We enter into contracts with our clients that contain various types of pricing provisions, including fixed price, time-and-materials, unit-based, and service-related provisions. The following table reflects our two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

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

Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs (primarily exclusive of depreciation and amortization costs) incurred to date to estimated total direct costs at completion. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. We recognize revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also include in revenue all reimbursable costs incurred during a reporting period for which we have risk or on which the fee was based at the time of bid or negotiation. Certain of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue under these contracts is generally recognized under the percentage-of-completion method, consistent with fixed price contracts. Revenue on contracts that are not subject to maximum contract values is recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that we incur on the projects. In addition, revenue from overhead percentage recoveries and earned fees are included in revenue. Revenue is recognized as the related costs are incurred. For unit-based contracts, we recognize the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue for amounts that have been billed but not earned is deferred and such deferred revenue is referred to as billings in excess of costs and estimated earnings on uncompleted contracts in the accompanying consolidated balance sheets.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate, for contracts that are recognized under the percentage-of-completion method, indicates a loss, such loss is provided for currently in its entirety. Claims revenue is recognized only upon resolution of the claim. Change orders in dispute are evaluated as claims. Costs related to un-priced change orders are expensed when incurred and recognition of the related contract revenue is based on an evaluation of the probability of recovery of the costs. Estimated profit is recognized for un-priced change orders if realization of the expected price of the change order is probable.

We consider whether our contracts require combining for revenue recognition purposes. If certain criteria are met, revenues for related contracts may be recognized on a combined basis. With respect to our contracts, it is rare that such criteria are present. We may enter into certain contracts which include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, we evaluate if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue.

Applying the percentage-of-completion method of recognizing revenue requires us to estimate the outcome of our fixed price and long-term contracts. We forecast such outcomes to the best of our knowledge and belief of current and expected conditions and our expected course of action. Differences between our estimates and actual results often occur resulting in changes to reported revenue and earnings. Such changes could have a material effect on future consolidated financial statements. We did not have material revisions in estimates for contracts recognized using the percentage-of-completion method for any of the periods presented in the accompanying consolidated financial statements.

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

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based upon our review of all outstanding amounts on a quarterly basis. Management determines allowances for doubtful accounts through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience. Our credit risk is minimal with governmental entities and large public utilities, but disputes may arise related to these receivable amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. For further information on the types of contracts under which we perform our services, see “Business—Contract Structure” elsewhere in this report.

Goodwill

We test our goodwill at least annually for possible impairment. We complete our annual testing of goodwill as of the last day of the first month of our fourth fiscal quarter each year to determine whether there is impairment. In addition to our annual test, we regularly evaluate whether events and circumstances have occurred that may indicate a potential impairment of goodwill. We did not recognize any goodwill impairment charges in fiscal years 2017, 2016, or 2015. We had goodwill of approximately $38.2 million as of December 29, 2017, which primarily relates to our acquisition of Integral Analytics in July 2017 and other various acquisitions in 2015 and 2016.

We test our goodwill for impairment at the level of our reporting units, which are components of our operating segments. In September 2011, FASB issued Accounting Standards Update No. 2011-08 ("ASU 2011-08"), *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This accounting guidance allows companies to perform a qualitative assessment on goodwill impairment to determine whether a quantitative assessment is necessary. If a quantitative assessment is warranted, we then determine the fair value of the applicable reporting units. To estimate the fair value of our reporting units, we use both an income approach based on management's estimates of future cash flows and other market data and a market approach based upon multiples of earnings before interest, taxes, depreciation and amortization, or EBITDA, earned by similar public companies.

Once the fair value is determined, we then compare the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is determined to be less than the carrying value, we perform an additional assessment to determine the extent of the impairment based on the implied fair value of goodwill compared with the carrying amount of the goodwill. In the event that the current implied fair value of the goodwill is less than the carrying value, an impairment charge is recognized.

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

Accounting for Claims Against the Company

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

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

Business Combinations

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

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

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

On January 15, 2015, we and our wholly-owned subsidiary WES completed two separate acquisitions. We acquired all of the outstanding shares of Abacus, an Oregon-based energy engineering company. In addition, we also acquired substantially all of the assets of 360 Energy, a Kansas-based energy engineering company. On April 3, 2015, our wholly-owned subsidiary, Willdan Financial Services, acquired substantially all of the assets of Economists LLC, a Texas-based economic analysis and financial solutions firm serving the municipal and public sectors. On March 4, 2016, we and WES acquired substantially all of the assets of Genesys, a New York-based energy engineering company. On July 28, 2017, we and WES acquired Integral Analytics, a data analytics and software company.

As of December 29, 2017, we had not yet completed our final estimate of fair value of the assets acquired and liabilities assumed relating to the acquisition of Integral Analytics due to the timing of the transaction and lack of complete information necessary to finalize such estimates of fair value. Accordingly, we have preliminarily estimated the fair values of the assets acquired and the liabilities assumed and will finalize such fair value estimates

within twelve months of the acquisition date. For further discussion of our acquisitions, see "—Acquisition of Integral Analytics" above and Note 3 "—Business Combinations" of the notes to our consolidated financial statements included elsewhere in this report.

Income Taxes

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

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2017 and 2016, we ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included our history of utilization of California net operating losses in prior years for each of our subsidiaries, as well as our forecasted amount of net operating loss utilization for certain members of the combined group. As a result, we recorded a valuation allowance in the amount of $87,000 and $72,000 at the end of fiscal year 2017 and 2016, respectively, related to California net operating losses.

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

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

Subsequent to year end, we were notified that our 2016 tax return will be examined by the IRS. We have yet to determine the result due to the examination process having not commenced.

Results of Operations

The following table sets forth, for the periods indicated, certain information derived from our consolidated statements of operations expressed as a percentage of contract revenue. Amounts may not add to the totals due to rounding.

	Fiscal Year		
	2017	2016	2015
Statement of Operations Data:			
Contract revenue	100%	100%	100%
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):			
Salaries and wages	16.4	18.7	23.6
Subcontractor services and other direct costs	55.6	49.9	37.2
Total direct costs of contract revenue	71.9	68.6	60.8
General and administrative expenses:			
Salaries and wages, payroll taxes and employee benefits	13.4	14.9	19.1
Facilities and facility related	1.7	2.0	3.1
Stock-based compensation	1.0	0.6	0.6
Depreciation and amortization	1.4	1.5	1.5
Other	5.5	7.0	9.4
Total general and administrative expenses	23.0	26.0	33.7
Income from operations	5.0	5.4	5.5
Other income (expense):			
Interest expense, net	—	(0.1)	(0.2)
Other, net	—	—	—
Total other expense, net	—	(0.1)	(0.2)
Income before income taxes	5.0	5.3	5.3
Income tax expense	0.6	1.5	2.3
Net income	4.4%	3.8%	3.0%

Fiscal Year 2017 Compared to Fiscal Year 2016

Contract revenue. Our contract revenue was $273.4 million for fiscal year 2017, with $199.6 million attributable to the Energy segment and $73.7 million attributable to the Engineering and Consulting segment. Consolidated contract revenue increased $64.4 million, or 30.8%, to $273.4 million for fiscal year 2017 from $208.9 million for fiscal year 2016. This was primarily the result of an increase in contract revenue for our Energy segment of

$57.7 million, or 40.7%, to $199.6 million for fiscal year 2017 from $141.9 million for fiscal year 2016 and an increase in contract revenue for our Engineering and Consulting segment of $6.7 million, or 10.0%, to $73.7 million for fiscal year 2017 from $67.1 million for fiscal year 2016. Contract revenue for the Energy segment increased primarily due to the ramp up of new contracts and programs for performance contracts in Kansas and New Jersey, multi-family lighting contracts in New York and other utility contract expansions, including Rocky Mountain Power and San Diego Gas & Electric. Additionally, there was expanded demand for services from the Energy segment under existing contracts and the recognition of contract revenue of Genesys for an entire year compared to the prior year when the acquisition was executed. As the economy continues to grow, utility customers and governmental agencies continue to see demand from their constituents for a greener, more productive supply of energy and investment in governmental infrastructure. Contract revenue for the Engineering and Consulting segment increased primarily due to (i) greater demand for our planning services across all clients, building and safety services in California and Arizona, and geotechnical and public works services in California, (ii) the continued growth across the country in the Property Assessed Clean Energy Program (PACE) that Willdan Financial Services manages, along with an increased demand for consulting services in Texas and Arizona and (iii) a greater demand for emergency preparedness training offerings to our clients.

Direct costs of contract revenue. Direct costs of contract revenue increased by $53.4 million, or 37.3%, compared to the prior year, to $196.7 million for fiscal year 2017, with $154.8 million attributable to the Energy segment and $41.9 million attributable to the Engineering and Consulting segment. Direct costs of contract revenue for our Energy segment increased by $49.0 million, or 46.3%, compared to the prior year, primarily due to the expanded revenue base from new contracts and programs commencing during the year and the recognition of direct costs of revenue of Genesys for an entire year compared to the prior year when the acquisition was executed. Direct costs of contract revenue also increased for our Engineering and Consulting segment by $4.4 million, or 11.9%. Direct costs of contract revenue increased for our Engineering and Consulting segment primarily due to the increased number of staff members required to execute increased projects throughout the segment.

Subcontractor services and other direct costs increased by $47.7 million and salaries and wages increased by $5.7 million compared to the prior year. Within direct costs of contract revenue, salaries and wages decreased to 16.4% of contract revenue for fiscal year 2017 as compared to 18.7% for fiscal year 2016. Subcontractor services and other direct costs increased to 55.6% of contract revenue for fiscal year 2017 from 49.9% of contract revenue for fiscal year 2016. Subcontractor services and other direct costs increased as a percentage of contract revenue primarily due to a higher mix of revenues from performance contracts and the direct installation of energy efficiency measures compared to the prior year.

General and administrative expenses. General and administrative expenses increased by $8.8 million, or 16.3%, to $63.0 million for fiscal year 2017 from $54.1 million for fiscal year 2016. This reflected an increase of $13.3 million in general and administrative expenses of the Energy segment, offset by decreases of $4.1 million and $0.4 million in general and administrative expenses of the unallocated corporate expenses and Engineering and Consulting segment, respectively. General and administrative expenses as a percentage of contract revenue were 23.0% for fiscal year 2017 as compared to 26.0% for fiscal year 2016. Our general and administrative expenses decreased as a percentage of contract revenue, while increasing in amount, compared to the prior year, primarily due to our increased revenue base from fiscal year 2016 to fiscal year 2017. As discussed above under "—Components of Revenue and Expense—Direct Costs of Contract Revenue," we only allocate that portion of salaries and wages related to time spent directly generating revenue to direct costs of contract revenue, and the remainder is allocated to general and administrative expenses. As a result of our increased business levels and revenue, we have been allocating more salaries and wages to direct costs of revenues, which has correspondingly decreased the amount of salaries and wages we have allocated to general and administrative expenses.

Of the $8.8 million increase in general and administrative expenses, approximately $5.5 million resulted from an increase in salaries and wages, payroll taxes and employee benefits, $1.5 million resulted from an increase in stock-based compensation, $0.7 million resulted from an increase in depreciation and amortization, $0.6 million resulted from an increase in other general and administrative expenses, and $0.5 million resulted from an increase in facilities and facility related expenses. The increase in salaries and wages, payroll taxes and employee benefits was primarily due to increased activity requiring us to hire additional administrative employees and increased compensation for our current employees. The increase in stock-based compensation expenses was primarily due to an increase in the issuance of grants to new employees and an employee stock purchase plan change that gives our employees a 15% purchasing discount compared to 5% in our previous plan. The increase in depreciation and amortization was primarily due to increased use of computer hardware, company vehicles and field equipment. The increase in depreciation and amortization expenses was primarily due to an increase in amortization of intangible assets from our 2016 and 2017 acquisitions. The increase in other general and administrative expenses was primarily due to interest accretion on the earn-out payments relating to our acquisitions of Economists LLC, Integral Analytics and substantially all of the assets of 360 Energy. The increase in facilities and facility related expenses was primarily due to the opening of new offices in Connecticut, New York, Ohio and Utah.

Income from operations. As a result of the above factors, our operating income increased by $2.2 million or 18.7% to $13.7 million for fiscal year 2017 as compared to $11.5 million for fiscal year 2016 The increase was primarily due to a larger revenue base over direct costs. Income from operations, as a percentage of contract revenue, was 5.0% for fiscal year 2017 and 5.4% for fiscal year 2016. The decrease in operating margin was primarily due to direct costs of contract revenue increasing more than contract revenue increased.

Total other expense, net. Total other expense, net, decreased to $13,000 for fiscal year 2017 as compared $177,000 for fiscal year 2016. This decrease in total other expense, net is primarily the result of lower interest expense during fiscal year 2017, due to the decreasing principal amounts outstanding on the notes payable related to our previous acquisitions.

Income tax expense. We recorded an income tax expense of $1.6 million for fiscal year 2017, as compared to $3.1 million for fiscal year 2016. The effective tax rate for fiscal year 2017 was 11.4%, as compared to 27.0% for fiscal year 2016. The reduction in the year-over-year effective tax rate for fiscal year 2017 and the difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate was primarily attributable to increased deductions for stock options and disqualifying dispositions and the impact of the Tax Act, partially offset by energy efficient commercial building deductions that we were utilizing in 2016 and that were not available in 2017. The difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate in fiscal year 2016 primarily relates to energy efficient commercial building deductions.

On December 22, 2017, the Tax Act was enacted into law, which, among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, we recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of our deferred tax assets and liabilities on the enactment date. The Tax Act also includes provisions that may partially

offset the benefit of the tax rate reduction. Based on our initial assessment of the Tax Act, we believe that the most significant impact on our financial statements is the remeasurement of our deferred taxes. Quantifying all of the impacts of the Tax Act requires significant judgment by our management, including the inherent complexities involved in determining the timing of reversals of our deferred tax assets and liabilities. Accordingly, we will continue to analyze the impacts of the Tax Act and, if necessary, record any further adjustments to our deferred tax assets and liabilities in future periods. For further discussion of our income tax provision, see Note 12 "—Income Taxes" of notes to our consolidated financial statements.

Shortly after the Tax Act was enacted, the SEC issued guidance under SAB 118 to address the application of GAAP and directing taxpayers to consider the impact of the Tax Act as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. In accordance with SAB 118, we have recognized the provisional tax impacts. Although, we do not believe there will be any material adjustments in subsequent reporting periods, the ultimate impact may differ from the provisional amounts, due to, among other things, the limitation on the deductibility of certain executives' compensation pursuant to Section 162(m) of the Internal Revenue Code, a detailed evaluation of the contractual terms of our fourth quarter 2017 capital additions to determine whether they qualify for the 100% expensing pursuant to the Tax Act, the significant complexity of the Tax Act and anticipated additional regulatory guidance that may be issued by the IRS and changes in analysis, interpretations and assumptions we have made and actions we may take as a result of the Tax Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

Net income. As a result of the above factors, our net income was $12.1 million for fiscal year 2017, as compared to net income of $8.3 million for fiscal year 2016.

Fiscal Year 2016 Compared to Fiscal Year 2015

Contract revenue. Our contract revenue was $208.9 million for fiscal year 2016, with $141.9 million attributable to the Energy segment and $67.1 million attributable to the Engineering and Consulting segment. Consolidated contract revenue increased $73.8 million, or 54.6%, to $208.9 million for fiscal year 2016 from $135.1 million for fiscal year 2015. This was primarily the result of an increase in contract revenue for our Energy segment of $67.8 million, or 91.4%, to $141.9 million for fiscal year 2016 from $74.1 million for fiscal year 2015 and an increase in contract revenue for our Engineering and Consulting segment of $6.1 million, or 10.0%, to $67.1 million for fiscal year 2016 from $61.0 million for fiscal year 2015. Contract revenue for the Energy segment increased primarily because of incremental contract revenue of $48.6 million as a result of the acquisition substantially all of the assets of Genesys in March 2016. Energy segment contract revenue increased an additional $19.3 million due to new contracts and expanded demand for the segment's services under existing contracts, including the installation of energy saving measures. Contract revenue for the Engineering and Consulting segment increased primarily due to greater demand for

our city engineering services in northern California, our building and safety services, and our construction management services and the growth in our PACE program including the geographic expansion of our water/wastewater consulting services, which increase was partially offset by slightly lower levels of activity in the traditional planning, training and exercise of consulting services business.

Direct costs of contract revenue. Direct costs of contract revenue were $143.3 million for fiscal year 2016, with $105.8 million attributable to the Energy segment and $37.4 million attributable to the Engineering and Consulting segment. Overall, direct costs increased by $61.2 million, or 74.5%, to $143.3 million for fiscal year 2016 from $82.1 million for fiscal year 2015. Of this $61.2 million increase, $43.2 million were attributable to incremental costs as a result of the acquisition of substantially all of the assets of Genesys in March 2016. Excluding the direct costs of contract revenue attributable to the acquisition of substantially all of the assets of Genesys, direct costs of contract revenue increased primarily as a result of the growth in subcontractor services and production expenses for our Energy segment. Accordingly, the increase in overall direct costs was primarily a result of an increase in direct costs for our Energy segment of $56.2 million, or 113.3% for fiscal year 2016. Direct costs of contract revenue also increased for our Engineering and Consulting segment by $5.0 million, or 15.4%.

Direct costs increased as a result of increases in the use of subcontractor services and other direct costs of $54.0 million and an increase in salaries and wages of $7.1 million. Within direct costs of contract revenue, salaries and wages decreased to 18.7% of contract revenue for fiscal year 2016 as compared to 23.6% for fiscal year 2015. Subcontractor services and other direct costs increased to 49.9% of contract revenue for fiscal year 2016 from 37.2% of contract revenue for fiscal year 2015. Subcontractor services and other direct costs increased primarily because of the expansion of construction management revenues from our acquisition of substantially all of the assets of Genesys and the growth in energy efficiency, sustainability and renewable energy services of our subsidiary WES, which generally utilize a higher percentage of subcontractors and installed materials than our other services.

General and administrative expenses. General and administrative expenses increased by $8.6 million, or 19.0%, to $54.1 million for fiscal year 2016 from $45.5 million for fiscal year 2015. This reflected increases of $7.6 million and $0.8 million in general and administrative expenses of the Energy and the Engineering and Consulting segments, respectively. General and administrative expenses increased by $4.3 million as a result of incremental expenses associated with the acquisition of substantially all of the assets of Genesys in March 2016. Our unallocated corporate expenses increased by $0.2 million. General and administrative expenses as a percentage of contract revenue were 26.0% for fiscal year 2016 as compared to 33.7% for fiscal year 2015. This was partially due to our ability to expand the utilization of some of our employees, which resulted in those salaries and wages being allocated to direct costs, and partially due to the expanding volume of revenue derived through subcontracting and material installations. As discussed above under "—Components of Revenue and Expense—Direct Costs of Contract Revenue," we do not allocate that portion of salaries and wages not related to time spent directly generating revenue to direct costs of contract revenue and instead charge it to general and administrative expenses.

Of the $8.6 million increase in general and administrative expenses, approximately $1.9 million resulted from an increase in other general and administrative expenses. Salaries and wages, payroll taxes and employee benefits increased by $5.3 million and stock-based compensation increased by $0.5 million. These increases were partially offset by decreases in facilities and facility related expenses and depreciation of $0.2 million. An increase of $1.1 million in depreciation and amortization was due to increased use of computer hardware, company vehicles and field equipment.

Income from operations. As a result of the above factors, our operating income increased by $4.0 million or 53.3% to $11.5 million for fiscal year 2016 as compared to $7.5 million for fiscal year 2015. Income from operations, as a percentage of contract revenue, remained relatively flat year-over-year at 5.4% and 5.5% for each of fiscal years 2016 and 2015, respectively.

Total other expense, net. Total other expense, net, decreased to $177,000 for fiscal year 2016 as compared $189,000 for fiscal year 2015.

Income tax expense. Income tax expense remained flat year-over-year at $3.1 million for each of the fiscal years 2016 and 2015. The effective tax rate for fiscal year 2016 was 27.0%, as compared to 42.0% for fiscal year 2015. The reduction in the effective tax rate for fiscal year 2016 was primarily attributable to an increase in energy efficient building deductions for fiscal year 2016. We recognized approximately $0.4 million in fiscal year 2016 in energy efficient building deductions under Section 179D of the Internal Revenue Code. During fiscal year 2016, we also recorded a reduction of income tax expense of approximately $0.5 million as a change in estimate related to energy tax deductions earned for fiscal year 2015. These reductions in income tax expense were offset by additional tax expense due to our increased profitability. The difference between the tax expense recorded and the expense that would be recorded by applying the federal statutory rate primarily relates to energy efficient building deductions, as well as certain expenses that are non-deductible for federal tax purposes, including meals and entertainment, lobbying and compensation expense related to stock options. Additionally, the income tax expense in the current year reflects an adjustment to the tax effects value of deferred tax assets and liabilities resulting from changes in the estimated effective state income tax rate. For further discussion of our income tax provision, see Note 12 "—Income Taxes" of notes to our consolidated financial statements.

Net income. As a result of the above factors, our net income was $8.3 million for fiscal year 2016, as compared to net income of $4.3 million for fiscal year 2015.

Liquidity and Capital Resources

As of December 29, 2017, we had $14.4 million of cash and cash equivalents. Our cash decreased by $8.2 million since December 30, 2016 primarily due to cash paid for the acquisition of Integral Analytics of $15.0 million, payments of $5.9 million for contingent consideration and on notes payable related to our prior acquisitions and $2.2 million for purchases of equipment and leasehold improvements, which was partially offset by cash proceeds from stock option exercises and proceeds from sales of common stock under our employee stock purchase plan of $2.7 million and cash provided by operations of $11.1 million. Our primary source of liquidity is cash generated from operations. We also have a revolving line of credit with BMO, which matures on January 20, 2020 and provides for a revolving line of credit of up to $35.0 million, including a $10.0 million standby letter of credit sub-facility. Subject to satisfying certain conditions described in the Amended and Restated Credit Agreement (the "Credit Agreement"), dated January 20, 2017, with BMO, as lender, we may request that BMO increase the aggregate amount under the revolving line of credit by up to $25.0 million, for a total facility size of $60.0 million; however, BMO is not obligated to do so. We believe that our cash and cash equivalents on hand, cash generated by operating activities and available borrowings under our revolving line of credit will be sufficient to finance our operating activities for at least the next 12 months.

Cash Flows from Operating Activities

Cash flows provided by operating activities were $11.1 million for fiscal year 2017, as compared to $21.6 million and $8.1 million for fiscal years 2016 and 2015, respectively. Cash flows provided by operating activities for fiscal year 2017 resulted primarily from our net income and increases in accrued liabilities and accounts payable, partially offset by increases in accounts receivable. Cash flows provided by operating activities for fiscal year 2016 resulted primarily from our net income and increases in accrued liabilities and billings in excess of costs and estimated earnings on uncompleted contracts and collections of accounts receivable. Cash flows provided by operating activities for fiscal year 2015 resulted primarily from our net income and increases in billings in excess of costs and estimated earnings on uncompleted contracts and accounts payable.

Cash Flows used in Investing Activities

Cash flows used in investing activities were $16.8 million for fiscal year 2017, as compared to $10.5 million and $10.6 million for fiscal years 2016 and 2015, respectively. Cash flows used in investing activities for fiscal year 2017 were primarily due to cash paid for the acquisition of Integral Analytics and the purchase of equipment and leasehold improvements. Cash flows used in investing activities for fiscal year 2016 were primarily due to cash paid in the acquisition of substantially all of the assets of Genesys and the purchase of equipment and leasehold improvements. Cash flows used in investing activities for fiscal year 2015 were primarily due to cash paid for the acquisition of Abacus and the acquisition of substantially all of the assets of 360 Energy and the purchase of equipment and leasehold improvements.

Cash Flows from Financing Activities

Cash flows used in financing activities were $2.5 million for fiscal year 2017, as compared to $4.9 million for fiscal year 2016 and cash flows provided by financing activities of $0.8 million for fiscal year 2015. Cash flows used in financing activities for fiscal year 2017 were primarily attributable to payments on notes payable and payments on contingent consideration related to our previous acquisitions, which were partially offset by proceeds from stock option exercises and borrowings under our line of credit. Cash flows used in financing activities for fiscal year 2016 were primarily attributable to payments on notes payable to Abacus and 360 Energy and cash paid for earn-out payments owed to the sellers of 360 Energy, which were partially offset by proceeds from notes payable and proceeds from stock option exercises. Cash flows provided by financing activities for fiscal year 2015 were primarily attributable to proceeds from notes payable and proceeds from stock option exercises, which were partially offset by payments on notes payable to Abacus and 360 Energy.

Outstanding Indebtedness

Credit Facility. On January 20, 2017, we and each of our subsidiaries as guarantors (the "Guarantors"), entered into the Credit Agreement with BMO, as lender. The Credit Agreement amends and extends our prior credit agreement with BMO, which was set to mature on March 24, 2017. The Credit Agreement provides for a $35.0 million revolving line of credit, including a $10.0 million standby letter of credit sub-facility, and matures on January 20, 2020. Subject to satisfying certain conditions described in the Credit Agreement, we may request that BMO increase the aggregate amount under the revolving line of credit by up to $25.0 million, for a total facility size of $60.0 million; however, BMO is not obligated to do so. Unlike the prior credit agreement with BMO, the revolving line of credit is no longer subject to a borrowing base limitation and the Credit Agreement no longer includes a delayed draw term loan facility.

Borrowings under the Credit Agreement bear interest at a rate equal to either, at our option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.5% or one-month London Interbank Offered Rate ("LIBOR") plus 1% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 1.00% with respect to Base Rate borrowings and 1.25% to 2.00% with respect to LIBOR borrowings. The applicable margin will be based

upon our consolidated leverage ratio. We will also be required to pay a commitment fee for the unused portion of the revolving line of credit, which will range from 0.20% to 0.35% per annum, and fees on any letters of credit drawn under the facility, which will range from 0.94% to 1.50%, in each case, depending on our consolidated leverage ratio.

Borrowings under the revolving line of credit are guaranteed by all of our direct and indirect subsidiaries and secured by substantially all of our and the Guarantors' assets.

The Credit Agreement contains customary representations and affirmative covenants, including certain notice and financial reporting requirements. The Credit Agreement also requires compliance with financial covenants that require us to maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio.

The Credit Agreement includes customary negative covenants, including (i) restrictions on the incurrence of additional indebtedness by us or the Guarantors and the incurrence of additional liens on property, (ii) restrictions on permitted acquisitions, including that the total consideration payable for all permitted acquisitions (including potential future earn-out obligations) shall not exceed $20.0 million during the term of the Credit Agreement and the total consideration for any individual permitted acquisition shall not exceed $10.0 million without BMO's consent, and (iii) limitations on asset sales, mergers and acquisitions. Further, the Credit Agreement limits the payment of future dividends and distributions and share repurchases by us; however, we are permitted to repurchase up to $8.0 million of shares of common stock under certain conditions, including that, at the time of any such repurchase, (a) we are able to meet the financial covenant requirements under the Credit Agreement after giving effect to the share repurchase, (b) we have at least $5.0 million of liquidity (unrestricted cash or undrawn availability under the revolving line of credit), and (c) no default exists or would arise under the Credit Agreement after giving effect to such repurchase. In addition, the Credit Agreement includes customary events of default. Upon the occurrence of an event of default, the interest rate will be increased by 2.0%, BMO has the option to make any loans then outstanding under the Credit Agreement immediately due and payable, and BMO is no longer obligated to extend further credit to us under the Credit Agreement.

As of March 9, 2018, $2.5 million was outstanding under the revolving line of credit and $2.7 million in letters of credit were issued.

We believe that we were in compliance with all covenants contained in the Credit Agreement as of March 9, 2018.

Insurance Premiums

We have also financed, from time to time, insurance premiums by entering into unsecured notes payable with insurance companies. During our annual insurance renewals in the fourth quarter of our fiscal year ended December 29, 2017, we did not elect to finance our insurance premiums for the upcoming fiscal year. The unpaid balance of the financed premiums totaled $0 and $599,000 for fiscal years 2017 and 2016, respectively.

Contractual Obligations

We have certain cash obligations and other commitments which will impact our short and long-term liquidity. At December 29, 2017, such obligations and commitments consisted of long-term debt, operating leases and capital leases. The following table sets forth our contractual obligations as of December 29, 2017:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Long term debt(1)	$ 2,883,000	$ 383,000	$ 2,500,000	$ —	$ —
Interest payments on debt outstanding(2)	133,000	133,000	—	—	—
Operating leases	10,092,000	3,076,000	4,264,000	2,475,000	277,000
Capital leases	465,000	301,000	164,000	—	—
Total contractual cash obligations	$ 13,573,000	$ 3,893,000	$ 6,928,000	$ 2,475,000	$ 277,000

(1) Long-term debt includes $2.5 million outstanding under our Credit Agreement as of December 29, 2017 and the deferred purchase price outstanding for our acquisition of substantially all of the assets of Genesys.

(2) Future interest payments on floating rate debt are estimated using floating rates in effect as of December 29, 2017. For interest payments on our revolving credit facility, we assume there will be no additional borrowings or repayments.

The table above does not include the earn-out payments owed in connection with our acquisitions of Integral Analytics, Economists LLC and substantially all of the assets of 360 Energy. As of December 29, 2017, we are obligated to pay up to (i) $12.0 million in cash based on future work obtained from the business of Integral Analytics during the three years after the closing of the acquisition, of which $5.6 million is recorded as contingent consideration payable, payable in installments, if certain financial targets are met during the three years, (ii) $3.6 million in cash, payable in installments, if certain financial targets of our divisions made up of the assets acquired from, and former employees of, 360 Energy are met during fiscal year 2018 and 2019, and (iii) $0.1 million in cash, payable in installments, for our division made up of the assets acquired from, and former employees of, Economists LLC. As of December 29, 2017, we had contingent consideration payable of $9.3 million related to these acquisitions, which includes $1.2 million of accretion (net of fair value adjustments) related to the contingent consideration.

Off-Balance Sheet Arrangements

Other than operating lease commitments, we do not have any off-balance sheet financing arrangements or liabilities. In addition, our policy is not to enter into derivative instruments, futures or forward contracts. Finally, we do not have any majority-owned subsidiaries or any interests in, or relationships with, any special-purpose entities that are not included in the consolidated financial statements.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments ("ASU 2016-15")*, which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. We do not believe the guidance will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which clarifies existing accounting literature relating to how and when revenue is recognized by an entity. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, an entity will need to exercise a greater degree of judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration, which may include change orders and claims, to include in the transaction price, and allocating the transaction price to each separate performance obligation. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, *Revenue Recognition-Construction-Type and Production-Type Contracts*. In August 2015, the FASB issued Update 2015-14, which defers the implementation of ASU 2014-09 for one year from the initial effective date. ASU 2014-09 is effective for public companies for interim and annual reporting periods beginning after December 15, 2017, and is to be applied either retrospectively or using the cumulative effect transition method, with early adoption not permitted.

In December 2016, the FASB issued ASU 2016-20, *Revenue from Contracts with Customers* (Topic 606), which further clarifies the current revenue recognition guidance. This update is intended to increase stakeholders' awareness of the proposals and to expedite improvements to ASU 2014-09. We will adopt the requirements of the new standard effective beginning fiscal year 2018, and we expect to use the Modified Retrospective method.

In 2017, we established an implementation team which included senior managers from our finance and accounting group. The implementation team has evaluated the impact of adopting the new standard on our contracts expected to be uncompleted as of December 30, 2017 (the date of adoption). The evaluation included reviewing our accounting policies and practices to identify differences that would result from applying the requirements of the new standard. We have identified and made changes to our processes, systems and controls to support recognition and disclosure under the new standard. The implementation team has worked closely with various professional consultants and attended several formal conferences and seminars to conclude on certain interpretative issues.

Under the new standard, we will continue to recognize engineering and construction contract revenue over time using the percentage of completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Revenue on the vast majority of our contracts will continue to be recognized over time because of the continuous transfer of control to the customer. A relatively small portion of our contract portfolio will change from recognizing revenue from design and construction management phases separately to recognizing revenue as a single performance obligation, which will result in a more consistent recognition of revenue and margin over the term of the contract. Revenue recognition for software licenses issued by our Integral Analytics unit will change from amortizing the gross license revenue over the license period to recognizing the full amount of most non-cancellable licenses upon acceptance of the software by the customer, in recognition of the fulfillment of the performance obligation at that point in time. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and amortized over time. We do not believe the adoption of the guidance will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. We elected to early adopt ASU 2016-09 on a prospective basis, which resulted in a decrease to tax expense of approximately $1.6 million for the fiscal year ended December 29, 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the update is permitted. We are evaluating the impact of the adoption of this update on our consolidated financial statements and related disclosures.

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Willdan Group, Inc. and subsidiaries (the Company) as of December 29, 2017 and December 30, 2016, the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 29, 2017, December 30, 2016 and January 1, 2016, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2017 and December 30, 2016, and the results of its operations and its cash flows for the years ended December 29, 2017, December 30, 2016 and January 1, 2016 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 9, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2015.
Irvine, California

March 9, 2018, except with respect to our opinion on the consolidated financial statements insofar as it relates to notes 2 (Segment Information and Contract Accounting), 4, and 13, as to which the date is October 3, 2018.

WILLDAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 29, 2017	December 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 14,424,000	$ 22,668,000
Accounts receivable, net of allowance for doubtful accounts of $369,000 and $785,000 at December 29, 2017 and December 30, 2016, respectively	38,441,000	30,285,000
Costs and estimated earnings in excess of billings on uncompleted contracts	24,732,000	18,988,000
Other receivables	1,833,000	699,000
Prepaid expenses and other current assets	3,760,000	2,601,000

Total current assets	83,190,000	75,241,000
Equipment and leasehold improvements, net	5,306,000	4,511,000
Goodwill	38,184,000	21,947,000
Other intangible assets, net	10,666,000	5,941,000
Other assets	826,000	707,000
Total assets	$ 138,172,000	$ 108,347,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 20,826,000	$ 17,395,000
Accrued liabilities	23,293,000	19,049,000
Contingent consideration payable	4,246,000	1,925,000
Billings in excess of costs and estimated earnings on uncompleted contracts	7,321,000	8,377,000
Notes payable	383,000	3,972,000
Capital lease obligations	289,000	334,000
Total current liabilities	56,358,000	51,052,000
Contingent consideration payable	5,062,000	2,537,000
Notes payable	2,500,000	2,074,000
Capital lease obligations, less current portion	160,000	210,000
Deferred lease obligations	614,000	714,000
Deferred income taxes, net	2,463,000	1,842,000
Other noncurrent liabilities	363,000	—
Total liabilities	67,520,000	58,429,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 40,000,000 shares authorized; 8,799,000 and 8,348,000 shares issued and outstanding at December 29, 2017 and December 30, 2016, respectively	88,000	83,000
Additional paid-in capital	50,976,000	42,376,000
Retained earnings	19,588,000	7,459,000
Total stockholders' equity	70,652,000	49,918,000
Total liabilities and stockholders' equity	$ 138,172,000	$ 108,347,000

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year		
	2017	2016	2015
Contract revenue	$ 273,352,000	$ 208,941,000	$ 135,103,000
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):			
Salaries and wages	44,743,000	39,024,000	31,880,000
Subcontractor services and other direct costs	151,919,000	104,236,000	50,200,000
Total direct costs of contract revenue	196,662,000	143,260,000	82,080,000
General and administrative expenses:			
Salaries and wages, payroll taxes and employee benefits	36,534,000	31,084,000	25,741,000
Facilities and facility related	4,624,000	4,085,000	4,246,000
Stock-based compensation	2,774,000	1,239,000	777,000
Depreciation and amortization	3,949,000	3,204,000	2,072,000
Other	15,105,000	14,525,000	12,657,000
Total general and administrative expenses	62,986,000	54,137,000	45,493,000
Income from operations	13,704,000	11,544,000	7,530,000
Other income (expense):			
Interest expense, net	(111,000)	(179,000)	(207,000)
Other, net	98,000	2,000	18,000
Total other expense, net	(13,000)	(177,000)	(189,000)
Income before income taxes	13,691,000	11,367,000	7,341,000
Income tax expense	1,562,000	3,068,000	3,082,000
Net income	$ 12,129,000	$ 8,299,000	$ 4,259,000
Earnings per share:			
Basic	$ 1.42	$ 1.01	$ 0.54

Diluted	$ 1.32	$ 0.97	$ 0.52
Weighted-average shares outstanding:			
Basic	8,541,000	8,219,000	7,834,000
Diluted	9,155,000	8,565,000	8,113,000

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in		
	Shares	Amount	Capital	Retained Earnings	Total
Balances at January 2, 2015	7,635,000	$ 76,000	$ 35,436,000	$ (5,099,000)	$ 30,413,000
Shares of common stock issued in connection with employee stock purchase plan	15,000	—	170,000	—	170,000
Shares of common stock issued in connection with incentive stock plan	131,000	1,000	511,000	—	512,000
Stock issued to acquire business	123,000	2,000	1,483,000	—	1,485,000
Stock-based compensation	—	—	777,000	—	777,000
Net income	—	—	—	4,259,000	4,259,000
Balances at January 1, 2016	7,904,000	$ 79,000	$ 38,377,000	$ (840,000)	$ 37,616,000
Shares of common stock issued in connection with employee stock purchase plan	24,000	—	209,000	—	209,000
Shares of common stock issued in connection with incentive stock plan	164,000	2,000	325,000	—	327,000
Stock issued to acquire businesses	256,000	2,000	2,226,000	—	2,228,000
Stock-based compensation	—	—	1,239,000	—	1,239,000
Net income	—	—	—	8,299,000	8,299,000
Balance at December 30, 2016	8,348,000	$ 83,000	$ 42,376,000	$ 7,459,000	$ 49,918,000
Shares of common stock issued in connection with employee stock purchase plan	62,000	1,000	829,000	—	830,000
Shares of common stock issued in connection with incentive stock plan	298,000	3,000	1,898,000	—	1,901,000
Stock issued to acquire business	91,000	1,000	3,099,000	—	3,100,000
Stock-based compensation expense	—	—	2,774,000	—	2,774,000
Net income	—	—	—	12,129,000	12,129,000
Balance at December 29, 2017	8,799,000	$ 88,000	$ 50,976,000	$ 19,588,000	$ 70,652,000

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year		
	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 12,129,000	$ 8,299,000	$ 4,259,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,082,000	3,220,000	2,072,000
Deferred income taxes, net	621,000	1,225,000	1,758,000
Lease abandonment recovery, net	—	—	(44,000)
Loss (gain) on sale/disposal of equipment	27,000	4,000	(37,000)
(Recovery of) provision for doubtful accounts	(189,000)	216,000	659,000
Stock-based compensation	2,774,000	1,239,000	777,000
Accretion and fair value adjustments of contingent consideration	1,156,000	21,000	547,000
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts receivable	(7,412,000)	1,288,000	(4,354,000)
Costs and estimated earnings in excess of billings on uncompleted contracts	(5,744,000)	(4,057,000)	(1,180,000)
Other receivables	(1,126,000)	82,000	31,000
Prepaid expenses and other current assets	(1,096,000)	(519,000)	203,000
Other assets	25,000	(169,000)	31,000
Accounts payable	3,186,000	206,000	1,842,000
Accrued liabilities	4,329,000	8,409,000	(1,320,000)
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,593,000)	2,159,000	2,285,000

Deferred lease obligations	(100,000)	(23,000)	573,000
Net cash provided by operating activities	11,069,000	21,600,000	8,102,000
Cash flows from investing activities:			
Purchase of equipment and leasehold improvements	(2,178,000)	(1,662,000)	(2,475,000)
Proceeds from sale of equipment	—	15,000	7,000
Cash paid for acquisitions, net of cash acquired	(14,603,000)	(8,857,000)	(8,168,000)
Net cash used in investing activities	(16,781,000)	(10,504,000)	(10,636,000)
Cash flows from financing activities:			
Payments on contingent consideration	(1,709,000)	(1,284,000)	—
Payments on notes payable	(4,164,000)	(4,378,000)	(2,090,000)
Proceeds from notes payable	—	733,000	2,606,000
Borrowings under line of credit	1,000,000	—	—
Principal payments on capital lease obligations	(390,000)	(522,000)	(350,000)
Proceeds from stock option exercise	1,901,000	327,000	512,000
Proceeds from sales of common stock under employee stock purchase plan	830,000	209,000	170,000
Net cash (used in) provided by financing activities	(2,532,000)	(4,915,000)	848,000
Net (decrease) increase in cash and cash equivalents	(8,244,000)	6,181,000	(1,686,000)
Cash and cash equivalents at beginning of period	22,668,000	16,487,000	18,173,000
Cash and cash equivalents at end of period	$ 14,424,000	$ 22,668,000	$ 16,487,000
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 111,000	$ 179,000	$ 203,000
Income taxes	2,750,000	1,875,000	949,000
Supplemental disclosures of noncash investing and financing activities:			
Issuance of notes payable related to business acquisitions	$ —	$ 4,569,000	$ 4,250,000
Issuance of common stock related to business acquisitions	3,100,000	2,228,000	1,485,000
Contingent consideration related to business acquisitions	5,400,000	—	5,178,000
Other payable for working capital adjustment	113,000	—	—
Equipment acquired under capital leases	294,000	373,000	420,000

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years 2017, 2016 and 2015

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Nature of Business

Willdan Group, Inc. and subsidiaries ("Willdan Group" or the "Company") is a provider of professional technical and consulting services, including comprehensive energy efficiency services, for utilities, private industry, and public agencies at all levels of government, primarily in New York and California. The Company also has operations in Arizona, Connecticut, Colorado, Florida, Illinois, Kansas, Nevada, New Jersey, Ohio, Oregon, Texas, Utah, Washington and Washington, D.C. The Company enables its clients to provide a wide range of specialized services without having to incur and maintain the overhead necessary to develop staffing in-house. The Company provides a broad range of complementary services including energy efficiency and sustainability, engineering, construction management and planning, economic and financial consulting, and national preparedness and interoperability. The Company's clients primarily consist of public and governmental agencies, including cities, counties, public utilities, redevelopment agencies, water districts, school districts and universities, state agencies, federal agencies, a variety of other special districts and agencies, private utilities and industry and tribal governments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Willdan Group, Inc. and its wholly-owned subsidiaries, Willdan Energy Solutions ("WES"), Willdan Engineering, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions and their respective subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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

As of December 29, 2017, the Company had one VIE — Genesys Engineering, P.C. ("Genesys"). Pursuant to New York law, the Company does not own capital stock of Genesys and does not have control over the professional decision making of Genesys's engineering services. The Company, however, has entered into an administrative services agreement with Genesys pursuant to which WES, the Company's wholly-owned subsidiary, will provide Genesys with ongoing administrative, operational and other non-professional support services. The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys's performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE.

Management also concluded there is no noncontrolling interest related to the consolidation of Genesys because management determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder. For more information regarding Genesys, see Note 3 "Business Combinations."

Fiscal Years

The Company operates and reports its annual financial results based on 52 or 53-week periods ending on the Friday closest to December 31, with consideration of business days. The Company operates and reports its quarterly financial results based on the 13-week period ending on the Friday closest to March 31, June 30 and September 30 and the 13 or 14-week period ending on the Friday closest to December 31, as applicable, with consideration of business days. Fiscal years 2017, 2016 and 2015 contained 52 weeks. All references to years in the notes to consolidated financial statements represent fiscal years.

Cash and Cash Equivalents

All highly liquid investments purchased with a remaining maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents consisted of the following:

	December 29, 2017	December 30, 2016
BMO Harris Bank Master Control Operating Account	$ 14,414,000	$ 22,658,000
Cash on hand in business checking accounts	10,000	10,000
	$ 14,424,000	$ 22,668,000

The Company from time to time may be exposed to credit risk with its bank deposits in excess of the FDIC insurance limits and with uninsured money market investments. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fair Value of Financial Instruments

As of December 29, 2017 and December 30, 2016, the carrying amounts of the Company's cash and cash equivalents, accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, other receivables, prepaid expenses and other current assets, accounts payable, accrued liabilities and billings in excess of costs and estimated earnings on uncompleted contracts, approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization or payment. The carrying amounts of debt obligations approximate their fair values since the terms are comparable to terms currently offered by local lending institutions for loans of similar terms to companies with comparable credit risk.

Segment Information

Willdan Group, Inc. ("WGI") is a holding company with six wholly owned subsidiaries. The Company presents segment information externally consistent with the manner in which the Company's chief operating decision maker reviews information to assess performance and allocate resources. WGI performs administrative functions on behalf of its subsidiaries, such as treasury, legal, accounting, information systems, human resources and certain business

development activities, and earns revenue that is only incidental to the activities of the enterprise. As a result, WGI does not meet the definition of an operating segment. The Company's two segments are Energy and Engineering and Consulting. The Company's principal segment, Energy, consists of the business of our subsidiary, WES, which offers energy and sustainability consulting services to utilities, public agencies and private industry. The Company's Engineering and Consulting segment includes the operation of our remaining subsidiaries, Willdan Engineering, Willdan Infrastructure, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions. Willdan Engineering provides civil engineering-related construction management, building and safety, city engineering, city planning, geotechnical, material testing and other engineering services to our clients. Willdan Infrastructure, which

was launched in fiscal year 2013, provides engineering services to larger rail, port, water, mining and other civil engineering projects. Public Agency Resources primarily provides staffing to Willdan Engineering. Willdan Financial Services provides economic and financial consulting to public agencies. Willdan Homeland Solutions provides national preparedness and interoperability services and communications and technology solutions. See Note 13 "Segment Information" for revised and restated segment information below.

Off-Balance Sheet Arrangements

Other than operating lease commitments, the Company does not have any off-balance sheet financing arrangements or liabilities. In addition, the Company's policy is not to enter into derivative instruments, futures or forward contracts. Finally, the Company does not have any majority-owned subsidiaries or any interests in, or relationships with, any special-purpose entities that are not included in the consolidated financial statements.

Contract Accounting

The Company enters into contracts with its clients that contain various types of pricing provisions, including fixed price, time-and-materials, unit-based and service-related provisions. The following table reflects the Company's two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

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

Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs (primarily exclusive of depreciation and amortization costs) incurred to date to estimated total direct costs at completion. Many of the Company's fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. The Company recognizes revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also includes in revenue all reimbursable costs incurred during a reporting period for which the Company has risk or on which the fee was based at the time of bid or negotiation. Certain of the Company's time-and-materials contracts are subject to maximum contract values and, accordingly, revenue under these contracts is generally recognized under the

percentage-of-completion method, consistent with fixed price contracts. Revenue on contracts that are not subject to maximum contract values is recognized based on the actual number of hours the Company spends on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that the Company incurs on the projects. In addition, revenue from overhead percentage recoveries and earned fees are included in revenue. Revenue is recognized as the related costs are incurred. For unit-based contracts, the Company recognizes the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue for amounts that have been billed but not earned is deferred and such deferred revenue is referred to as billings in excess of costs and estimated earnings on uncompleted contracts in the accompanying consolidated balance sheets.

Adjustments to contract cost estimates are made in the periods in which the facts requiring such revisions become known. When the revised estimate, for contracts that are recognized under the percentage-of-completion method, indicates a loss, such loss is provided for currently in its entirety. Claims revenue is recognized only upon resolution of the claim. Change orders in dispute are evaluated as claims. Costs related to un-priced change orders are expensed when incurred and recognition of the related contract revenue is based on an evaluation of the probability of recovery of the costs. Estimated profit is recognized for un-priced change orders if realization of the expected price of the change order is probable.

The Company considers whether its contracts require combining for revenue recognition purposes. If certain criteria are met, revenues for related contracts may be recognized on a combined basis. With respect to the Company's contracts, it is rare that such criteria are present. The Company may enter into certain contracts which include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, the Company evaluates if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue.

Applying the percentage-of-completion method of recognizing revenue requires the Company to estimate the outcome of its long-term contracts. The Company forecasts such outcomes to the best of its knowledge and belief of current and expected conditions and its expected course of action. Differences between the Company's estimates and actual results often occur resulting in changes to reported revenue and earnings. Such changes could have a material effect on future consolidated financial statements. The Company did not have material revisions in estimates for contracts recognized using the percentage-of-completion method for any of the periods presented in the accompanying consolidated financial statements.

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

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

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

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

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

Retainage is included in accounts receivable in the accompanying consolidated financial statements. Retainage represents the billed amount that is retained by the customer, in accordance with the terms of the contract, generally until performance is substantially complete. At December 29, 2017 and December 30, 2016, the Company had retained accounts receivable of approximately $8.6 million and $5.2 million, respectively.

General and Administrative Expenses

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

Leases

All of the Company's office leases are classified as operating leases and rent expense is included in facilities expense in the accompanying consolidated statements of operations. Some of the lease terms include rent concessions and rent escalation clauses, all of which are taken into account in computing minimum lease payments. Minimum lease payments are recognized on a straight-line basis over the minimum lease term. The excess of rent expense recognized over the amounts contractually due pursuant to the underlying leases is reflected as a liability in the accompanying consolidated balance sheets. The cost of improvements that the Company makes to the leased office space is capitalized as leasehold improvements. The Company is subject to non-cancellable leases for offices or portions of offices for which use has ceased. For each of these abandoned leases, the present value of the future lease payments, net of estimated sublease payments, along with any unamortized tenant improvement costs, are recognized as lease abandonment expense in the Company's consolidated statements of operations with a corresponding liability in the Company's consolidated balance sheets.

Equipment and Leasehold Improvements

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

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

Category	Estimated Useful Life

Furniture and fixtures	5years
Computer hardware	2years
Computer software	3years
Automobiles and trucks	3years
Field equipment	5years

Long-lived assets

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

Goodwill

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

Accounting for Claims Against the Company

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

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

Stock Options

The Company accounts for stock options under the fair value recognition provisions of the accounting standard entitled "*Compensation—Stock Compensation.*" This standard requires the measurement of compensation cost at the grant date, based upon the estimated fair value of the award, and requires amortization of the related expense over the employee's requisite service period.

Business Combinations

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

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

The Company completed the acquisition of all of the outstanding shares of Integral Analytics, Inc. ("Integral Analytics") on July 28, 2017. In connection with that acquisition, the Company will pay up to $30.0 million in a combination of cash and stock and including certain earn-out payments. For further discussion of the acquisition of Integral Analytics, see Note 3 "—Business Combinations" below.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities, subject to a judgmental assessment of the recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more-likely-than-not that some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include the Company's consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income. On December 22, 2017, the Tax Act was enacted into law,

which among other items, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. As a result of the Tax Act, the Company recorded a one-time decrease in deferred tax expense of $1.3 million for the fiscal quarter ended December 29, 2017 to account for the remeasurement of the Company's deferred tax assets and liabilities on the enactment date. The Company will continue to analyze the impacts of the Tax Act and, if necessary, record any further adjustments to its deferred tax assets and liabilities in future periods.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2017 and 2016, the Company ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included the Company's history of utilization of California net operating losses in prior years for each of the Company's subsidiaries, as well as the Company's forecasted amount of net operating loss utilization for certain members of the combined group. As a result, we recorded a valuation allowance in the amount of $87,000 and $72,000 at the end of fiscal year 2017 and 2016, respectively, related to California net operating losses.

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

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

Operating Cycle

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

Use of Estimates

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

New Accounting Pronouncements

Statement of Cash Flows

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, Statement of Cash Flows: Clarification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted. ASU 2016-15 provides for retrospective application for all periods presented. The Company does not believe the guidance will have a material impact on its consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which clarifies existing accounting literature relating to how and when revenue is recognized by an entity. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, an entity will need to exercise a greater degree of judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration which may include change orders and claims to include in the transaction price, and allocating the transaction price to each separate performance obligation. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. In August 2015, the FASB issued Update 2015-14, which defers

the implementation of ASU 2014-09 for one year from the initial effective date. ASU 2014-09 is effective for public companies for interim and annual reporting periods beginning after December 15, 2017, and is to be applied either retrospectively or using the cumulative effect transition method, with early adoption not permitted.

In December 2016, the FASB issued ASU 2016-20, Revenue from Contracts with Customers (Topic 606), which further clarifies the current revenue recognition guidance. This update is intended to increase stakeholders' awareness of the proposals and to expedite improvements to ASU 2014-09. The Company will adopt the requirements of the new standard effective beginning fiscal year 2018, and the Company expects to use the Modified Retrospective method.

In 2017, the Company established an implementation team which included senior managers from its finance and accounting group. The implementation team has evaluated the impact of adopting the new standard on the Company's contracts expected to be uncompleted as of December 30, 2017 (the date of adoption). The evaluation included reviewing the Company's accounting policies and practices to identify differences that would result from applying the requirements of the new standard. The Company has identified and made changes to its processes, systems and controls to support recognition and disclosure under the new standard. The implementation team has worked closely with various professional consultants and attended several formal conferences and seminars to conclude on certain interpretative issues.

Under the new standard, the Company will continue to recognize engineering and construction contract revenue over time using the percentage of completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Revenue on the vast majority of the Company's contracts will continue to be recognized over time because of the continuous transfer of control to the customer. A relatively small portion of the Company's contract portfolio will change from recognizing revenue from design and construction management phases separately to recognizing revenue as a single performance obligation, which will result in a more consistent recognition of revenue and margin over the term of the contract. Revenue recognition for software licenses issued by the Integral Analytics unit will change from amortizing the gross license revenue over the license period to recognizing the full amount of most non-cancellable licenses upon acceptance of the software by the customer, in recognition of the fulfillment of the performance obligation at that point in time. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and amortized over time. The Company does not believe the adoption of the guidance will have a material impact on its consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. The Company elected to early adopt ASU 2016-09 on a prospective basis in 2016. The Company has elected to early adopt ASU 2016-09 on a prospective basis, which resulted in a decrease to tax expense of approximately $1.6 million for the fiscal year ended December 29, 2017.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

Proposed Accounting Standards

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Company has not yet determined the effect, if any, that the implementation of such proposed standards would have on its consolidated financial statements.

3. BUSINESS COMBINATIONS

Acquisition of Integral Analytics

On July 28, 2017, the Company and the Company's wholly-owned subsidiary WES acquired all of the outstanding shares of Integral Analytics, a data analytics and software company, pursuant to the Stock Purchase Agreement, dated July 28, 2017 (the "Purchase Agreement"), by and among Willdan Group, WES, Integral Analytics, the stockholders of Integral Analytics (the "IA Stockholders") and the Sellers' Representative (as defined therein). The Company believes the addition of Integral Analytics' capabilities will improve the ability to target locational energy savings and microgrids and can provide a clear technical advantage on energy efficiency programs.

Pursuant to the terms of the Purchase Agreement, WES will pay the IA Stockholders a maximum purchase price of $30.0 million, consisting of (i) $15.0 million in cash paid at closing (subject to certain post-closing tangible net asset value adjustments), (ii) 90,611 shares of common stock, par value $0.01 per share, of Willdan Group, Inc. ("Common Stock") issued at closing, equaling $3.0 million, calculated based on the volume-weighted average price of shares of Common Stock for the ten trading days immediately prior to, but not including, the closing date of the acquisition of Integral Analytics (the "Closing Date") and (iii) up to $12.0 million in cash for a percentage of sales attributable to the business of Integral Analytics during the three years after the Closing Date, as more fully described below (such potential payments of up to $12.0 million, being referred to as "Earn-Out Payments" and $12.0 million in respect thereof, being referred to as the "Maximum Payout"). The Company used cash on hand for the $15.0 million cash payment paid at closing.

WILLDAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONT'D

Fiscal Years 2017, 2016 and 2015

The size of the Earn-Out Payments to be paid will be determined based on two factors. First, the IA Stockholders will receive 2% of gross contracted revenue for new work sold by the Company in close collaboration with Integral Analytics during the three years following the Closing Date (the "Earn-Out Period"). Second, the IA Stockholders will receive 20% of the gross contracted revenue specified in each executed and/or effective software licensing agreement, entered into by the Company or one of its affiliates that contains pricing either equal to or greater than standard pricing, of software offered for licensing by Integral Analytics during the Earn-Out Period. The amounts due to the IA Stockholders pursuant to these two factors will in no event, individually or in the aggregate, exceed the Maximum Payout. Earn-Out Payments will be made in quarterly installments for each year of the Earn-Out Period. For the purposes of both of these factors credit will be given to Integral Analytics for the gross contracted revenue in the quarter in which the contract/license is executed, regardless of when the receipt of payment thereunder is expected. The amount of gross contracted revenue for contracts with unfunded ceilings or of an indeterminate contractual value will be mutually agreed upon. Further, in the event of a change of control of WES during the Earn-Out Period, any then-unpaid amount of the Maximum Payout will be paid promptly to the IA Stockholders, even if such Earn-Out Payments have not been earned at that time. The Company has agreed to certain covenants regarding the operation of Integral Analytics during the Earn-Out Period, of which a violation by the Company could result in damages being paid to the IA Stockholders in respect of the Earn-Out. In addition, the Earn-Out Payments will be subject to certain subordination provisions in favor of BMO, the Company's senior secured lender.

WES has also established a bonus pool for the employees of Integral Analytics to be paid based on Integral Analytics' performance against certain targets.

The acquisition was accounted for as a business combination in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies and the expansion into new markets. The Company estimates that the entire $16.4 million of goodwill resulting from the acquisition will be tax deductible. Consideration for the acquisition includes the following preliminary information:

	Integral Analytics
Cash paid	$ 15,000,000
Other payable for working capital adjustment	113,000
Issuance of common stock	3,100,000
Contingent consideration	5,400,000
Total consideration	$ 23,613,000

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

	Integral Analytics
Current assets	$ 626,000
Non-current assets	2,000
Cash	397,000
Property, plant and equipment	5,000
Liabilities	(946,000)
Customer relationships	1,700,000
Tradename	1,040,000
Developed technology	2,760,000
In-process technology	1,650,000
Goodwill	16,379,000
Net assets acquired	$ 23,613,000

WILLDAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONT'D

Fiscal Years 2017, 2016 and 2015

As of December 29, 2017, the Company obtained further information on the valuation of the assets acquired and liabilities assumed related to the acquisition of all the outstanding shares of Integral Analytics and, in accordance with the authoritative guidance for business combinations, recorded purchase price adjustments as of the acquisition date to increase the fair values of intangible assets by $0.2 million, decrease other payable for working capital adjustment by $1.8 million and a decrease in accounts receivables by $0.1 million. These adjustments to the provisional purchase price allocations decreased goodwill by $1.9 million.

As of December 29, 2017, the Company has contingent consideration payable of $5.6 million related to the acquisition of Integral Analytics, which includes $0.3 million of accretion (net of fair value adjustments) related to the contingent consideration. Contingent consideration is subject to change for each reporting period through settlement. The Company measures the contingent earn-out liabilities at fair value on the date of acquisition and on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. The Company uses a probability-weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period, and the probability outcome percentages assigned to each scenario. Significant

increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability, with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. There were no changes to the ranges of estimated payments or discount rates.

Acquisition related costs of $0.2 million are included in other general and administrative expenses in the consolidated statements of operations for the fiscal year ended December 29, 2017.

The following unaudited pro forma financial information for the three and twelve months ended December 29, 2017 and December 30, 2016 assumes that acquisition of all the outstanding shares of Integral Analytics occurred on January 2, 2016 as follows:

	Year ended	
In thousands (except per share data)	December 29, 2017	December 30, 2016
Pro forma revenue	$ 275,622	$ 227,504
Pro forma income from operations	11,991	10,107
Pro forma net income	$ 10,345	$ 7,627
Earnings per share:		
Basic	$ 1.21	$ 0.92
Diluted	$ 1.13	$ 0.88
Weighted average shares outstanding:		
Basic	8,541	8,310
Diluted	9,155	8,656

This pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had this transaction occurred on January 2, 2016 and may not be indicative of future operating results.

During the fiscal year ended December 29, 2017, the acquisition of all of the outstanding shares of Integral Analytics contributed $1.1 million in revenue and $1.1 million of loss from operations.

Acquisition of Substantially All of the Assets of Genesys

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

Pursuant to the terms of the Agreement, WES or WESGEN, as applicable, paid the Genesys Shareholders an aggregate purchase price (the "Purchase Price") of approximately $15.1 million, including post-closing working capital and tax adjustments. The Purchase Price consisted of (i) $6.0 million in cash, paid at closing, and $2.9 million paid in cash after closing for working capital and tax adjustments, (ii) 255,808 shares of common stock, par value $0.01 per share (the "Common Stock"), with a fair value on the date of closing of $2.2 million, (iii) $4.6 million in cash, payable in twenty-four (24) equal monthly installments beginning on March 26, 2016 (the "Installment Payments"), and (iv) offset by a $0.6 million receivable paid to WES for working capital adjustments. Until the third anniversary of the Closing Date (the "Closing Date"), the Genesys Shareholders are prohibited from transferring or disposing of any Common Stock received in connection with the Acquisition.

The Agreement contains customary representations and warranties regarding the Company, WES, WESGEN, Genesys and the Genesys Shareholders, indemnification provisions and other provisions customary for transactions of this nature. Pursuant to the terms of the Agreement, the Company and WES also provided guarantees to the Genesys Shareholders which guarantee certain of WESGEN's and Genesys's obligations under the Agreement, including the Installment Payments.

Genesys has a sole shareholder who is a licensed engineer in New York (the "Shareholder").

The Company used cash on hand to pay the $8.9 million due to the Genesys Shareholders at closing.

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

other costs that relate to professional service supplies and personnel costs. As a result of the administrative services agreement, the Company absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES.

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

	Genesys
Cash paid, net of cash acquired	$ 8,857,000
Other receivable for working capital adjustment	(604,000)
Issuance of common stock	2,228,000
Deferred purchase price, payable in 24 monthly installments	4,569,000
Total consideration	$ 15,050,000

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

	Genesys
Current assets	$ 14,952,000
Non-current assets	36,000
Cash	101,000
Property, plant and equipment	117,000
Liabilities	(12,643,000)
Customer relationships	3,260,000
Backlog	1,050,000
Tradename	1,690,000
Non-compete agreements	320,000
Goodwill	6,167,000
Net assets acquired	$ 15,050,000

The following unaudited pro forma financial information for the fiscal year ended December 30, 2016 and January 1, 2016 assumes the acquisition of substantially all of the assets of Genesys occurred on January 2, 2015 as follows:

	Year Ended	
In thousands (except per share data)	December 30, 2016	January 1, 2016
Pro forma revenue	$ 222,914	$ 167,479
Pro forma income from operations	12,504	7,755
Pro forma net income	$ 8,907	$ 4,498
Earnings per share:		
Basic	$ 1.08	$ 0.57
Diluted	$ 1.04	$ 0.55
Weighted average shares outstanding:		
Basic	8,219	7,834
Diluted	8,565	8,113

This pro forma supplemental information does not purport to be indicative of what the company's operating results would have been had these transactions occurred on January 2, 2015 and may not be indicative of future operating results.

During the fiscal year ended December 29, 2017, the acquisition of substantially all of the assets of Genesys contributed $64.7 million in revenue and $1.7 million of income from operations.

Acquisition related costs of $71,000 and $0.2 million are included in other general and administrative expense in the consolidated statements of operations for the fiscal years ended December 30, 2016 and January 1, 2016, respectively. There were no acquisition costs related to Genesys recorded during the fiscal year ended December 29, 2017.

Acquisition of Substantially All of the Assets of 360 Energy Engineers and the Acquisitions of Abacus and Economists LLC

On January 15, 2015, the Company and its wholly-owned subsidiary, WES completed two separate acquisitions. The Company and WES acquired all of the outstanding shares of Abacus Resource Management Company ("Abacus"), an Oregon-based energy engineering company. In addition, the Company and WES separately acquired substantially all of the assets of 360 Energy Engineers, LLC ("360 Energy"), a Kansas-based energy and engineering energy management consulting company.

Pursuant to the terms of the Stock Purchase Agreement, dated as of January 15, 2015, by and between the Company, WES, Abacus and the selling shareholders of Abacus (the "Abacus Shareholders"), WES will pay the Abacus Shareholders a maximum purchase price of $6.1 million, consisting of (i) $2.5 million in cash which was paid at closing, with the balance of $0.6 million paid after closing, (ii) 75,758 shares of Common Stock, par value $0.01 per share, of the Company ("Common Stock") with a fair value of $0.9 million which were issued at closing, (iii) $1.25 million aggregate

principal amount of promissory notes issued to the Abacus Shareholders at closing and (iv) up to $0.8 million in cash, based on the achievement of certain financial targets by Abacus at the end of the Company's 2015 and 2016 fiscal years. As of December 30, 2016, Abacus did not meet its financial targets, and therefore, the Company was not required to pay the additional $0.8 million in cash; such amount was recorded in our consolidated statement of operations as a reduction of interest accretion expense.

Pursuant to the terms of the Asset Purchase Agreement, dated January 15, 2015, by and between the Company, WES and 360 Energy, WES agreed to pay 360 Energy a maximum purchase price of $15.0 million, consisting of (i) $4.9 million in cash which was paid at closing, (ii) 47,348 shares of Common Stock with a fair value of $0.6 million which were issued at closing, (iii) $3.0 million aggregate principal amount of promissory note issued to 360 Energy at closing and (iv) up to $6.5 million in cash, based on the achievement of certain financial targets by WES's division made up of the assets acquired from, and the former employees of 360 Energy at the end of the Company's 2015, 2016 and 2017 fiscal years. The Company also provided a guaranty to 360 Energy which guarantees WES's obligations under the promissory note issued to 360 Energy. The Company later amended the Asset Purchase Agreement with 360 Energy to extend the term of the three-year performance goal for an additional year to the end of the Company's 2018 fiscal year to allow 360 Energy to expand into additional geographical territories. As a result of this amendment, the Company increased contingent consideration by $0.3 million. As of December 29, 2017, 360 Energy has earned $1.5 million based on achieving some of its financial targets.

The fair value of the 75,758 and 47,348 shares of common stock issued as part of the consideration paid for Abacus ($0.9 million) and 360 Energy ($0.6 million) respectively, was determined on the basis of the price of the Company's common shares on the acquisition date.

To finance the acquisitions of Abacus and substantially all of the assets of 360 Energy, the Company borrowed $2.0 million under its prior delayed draw term loan facility. The Company used cash on hand to pay the remaining $5.4 million due at closing.

On April 3, 2015, the Company's wholly-owned subsidiary, Willdan Financial Services ("WFS") acquired substantially all of the assets of Economists.com, LLC ("Economists LLC"), a Texas-based economic analysis and financial solutions firm serving the municipal and public sectors. Pursuant to the terms of the Asset Purchase Agreement, dated April 3, 2015, by and between WFS and Economists LLC, WFS will pay Economists LLC a maximum purchase price of $1.1 million, consisting of (i) $0.5 million in cash which was paid at closing and (ii) up to $0.6 million in cash, based on the achievement of certain financial targets by the WFS division made up of the assets acquired from, and the former employees of Economists LLC at the end of the Company's 2015, 2016 and 2017 fiscal years. The Company used cash on hand to pay the $0.5 million due at closing. As of December 29, 2017, Economists LLC has earned $0.2 million based on achieving some of its financial targets.

The acquisitions were accounted for as business combinations in accordance with ASC 805. Under ASC 805, the Company recorded the acquired assets and assumed liabilities at their estimated fair value with the excess allocated to goodwill. Goodwill represents the value the Company expects to achieve through the operational synergies and the expansion of the Company into new markets. The Company estimates that the entire $16.1 million of goodwill resulting from the acquisitions will be tax deductible. Consideration for the acquisitions includes the following:

	360 Energy	Abacus	Economists LLC	Total
Cash paid	$ 4,875,000	$ 3,136,000	$ 490,000	$ 8,501,000
Issuance of common stock	571,000	913,000	—	1,484,000
Issuance of notes payable	3,000,000	1,250,000	—	4,250,000
Contingent consideration	4,221,000	589,000	368,000	5,178,000

Total consideration	$ 12,667,000	$ 5,888,000	$ 858,000	$ 19,413,000

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

	360 Energy	Abacus	Economists LLC	Total
Cash acquired	$ —	$ 332,000	$ —	$ 332,000
Property, plant and equipment	166,000	78,000	—	244,000
Liabilities	—	(512,000)	—	(512,000)
License to bid	—	308,000	—	308,000
Backlog	158,000	161,000	29,000	348,000
Tradename	669,000	323,000	57,000	1,049,000
Non-compete agreements	860,000	128,000	23,000	1,011,000
Other assets, net	41,000	495,000	—	536,000
Goodwill	10,773,000	4,575,000	749,000	16,097,000
Net assets acquired	$ 12,667,000	$ 5,888,000	$ 858,000	$ 19,413,000

The acquisition date fair value of the intangible asset relating to tradenames was estimated using discounted cash flows based on the relief from royalty method. The liabilities assumed were measured based on the estimated costs related to the remediation of an environmental liability associated with one of the construction projects that was acquired on the date of acquisition in accordance with ASC 450. These assets are deemed to have a finite life. As of December 29, 2017, the Company has contingent consideration payable of $4.5 million related to these acquisitions, which includes $21,000 of accretion (net of fair value adjustments) related to the contingent consideration. Contingent consideration is subject to change for each reporting period through settlement. The Company measures the contingent earn-out liabilities at fair value on the date of acquisition and on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. The Company uses a probability-weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period, and the probability outcome percentages assigned to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability, with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. There were no changes to the ranges of estimated payments or discount rates.

Acquisition related costs of $0.2 million and $0.3 million are included in other general and administrative expense in the consolidated statements of operations for the fiscal years ended January 1, 2016 and January 2, 2015, respectively.

The following unaudited pro forma financial information for the fiscal years ended January 1, 2016 and January 2, 2015 assumes the acquisitions of Abacus and substantially all of the assets of 360 Energy occurred on December 28, 2013 as follows:

	Year Ended	
In thousands (except per share data)	January 1, 2016	January 2, 2015
Pro forma revenue	$ 135,576	$ 130,181
Pro forma income from operations	8,204	12,162
Pro forma net income	$ 4,759	$ 12,162
Earnings per share:		
Basic	$ 0.61	$ 1.62
Diluted	$ 0.59	$ 1.57
Weighted average shares outstanding:		
Basic	7,834	7,488
Diluted	8,113	7,739

This pro forma supplemental information does not purport to be indicative of what the Company's operating results would have been had these transactions occurred on December 28, 2013 and may not be indicative of future operating results.

During the fiscal year ended January 1, 2016, the acquisitions of Abacus, Economists LLC, and substantially all of the assets of 360 Energy contributed $23.8 million in revenue and $1.3 million of income from operations.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 29, 2017, the Company had $38.2 million of goodwill, which primarily relates to the Energy reporting segment and the acquisitions of substantially all of the assets of Genesys and 360 Energy and the acquisitions of Integral Analytics and Abacus. The remaining goodwill is contained in the Engineering and Consulting reporting segment as a result of the acquisition of Economists LLC. The Company had goodwill outstanding in the amount of $21.9 million as of December 30, 2016. The changes in the carrying value of goodwill by reporting unit for the fiscal year ended December 29, 2017 were as follows:

	December 30,	Additions /	December 29,

	2016	Adjustments	2017
Reporting Unit:			
Energy	$ 21,198,000	$ 16,237,000	$ 37,435,000
Engineering and Consulting	749,000	—	749,000
	$ 21,947,000	$ 16,237,000	$ 38,184,000

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of December 29, 2017 and December 30, 2016, included in other intangible assets, net in the accompanying consolidated balance sheets, were as follows:

	December 29, 2017		December 30, 2016		
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	Amortization Period (yrs)
Backlog	$ 1,398,000	$ 989,000	$ 1,398,000	$ 639,000	5
Tradename	3,779,000	2,050,000	2,739,000	1,142,000	2.5 - 6.0
Non-compete agreements	1,331,000	745,000	1,331,000	463,000	4
License to bid	308,000	308,000	308,000	308,000	1
Developed Technology	2,760,000	144,000	—	—	8
In-process Research & Technology	1,650,000	—	—	—	10
Customer relationships	4,960,000	1,284,000	3,260,000	543,000	5.0 - 8.0
	$ 16,186,000	$ 5,520,000	$ 9,036,000	$ 3,095,000	

The Company's amortization expense for acquired identifiable intangible assets with finite useful lives was $2.4 million for the fiscal year ended December 29, 2017, and $1.9 million and $1.2 million for the fiscal years ended December 30, 2016 and January 1, 2016, respectively. Estimated amortization expense for acquired identifiable intangible assets for fiscal year 2018 and the succeeding years is as follows:

Fiscal year:	
2018	$ 2,847,000
2019	1,982,000
2020	1,570,000
2021	1,005,000
2022	896,000
Thereafter	2,366,000
	$ 10,666,000

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

The Company tests its goodwill at least annually for possible impairment. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is impairment. In addition to the Company's annual test, it regularly evaluates whether events and circumstances have occurred that may indicate a potential impairment of goodwill. No impairment was recorded during the three-year period ended December 29, 2017.

5. EARNINGS PER SHARE ("EPS")

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

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

	Fiscal Year		
	2017	2016	2015
Net income	$ 12,129,000	$ 8,299,000	$ 4,259,000

Weighted-average common shares outstanding	8,541,000	8,219,000	7,834,000
Effect of dilutive stock options and restricted stock awards	614,000	346,000	279,000
Weighted-average common shares outstanding-diluted	9,155,000	8,565,000	8,113,000
Earnings per share:			
Basic	$ 1.42	$ 1.01	$ 0.54
Diluted	$ 1.32	$ 0.97	$ 0.52

For the fiscal year ended December 29, 2017, 114,600 options were excluded from the calculation of dilutive potential common shares, compared to 322,200 and 314,500 options, for fiscal years 2016 and 2015, respectively. These options were not included in the computation of dilutive potential common shares because the assumed proceeds per share exceeded the average market price per share for the respective periods. Accordingly, the inclusion of these options would have been anti-dilutive.

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 29, 2017 and December 30, 2016:

	December 29, 2017	December 30, 2016
Billed	$ 30,250,000	$ 25,909,000
Unbilled (1)	24,732,000	18,988,000
Contract retentions	8,560,000	5,161,000
	63,542,000	50,058,000
Allowance for doubtful accounts	(369,000)	(785,000)
	$ 63,173,000	$ 49,273,000

(1) Unbilled portion represents costs and estimated earnings in excess of billings on uncompleted contracts which is presented separately from accounts receivable on the consolidated balance sheets.

The movements in the allowance for doubtful accounts consisted of the following for fiscal years 2017, 2016 and 2015:

	Fiscal Year		
	2017	2016	2015
Balance as of the beginning of the year	$ 785,000	$ 760,000	$ 662,000
(Recovery of) provision for doubtful accounts	(189,000)	216,000	586,000
Write-offs of uncollectible accounts	(227,000)	(191,000)	(488,000)
Balance as of the end of the year	$ 369,000	$ 785,000	$ 760,000

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of December 29, 2017 and December 30, 2016 are or were expected to be billed and collected within twelve months of such date. Contract retentions represent amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, other contractual conditions or upon the completion of the project. These retention agreements vary from project to project and could be outstanding for several months.

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

As of December 29, 2017, Dormitory Authority-State of New York ("DASNY") accounted for 19% and Consolidated Edison of New York, Inc. ("Consolidated Edison") accounted for 15% of outstanding receivables, as compared to Consolidated Edison accounting for 20% and DASNY accounting for 19% of the Company's outstanding receivables as of December 30, 2016. For the fiscal year 2017, DASNY and Consolidated Edison represented 22% and 16%, respectively, of our consolidated contract revenue.

7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at December 29, 2017 and December 30, 2016:

	December 29, 2017	December 30, 2016
Furniture and fixtures	$ 3,011,000	$ 2,353,000
Computer hardware and software	8,355,000	7,686,000
Leasehold improvements	1,121,000	1,094,000
Equipment under capital leases	1,095,000	1,076,000
Automobiles, trucks, and field equipment	2,100,000	1,446,000
	15,682,000	13,655,000
Accumulated depreciation and amortization	(10,376,000)	(9,144,000)
Equipment and leasehold improvements, net	$ 5,306,000	$ 4,511,000

Included in accumulated depreciation and amortization is $380,000 and $745,000 of amortization expense related to equipment held under capital leases in fiscal years 2017 and 2016, respectively.

8. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 29, 2017 and December 30, 2016:

	December 29, 2017	December 30, 2016
Accrued bonuses	$ 2,687,000	$ 2,090,000
Accrued interest	5,000	1,000
Paid leave bank	2,533,000	2,129,000
Compensation and payroll taxes	1,859,000	2,006,000
Accrued legal	103,000	177,000
Accrued workers' compensation insurance	305,000	81,000
Accrued rent	192,000	166,000
Employee withholdings	1,812,000	1,337,000
Client deposits	92,000	139,000
Accrued subcontractor costs	13,103,000	8,100,000
Other	602,000	2,823,000
Total accrued liabilities	$ 23,293,000	$ 19,049,000

9. EQUITY PLANS

As of December 29, 2017, the Company had two share-based compensation plans, which are described below. The Company may no longer grant awards under the 2006 Stock Incentive Plan. The compensation expense that has been recognized for stock options and restricted stock awards issued under these plans was $2,426,000, $1,239,000 and $777,000 for fiscal years 2017, 2016 and 2015, respectively.

2006 STOCK INCENTIVE PLAN

In June 2006, the Company's board of directors adopted the 2006 Stock Incentive Plan ("2006 Plan") and it received stockholder approval. The Company re-submitted the 2006 Plan to its stockholders for post-IPO approval at the 2007 annual meeting of the stockholders and it was approved. The 2006 Plan terminated in June 2016 and no additional awards were granted under the 2006 Plan after the Company's shareholders approved the 2008 Plan (as defined below) in June 2008. The 2006 Plan had 300,000 shares of common stock reserved for issuance to the Company's directors, executives, officers, employees, consultants and advisors. Approximately 70,333 shares that were available for award grant purposes under the 2006 Plan have become available for grant under the 2008 Plan following shareholder approval of the 2008 Plan. Options granted under the 2006 Plan could be "non-statutory stock options" which expire no more than 10 years from the date of grant or "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Upon exercise of non-statutory stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option. As of December 29, 2017, outstanding options granted, net of forfeitures and expirations, under the 2006 Plan consisted of 20,000 shares of incentive stock options.

AMENDED AND RESTATED 2008 PERFORMANCE INCENTIVE PLAN

In March 2008, the Company's board of directors adopted the 2008 Performance Incentive Plan ("2008 Plan"), and it received stockholder approval at the 2008 annual meeting of the stockholders in June 2008. The 2008 Plan will currently terminate on April 17, 2027. The 2008 Plan initially had 450,000 shares of common stock reserved for issuance (not counting any shares originally available under the 2006 Plan that "poured over.") At the 2010, 2012, 2016 and 2017 annual meetings of the stockholders, the stockholders approved 350,000, 500,000, 500,000 and 875,000 share increases, respectively, to the 2008 Plan. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2008 Plan can also be increased by any shares subject to stock options granted under the 2006 Plan and outstanding as of June 9, 2008 which expire, or for any reason are cancelled or terminated, after June 9, 2008 without being exercised. The 2008 Plan currently has 897,000 shares of common stock reserved for issuance. Awards authorized by the 2008 Plan include stock options, stock appreciation rights, restricted stock, stock bonuses, stock units, performance stock, and other share-based awards. No participant may be granted an option to purchase more than 300,000 shares in any fiscal year. Options generally may not be granted with exercise prices less than fair market value at the date of grant, with vesting provisions and contractual terms determined by the compensation committee of

the board of directors on a grant-by-grant basis, subject to the minimum vesting provisions contained in the 2008 Plan. Options granted under the 2008 Plan may be "nonqualified stock options" or "incentive stock options" as defined in Section 422 of the Internal Revenue Code. The maximum term of each option shall be 10 years. Upon exercise of nonqualified stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option. For awards other than stock options, the Company is generally entitled to a tax deduction at the time the award holder recognizes income with respect to the award equal to the amount of compensation income recognized by the award holder. Options and other awards provide for accelerated vesting if there is a change in control (as defined in the 2008 Plan) and the outstanding awards are not substituted or assumed in connection with the transaction. Through December 29, 2017, outstanding awards granted, net of forfeitures and exercises, under the 2008 Plan consisted of 531,000 shares, 639,000 shares and 88,000 shares for incentive stock options, non-statutory stock options and restricted stock grants, respectively.

The fair value of each option is calculated using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based upon historical volatility of "guideline companies" since the length of time the Company's shares have been publicly traded is equal to the contractual term of the options.

The expected term of the option, taking into account both the contractual term of the option and the effects of employees' expected exercise and expected post-vesting termination behavior is estimated based upon the simplified method. Under this approach, the expected term is presumed to be the mid-point between the vesting date and the end of the contractual term. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The assumptions are as follows:

	2017	2016	2015
Expected volatility	38% - 41%	39% - 41%	38% - 42%
Expected dividends	0%	0%	0%
Expected term (in years)	6	6	6
Risk-free rate	1.86% - 2.08%	1.2% - 1.84%	1.33% - 1.75%

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

Summary of Stock Option Activity

A summary of option activity under the 2006 Plan and 2008 Plan as of December 29, 2017 and changes during the fiscal years ended December 29, 2017, December 30, 2016 and January 1, 2016 is presented below. The intrinsic value of the fully-vested options is $9,961,000 based on the Company's closing stock price of $23.94 on December 29, 2017.

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at December 30, 2016	1,311,000	$ 10.15	6.69
Granted	199,000	30.28	—
Exercised	(271,000)	7.02	—
Forfeited or expired	(32,000)	15.65	—
Outstanding at December 29, 2017	1,207,000	$ 14.04	7.02
Vested at December 29, 2017	660,000	$ 8.84	5.58
Exercisable at December 29, 2017	660,000	$ 8.84	5.58

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at January 1, 2016	964,000	$ 7.22	6.04
Granted	440,000	15.28	—
Exercised	(75,000)	4.41	—
Forfeited or expired	(18,000)	9.81	—
Outstanding at December 30, 2016	1,311,000	$ 10.15	6.69
Vested at December 30, 2016	658,000	$ 6.21	4.21
Exercisable at December 30, 2016	658,000	$ 6.21	4.21

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at January 2, 2015	926,000	$ 5.84	6.44
Granted	165,000	12.33	—
Exercised	(103,000)	3.72	—
Forfeited or expired	(24,000)	3.94	—
Outstanding at January 1, 2016	964,000	$ 7.22	6.04
Vested at January 1, 2016	624,000	$ 5.24	4.53
Exercisable at January 1, 2016	624,000	$ 5.24	4.53

A summary of the status of the Company's nonvested options and changes in nonvested options during the fiscal years ended December 29, 2017, December 30, 2016 and January 1, 2016, is presented below:

	Options	Weighted-Average Grant-Date Fair Value
Nonvested at December 30, 2016	653,000	$ 4.75
Granted	199,000	12.23
Vested	(273,000)	6.68
Forfeited	(32,000)	15.65
Nonvested at December 29, 2017	547,000	6.43

	Options	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2016	340,000	$ 3.77
Granted	440,000	6.15
Vested	(109,000)	7.82
Forfeited	(18,000)	9.81
Nonvested at December 30, 2016	653,000	4.75

	Options	Weighted-Average Grant-Date Fair Value
Nonvested at January 2, 2015	331,000	$ 3.37
Granted	165,000	4.92
Vested	(132,000)	3.67
Forfeited	(24,000)	3.94
Nonvested at January 1, 2016	340,000	3.77

Summary of Restricted Stock Activity

A summary of restricted stock activity under the 2008 Plan as of December 29, 2017 and changes during the fiscal years ended December 29, 2017 and December 30, 2016, is presented below. The intrinsic value of the fully-vested restricted stock is $1,301,000 and $207,000, based on the Company's average grant date price of $31.53 and $10.89 for fiscal years ended December 29, 2017 and December 30, 2016, respectively.

	Restricted Stock	Weighted-Average Grant Date Fair Value
Outstanding at December 30, 2016	99,000	$ 11.37
Awarded	28,000	31.53
Vested	(40,000)	33.02
Forfeited	—	—
Outstanding at December 29, 2017	87,000	$ 17.67

Outstanding at January 1, 2016	38,000	$ 11.66
Awarded	82,000	10.89
Vested	(21,000)	9.89
Forfeited	—	—
Outstanding at December 30, 2016	99,000	$ 11.37

Outstanding at January 2, 2015	38,000	$ 5.74
Awarded	25,000	13.91
Vested	(25,000)	5.05
Forfeited	—	—
Outstanding at January 1, 2016	38,000	$ 11.66

The total unrecognized compensation expense related to nonvested stock options was $3,514,000, $3,101,000 and $1,280,000 for the fiscal years ended December 29, 2017, December 30, 2016 and January 1, 2016, respectively. The total unrecognized compensation expense related to restricted stock grants was $1,162,000, $874,000 and $322,000 for the fiscal years ended December 29, 2017, December 30, 2016 and January 1, 2016, respectively. That expense is expected to be recognized over a weighted-average period of 2.14 years. There were no options granted that were immediately vested during the fiscal years ended December 29, 2017, December 30, 2016 and January 1, 2016.

AMENDED AND RESTATED 2006 EMPLOYEE STOCK PURCHASE PLAN

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

The plan has semi-annual periods beginning on each January 1 and ending on each June 30 and beginning on each July 1 and ending on each December 31. The first offering period commenced on February 10, 2007 and ended on June 30, 2007. Participants make contributions under the plan only by means of payroll deductions each payroll period. The accumulated contributions are applied to the purchase of shares. Shares are purchased under the plan on or as soon as practicable after, the last day of the offering period. The purchase price per share equals 85% of the fair market value of a share on the lesser price of the share on the first day or last day of the offering period.

The Company's Amended and Restated 2006 Employee Stock Purchase Plan is a compensatory plan. As of December 29, 2017, there were 805,093 shares available for issuance under the plan.

10. DEBT OBLIGATIONS

Debt obligations, excluding obligations under capital leases (see Note 11 "—Commitments—Leases" below), consist of the following:

	December 29, 2017	December 30, 2016
Outstanding borrowings on revolving credit facility	$ 2,500,000	$ —
Outstanding borrowings on delayed draw term loan	—	1,500,000
Notes payable for 360 Energy Engineers, LLC, bearing interest at 4%, payable in monthly principal and interest installments of $88,752 through November 2017.	—	1,031,000
Notes payable for Abacus, bearing interest at 4%, payable in monthly principal and interest installments of $54,281 through January 2017.	—	54,000
Notes payable for insurance, bearing interest at 2.773%, payable in monthly principal and interest installments of $55,868 through October 2016.	—	599,000
Deferred purchase price for the acquisition of substantially all of the assets of Genesys, bearing interest at 0.650%, payable in monthly principal and interest installments of $191,667 through March 2018.	383,000	2,862,000
Total debt obligations	2,883,000	6,046,000
Less current portion	383,000	3,972,000
Debt obligations, less current portion	$ 2,500,000	$ 2,074,000

The following table summarizes the combined principal installments for the Company's debt obligations, excluding capital leases, over the next five years and beyond, as of December 29, 2017:

Fiscal Year:	
2018	383,000
2019	—
2020	2,500,000
2021	—
Thereafter	—
	$ 2,883,000

Credit Facility

On March 24, 2014, the Company and its subsidiaries, as guarantors, entered into a credit agreement (as amended, the "Prior Credit Agreement") with BMO Harris Bank N.A. ("BMO"), that provided for a revolving line of credit of up to $7.5 million, subject to a borrowing base calculation, and a delayed draw term loan facility of up to $3.0 million.

WILLDAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONT'D

Fiscal Years 2017, 2016 and 2015

On January 20, 2017, the Company and each of its subsidiaries, as guarantors (the "Guarantors"), entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with BMO, as lender. The Credit Agreement amends and extends the Company's Prior Credit Agreement. The Credit Agreement provides for a $35.0 million revolving line of credit, including a $10.0 million standby letter of credit sub-facility, and matures on January 20, 2020. Subject to satisfying certain conditions described in the Credit Agreement, the Company may request that BMO increase the aggregate amount under the revolving line of credit by up to $25.0 million, for a total facility size of $60.0 million; however, BMO is not obligated to do so. Unlike the Prior Credit Agreement, the revolving line of credit is no longer subject to a borrowing base limitation and the Credit Agreement no longer includes a delayed draw term loan facility. To finance the acquisitions of Abacus and substantially all of the assets of 360 Energy on January 15, 2015, the Company borrowed $2.0 million under its delayed draw term loan facility pursuant to the Company's Prior Credit Agreement. On January 20, 2017, the remaining $1.5 million of borrowings outstanding under the delayed draw term loan facility was converted into $1.5 million of borrowings under the revolving credit facility pursuant to the Credit Agreement.

Borrowings under the Credit Agreement 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 0.5% or one-month London Interbank Offered Rate ("LIBOR") plus 1% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 0.25% to 1.00% with respect to Base Rate borrowings and 1.25% to 2.00% with respect to LIBOR borrowings. The applicable margin will be based upon the consolidated leverage ratio of the Company. The Company will also be required to pay a commitment fee for the unused portion of the revolving line of credit, which will range from 0.20% to 0.35% per annum, and fees on any letters of credit drawn under the facility, which will range from 0.94% to 1.50%, in each case, depending on the Company's consolidated leverage ratio.

Borrowings under the revolving line of credit are guaranteed by all of the Company's direct and indirect subsidiaries and secured by substantially all of the Company's and the Guarantors' assets.

The Credit Agreement contains customary representations and affirmative covenants, including certain notice and financial reporting requirements. The Credit Agreement also requires compliance with financial covenants that require the Company to maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio.

The Credit Agreement includes customary negative covenants, including (i) restrictions on the incurrence of additional indebtedness by the Company or the Guarantors and the incurrence of additional liens on property, (ii) restrictions on permitted acquisitions, including that the total consideration payable for all permitted acquisitions (including potential future earn-out obligations) shall not exceed $20.0 million during the term of the Credit Agreement and the total consideration for any individual permitted acquisition shall not exceed $10.0 million without BMO's consent, and (iii) limitations on asset sales, mergers and acquisitions. Further, the Credit Agreement limits the payment of future dividends and distributions and share repurchases by the Company; however, the Company is permitted to repurchase up to $8.0 million of shares of common stock under certain conditions, including that, at the time of any such repurchase, (a) the Company is able to meet the financial covenant requirements under the Credit Agreement after giving effect to the share repurchase, (b) the Company has at least $5.0 million of liquidity (unrestricted cash or undrawn availability under the revolving line of credit), and (c) no default exists or would arise under the Credit Agreement after giving effect to such repurchase. In addition, the Credit Agreement includes customary events of default. Upon the occurrence of an event of default, the interest rate will be increased by 2.0%, BMO has the option to make any loans then outstanding under the Credit Agreement immediately due and payable, and BMO is no longer obligated to extend further credit to the Company under the Credit Agreement. As of December 29, 2017, the Company was in compliance with the financial covenants under the Credit Agreement.

WILLDAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONT'D

Fiscal Years 2017, 2016 and 2015

Promissory Notes

To finance the acquisitions of Abacus and substantially all of the assets of 360 Energy, the Company borrowed $2.0 million under its delayed draw term loan facility pursuant to the Prior Credit Agreement. The term loan provided for interest at the LIBOR rate plus an applicable margin ranging between 2.25% and 2.75 and matured on March 24, 2017. Principal on the term loan was payable on the last day of each March, June, September and December in each year. All of the remaining outstanding principal amount was paid on March 24, 2017. The term loan was governed by the terms of the Prior Credit Agreement. The term loan was paid in full on its maturity date of March 24, 2017.

On January 15, 2015, in connection with the completion of the acquisition of Abacus, WES issued promissory notes to Mark Kinzer (the "Kinzer Note") and Steve Rubbert (the "Rubbert Note" and, together with the Kinzer Note, the "Abacus Notes"). The initial outstanding principal amount of each of the Kinzer Note and the Rubbert Note was $0.6 million. The Abacus Notes provided for a fixed interest rate of 4% per annum. The Abacus Notes were fully amortizing and payable in equal monthly installments between January 15, 2015 and their January 15, 2017 maturity date. The Abacus Notes contained events of default provisions customary for documents of this nature. Mr. Kinzer and Mr. Rubbert entered into a Subordination Agreement, dated as of January 15, 2015, in favor of BMO, pursuant to which any indebtedness under the Abacus Notes was subordinated to any indebtedness under the Prior Credit Agreement. The Abacus Notes were paid in full on their maturity date of January 15, 2017.

On January 15, 2015, in connection with the completion of the acquisition of substantially all of the assets of 360 Energy, WES issued a promissory note to 360 Energy (the "360 Energy Note"). The initial outstanding principal amount of the 360 Energy Note was $3.0 million. The 360 Energy Note provided for a fixed interest rate of 4% per annum. The 360 Energy Note was fully amortizing and payable in equal monthly installments between January 15, 2015 and its December 31, 2017 maturity date. The 360 Energy Note contained events of default provisions customary for documents of this nature. 360 Energy entered into a Subordination Agreement, dated as of January 15, 2015, in favor of BMO, pursuant to which any indebtedness under the 360 Energy Note was subordinated to any indebtedness under the Prior Credit Agreement. The 360 Energy Note was paid in full on December 26, 2017, before the notes maturity date of December 31, 2017.

Deferred Purchase Price

The Asset Purchase and Merger Agreement for the acquisition of substantially all of the assets of Genesys dated March 4, 2016, included deferred payments to Messrs. Braun and Mineo in the amount of $2.3 million ("Deferred Payments"), each. The Deferred Payments are to be paid in twenty-four (24) equal monthly installments in the amount of $95,834, inclusive of interest at the rate of 0.65% per annum. Payments commenced April 4, 2016 and conclude March 4, 2018. From issuance through December 29, 2017, the Company made payments of $4.2 million inclusive of interest and, as of December 29, 2017, the aggregate outstanding balance on the Deferred Payments to Messrs. Braun and Mineo was approximately $0.4 million.

Insurance Premiums

The Company has also financed, from time to time, insurance premiums by entering into unsecured notes payable with insurance companies. During the Company's annual insurance renewals in the fourth quarter of its fiscal year ended December 29, 2017, the Company did not elect to finance its insurance premiums for the upcoming fiscal year. The unpaid balance of the financed premiums totaled $0 and $599,000 for fiscal years ended December 29, 2017 and December 30, 2016, respectively.

11. COMMITMENTS

Leases

The Company is obligated under capital leases for certain furniture and office equipment that expire at various dates through 2020.

The Company also leases certain office facilities under non-cancelable operating leases that expire at various dates through 2023.

Future minimum rental payments under capital and non-cancelable operating leases are summarized as follows:

	Capital	Operating
Fiscal year:		
2018	$ 301,000	3,076,000
2019	125,000	2,648,000
2020	39,000	1,616,000
2021	—	1,283,000
2022	—	1,192,000
2023	—	277,000
Total future minimum lease payments	465,000	$ 10,092,000
Amount representing interest (at rates ranging from 3.25% to 3.75%)	(16,000)	
Present value of net minimum lease payments under capital leases	449,000	
Less current portion	289,000	
	$ 160,000	

Rent expense and related charges for common area maintenance for all facility operating leases for fiscal years 2017, 2016 and 2015 was approximately $3,624,000, $3,215,000 and $2,842,000, respectively.

Employee Benefit Plans

The Company has a qualified profit sharing plan pursuant to Code Section 401(a) and qualified cash or deferred arrangement pursuant to Code Section 401(k) covering substantially all employees. Employees may elect to contribute up to 50% of their compensation limited to the amount allowed by tax laws. Company contributions are made solely at the discretion of the Company's board of directors. The Company made matching contributions of approximately $1,021,000, $900,000 and $777,000 during fiscal years 2017, 2016 and 2015, respectively.

The Company has a discretionary bonus plan for regional managers, division managers and others as determined by the chief executive officer or Company president. Bonuses are awarded if certain financial goals are achieved. The financial goals are not stated in the plan; rather they are judgmentally determined each year. In addition, the board of directors may declare discretionary bonuses to key employees and all employees are eligible for bonuses for outstanding performance. The Company's compensation committee of the board of directors determines the compensation of the president and chief executive officer and other executive officers. Bonus expense for fiscal years 2017, 2016 and 2015 totaled approximately $3,535,000, $2,709,000 and $1,268,000, respectively, of which approximately $2,687,000 and $2,090,000 is included in accrued liabilities at December 29, 2017 and December 30, 2016, respectively.

Post-Employment Health Benefits

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

Included in accrued liabilities in the accompanying consolidated balance sheets related to this obligation is the present value of expected payments for health insurance coverage, $93,000 as of December 29, 2017 and $110,000 as of December 30, 2016.

12. INCOME TAXES

The provision for income taxes is comprised of:

	Fiscal Year		
	2017	2016	2015
Current federal taxes	$ 635,000	$ 1,441,000	$ 983,000
Current state taxes	306,000	402,000	340,000
Deferred federal taxes	431,000	900,000	1,295,000
Deferred state taxes	190,000	325,000	464,000
	$ 1,562,000	$ 3,068,000	$ 3,082,000

The provision for income taxes reconciles to the amounts computed by applying the statutory federal tax rate of 34% to the Company's income before income taxes. The sources and tax effects of the differences for fiscal years 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Computed "expected" federal income tax expense	$ 4,655,000	$ 3,865,000	$ 2,496,000
Permanent differences	(61,000)	86,000	90,000
Stock options and disqualifying dispositions	(1,629,000)	(232,000)	205,000
Tax Act - federal rate change	(1,277,000)	—	—
Energy efficient building deduction	—	(912,000)	(281,000)
Current and deferred state income tax expense, net of federal benefit	287,000	481,000	482,000
Change in valuation allowances on deferred tax assets	15,000	(1,000)	73,000
Federal deferred tax adjustments	(441,000)	—	—
Adjustment for uncertain tax positions	363,000	—	—
Research and development tax credit	(188,000)	—	—
Other	(162,000)	(219,000)	17,000
	$ 1,562,000	$ 3,068,000	$ 3,082,000

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

the tax rate reduction. Based on the Company's initial assessment of the Tax Act, the Company believes that the most significant impact on its financial statements is the remeasurement of its deferred taxes. Quantifying all of the impacts of the Tax Act however requires significant judgment by management, including the inherent complexities involved in determining the timing of reversals of deferred tax assets and liabilities. Accordingly, the Company will continue to analyze the impacts of the Tax Act and, if necessary, record any further adjustments to deferred tax assets and liabilities in future periods.

Shortly after the Tax Act was enacted, the Securities and Exchange Commission issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") to address the application of generally accepted accounting principles in the United States of America, or GAAP, and directing taxpayers to consider the impact of the Tax Act as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. In accordance with SAB 118, the Company has recognized the provisional tax impacts. Although, the Company does not believe there will be any material adjustments in subsequent reporting periods, the ultimate impact may differ from the provisional amounts, due to, among other things, the limitation on the deductibility of certain executives' compensation pursuant to Section 162(m) of the Internal Revenue Code, a detailed evaluation of the contractual terms of the Company's

fourth quarter 2017 capital additions to determine whether they qualify for the 100% expensing pursuant to the Tax Act, the significant complexity of the Tax Act and anticipated additional regulatory guidance that may be issued by the Internal Revenue Service ("IRS") and changes in analysis, interpretations and assumptions the Company has made and actions the Company may take as a result of the Tax Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

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

	December 29, 2017	December 30, 2016
Deferred tax assets:		
Accounts receivable allowance	$ 104,000	$ 316,000
Other accrued liabilities	1,413,000	2,450,000
State net operating losses	191,000	109,000
Intangible assets	2,466,000	3,268,000
Other	1,126,000	671,000
	5,300,000	6,814,000
Valuation allowance	(87,000)	(72,000)
Net deferred tax assets	$ 5,213,000	$ 6,742,000
Deferred tax liabilities:		
Deferred revenue	$ (6,935,000)	$ (7,637,000)
Fixed assets	(463,000)	(632,000)
Other	(278,000)	(315,000)
	(7,676,000)	(8,584,000)
Net deferred tax liability	$ (2,463,000)	$ (1,842,000)

At December 29, 2017, the Company had state operating loss carryovers of $2.7 million. The carryovers expire through 2036.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. For fiscal years 2017 and 2016, the Company ultimately determined that it was more-likely-than-not that the entire California net operating loss will not be utilized prior to expiration. Significant pieces of objective evidence evaluated included the Company's history of utilization of California net operating losses in prior years for each of the Company's subsidiaries, as well as the Company's forecasted amount of net operating loss utilization for certain members of the combined group. As a result, we recorded a valuation allowance in the amount of $87,000 and $72,000 at the end of fiscal year 2017 and 2016, respectively, related to California net operating losses.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified. The standard is effective for fiscal periods beginning after December 15, 2016, with early adoption permitted. The Company has elected to early adopt ASU 2016-09 on a prospective basis, which resulted in a decrease to tax expense of approximately $1.6 million for the fiscal year ended December 29, 2017.

During the fiscal year ending December 29, 2017, the Company recorded a liability of $363,000 for uncertain tax positions related to certain deductions and an adjustment to interest accretion for contingent consideration recognized in tax years 2015 and 2016. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of December 29, 2017, there were unrecognized tax benefits of $363,000. The Company may be subject to examination by the IRS for calendar years 2014 through 2017. The Company may also be subject to examination on certain state and local jurisdictions for the years 2013 through 2017.

13. SEGMENT INFORMATION

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

The Company's principal segment, Energy, which consists of the business of our subsidiary, WES, remains unchanged. WES provides energy and sustainability consulting services to utilities, public agencies, municipalities, private industry and non-profit organizations. The Engineering and Consulting segment includes the operation of our remaining subsidiaries, Willdan Engineering, Willdan Infrastructure, Public Agency Resources, Willdan Financial Services and Willdan Homeland Solutions. The Engineering and Consulting segment combines our previous Engineering Services segment, Public Finance Services segment and Homeland Security Services segment. The former Public Finance Services segment and former Homeland Security Services segment represent an insignificant portion of the Engineering and Consulting segment. The Engineering and Consulting segment offers a broad range of engineering and planning services to the Company's public and private sector clients, expertise and support for the various financing techniques employed by public agencies to finance their operations and infrastructure, along with the mandated reporting and other requirements associated with these financings, and national preparedness, homeland security consulting, public safety and emergency response services to cities, related municipal service agencies and other entities.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. There were no intersegment sales in any of the three fiscal years ended December 29, 2017. The Company's chief operating decision maker

evaluates the performance of each segment based upon income or loss from operations before income taxes. Certain segment asset information including expenditures for long-lived assets has not been presented as it is not reported to or reviewed by the chief operating decision maker. In addition, enterprise-wide service line contract revenue is not included as it is impracticable to report this information for each group of similar services.

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

	Energy	Engineering & Consulting	Unallocated Corporate	Intersegment	Consolidated Total
Fiscal Year 2017					
Contract revenue	$ 199,609,000	$ 73,743,000	$ —	$ —	$ 273,352,000
Depreciation and amortization	3,145,000	804,000	—	—	3,949,000
Interest expense	(90,000)	(21,000)	—	—	(111,000)
Segment profit (loss) before income tax expense	5,589,000	9,054,000	(952,000)	—	13,691,000
Income tax (benefit) expense	638,000	1,033,000	(109,000)	—	1,562,000
Net income (loss)	4,951,000	8,021,000	(843,000)	—	12,129,000
Segment assets(1)	65,872,000	20,774,000	74,656,000	(23,130,000)	138,172,000
Fiscal Year 2016					
Contract revenue	$ 141,888,000	$ 67,053,000	$ —	$ —	$ 208,941,000
Depreciation and amortization	2,511,000	693,000	—	—	3,204,000
Interest expense	(163,000)	(16,000)	—	—	(179,000)
Segment profit (loss) before income tax expense	5,895,000	6,887,000	(1,415,000)	—	11,367,000
Income tax (benefit) expense	1,591,000	1,859,000	(382,000)	—	3,068,000
Net income (loss)	4,304,000	5,028,000	(1,033,000)	—	8,299,000
Segment assets(1)	63,140,000	20,100,000	48,237,000	(23,130,000)	108,347,000
Fiscal Year 2015					
Contract revenue	$ 74,123,000	$ 60,980,000	$ —	$ —	$ 135,103,000
Depreciation and amortization	1,525,000	547,000	—	—	2,072,000
Interest expense	(194,000)	(13,000)	—	—	(207,000)
Segment profit before income tax expense	2,499,000	6,232,000	(1,390,000)	—	7,341,000
Income tax expense (benefit)	1,049,000	2,617,000	(584,000)	—	3,082,000
Net income	1,450,000	3,615,000	(806,000)	—	4,259,000
Segment assets(1)	34,686,000	19,912,000	40,877,000	(23,130,000)	72,345,000

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

The following sets forth the assets that are included in Unallocated Corporate as of December 29, 2017 and December 30, 2016.

	2017	2016
Assets:		
Cash and cash equivalents	$ 47,654,000	$ 22,660,000
Accounts Receivable, net	(1,046,000)	(590,000)
Prepaid expenses	1,285,000	1,017,000
Intercompany receivables	131,667,000	112,837,000
Goodwill	2,000	(3,000)
Other receivables	1,687,000	55,000
Equipment and leasehold improvements, net	1,504,000	1,869,000
Investments in subsidiaries	23,130,000	23,130,000
Other	438,000	99,000
	$ 206,321,000	$ 161,074,000

14. CONTINGENCIES

Claims and Lawsuits

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

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

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

15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The tables below reflect selected quarterly information for the fiscal years ended December 29, 2017 and December 30, 2016.

	Fiscal Three Months Ended			
	March 31, 2017	June 30, 2017	September 29, 2017	December 29, 2017
	(in thousands except per share amounts)			
Contract revenue	$ 68,351	$ 71,833	$ 69,007	$ 64,161
Income from operations	1,964	4,563	4,183	2,994
Income tax (benefit) expense	(673)	1,220	1,292	(277)
Net income	2,641	3,312	2,886	3,290
Earnings per share:				
Basic	$ 0.32	$ 0.38	$ 0.33	$ 0.38
Diluted	$ 0.30	$ 0.36	$ 0.31	$ 0.36
Weighted-average shares outstanding:				
Basic	8,281	8,603	8,730	8,689
Diluted	8,854	9,136	9,248	9,231

	Fiscal Three Months Ended			
	April 1, 2016	July 1, 2016	September 30, 2016	December 30, 2016
	(in thousands except per share amounts)			
Contract revenue	$ 33,915	$ 58,941	$ 58,660	$ 57,425
Income from operations	1,838	3,964	3,053	2,689
Income tax expense	711	731	548	1,078
Net income	1,078	3,190	2,462	1,569
Earnings per share:				
Basic	$ 0.13	$ 0.39	$ 0.30	$ 0.19
Diluted	$ 0.13	$ 0.37	$ 0.28	$ 0.18
Weighted-average shares outstanding:				
Basic	7,996	8,207	8,308	8,334
Diluted	8,244	8,530	8,720	8,959

16. SUBSEQUENT EVENTS

Subsequent to year end, the Company was notified that its 2016 tax return will be examined by the IRS. The Company has yet to determine the result due to the examination process having not commenced.

On February 9, 2018, Congress extended the Section 179D Energy Efficient Commercial Building Deduction of the Internal Revenue Code, and the Company will record a benefit in the first quarter of fiscal year 2018.

Unless otherwise expressly indicated or the context other requires, all references herein to "Willdan," the "Company," "we," "us," "our" or similar references refer to Willdan Group, Inc. and its subsidiaries.

Risks Related to our Pending Acquisition of Lime Energy Co. ("Lime Energy")

The acquisition of Lime Energy is subject to customary closing conditions and if we are unable to complete the acquisition we will not be able to realize the anticipated benefits, while being subject to certain material adverse risks.

Although we currently expect to close the acquisition of Lime Energy during the fourth quarter of 2018, the acquisition is subject to customary closing conditions, including obtaining clearance under the Hart-Scott-Rodino Antitrust Improvements Act. The satisfaction or waiver of these closing conditions may not occur and we may not be able to complete our acquisition of Lime Energy. If the acquisition of Lime Energy is not completed on a timely basis, or at all, we will be subject to a number of risks, without realizing any of the anticipated benefits of having completed the acquisition, including the following:

- we will be required to pay our costs relating to the acquisition, such as legal, accounting, financing and financial advisory fees, whether or not the acquisition is completed;
- we will be required to pay Lime Energy a reverse termination fee of $3.6 million if Lime Energy terminates the merger agreement (the "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. because we fail to close the acquisition within two business days after the date the closing is required to take place and such failure arises from our failure to receive the proceeds from the new credit facilities (collectively, the "New Credit Facilities") pursuant to the credit agreement, dated October 1, 2018 (the "Credit Agreement") with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A., as administrative agent, or our refusal to accept a new financing commitment that provides for at least the same amount of financing as the New Credit Facilities and on terms that are not materially less favorable to us than the New Credit Facilities, provided the closing conditions under the Merger Agreement are otherwise satisfied or waived;
- management may be distracted by ongoing matters related to the inability to complete the acquisition and any changes required to our business strategy; and
- the market price of our securities could decline to the extent that it reflects a market assumption that the acquisition will be completed, or to the extent that investors believe that the acquisition is material to our business strategy.

We have incurred and will continue to incur significant transaction expenses in connection with the negotiation and consummation of our pending acquisition of Lime Energy and the related debt financing transaction and if we complete the acquisition, we will incur significant integration costs.

We have incurred and will continue to incur significant transaction expenses in connection with the negotiation and consummation of our pending acquisition of Lime Energy. If we complete our acquisition of Lime Energy, we will implement a plan to integrate the operations of Lime Energy into our company. In connection with that plan, we anticipate that we will incur certain non-recurring charges; however, we cannot identify the timing, nature and amount of all such charges as of the date of this Current Report on Form 8-K. Further, we may be required to pay Lime Energy a reverse termination fee of $3.6 million as described above. These transaction expenses and integration costs will be charged as an expense in the period incurred. The significant transaction expenses and integration costs could materially affect our results of operations in the period in which such charges are recorded. Although we believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the business, will offset incremental transaction and integration costs over time if we complete the acquisition of Lime Energy, this net benefit may not be achieved in the near term, or at all.

If we complete our acquisition of Lime Energy, the business of Lime Energy may underperform relative to our expectations.

If we complete our acquisition of Lime Energy, we may not be able to maintain the levels of revenue, earnings or operating efficiency that we and Lime Energy have historically achieved or might achieve separately. The business and financial performance of Lime Energy are subject to certain risks and uncertainties, including:

- the risk of the loss of, or changes to, its relationships with its clients;
- the dependence on a limited number of utility customers and terminable contracts to generate substantially all of its revenue;
- challenges generating new customers to diversify its customer base;
- the reliance on subcontractors and the risk of failure by subcontractors to properly and effectively perform their services in a timely manner that cause delays in the delivery of Lime Energy's services;
- negative publicity or reputation from its prior investigations and settlements; and
- reliance on the senior management and key employees of Lime Energy.

We may be unable to achieve the same growth, revenues and profitability that Lime Energy has achieved in the past.

Lime Energy's top two utility programs accounted for 67% of its consolidated revenue for fiscal year 2017 and 69% for the six months ended June 30, 2018, and if we complete the acquisition of Lime Energy, a loss or reduction of business from either of such programs could result in significant harm to our revenue, profitability and financial condition.

For the fiscal year ended December 31, 2017, revenue generated from Lime Energy's utility programs associated with Los Angeles Department of Water and Power and Duke Energy Corp. represented 67% of Lime Energy's consolidated revenue. The amounts due from these two utilities represented 43% of

outstanding accounts receivable of Lime Energy as of December 31, 2017. For the six months ended June 30, 2018, these utility programs represented 69% of Lime Energy's consolidated revenue. Additionally, Lime Energy's top ten contracts accounted for 96% of its consolidated revenue in fiscal year 2017. These clients are not committed to purchase any minimum amount of Lime Energy's services, as its agreements with them are based on a "purchase order" model. As a result, they may discontinue utilizing some or all of Lime Energy's services with little or no notice. As well, certain of Lime Energy's contracts (for example, Lime Energy's contract relating to Los Angeles Department of Water and Power) are with other entities that are periodically funded by the applicable utility. Such funding is subject to periodic renewal and is outside the control of Lime Energy or its contract counterparty and may, at times, be delayed or inhibited.

Lime Energy expects these two utility programs to continue to account for a significant portion of its revenue for the foreseeable future. If we complete the acquisition of Lime Energy, the loss of either of these utility programs (or financial difficulties at either of these utilities, which result in nonpayment or nonperformance) could have a significant and adverse effect on our business, results of operations and financial condition. In addition, if Lime Energy's clients significantly reduce their business or orders with Lime Energy, default on their agreements or terminate or fail to renew their agreements with Lime Energy, our business, results of operations and financial condition could be materially and adversely affected. Lime Energy may not be able to win new contracts to replace these contracts if they are terminated early or expire as planned without being renewed.

The pro forma financial information reflecting our pending acquisition of Lime Energy and the related debt financing may not be indicative of our future results.

The pro forma financial information reflecting our pending acquisition of Lime Energy and the related debt financing may not reflect what our results of operations, financial position and cash flows would have been after giving effect to the acquisition and the related debt financing during the periods presented or be indicative of what our results of operations, financial position and cash flows may be in the future. We have made adjustments based upon available information and made assumptions that we believe are reasonable to reflect these factors, among others, in the pro forma financial information. However, our assumptions may not prove to be accurate.

If we complete our acquisition of Lime Energy, our financial results may suffer if we do not effectively manage our expanded operations following the acquisition.

If we complete our acquisition of Lime Energy, the size of our business will increase significantly. We have agreed to pay $120 million, subject to customary holdbacks and adjustments, for Lime Energy, which represents approximately 87% of our total consolidated assets as of June 29, 2018. Our future success will depend, in part, upon our ability to manage and integrate this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of additional operations and associated increased costs and complexity. There can be no assurances we will be successful or that we will realize the expected benefits currently anticipated from the completion of our acquisition of Lime Energy.

If we complete our acquisition of Lime Energy and incur debt under the New Credit Facilities, we will have a significant amount of indebtedness that could negatively affect our business, results of operations and financial condition.

If we complete our acquisition of Lime Energy and incur debt under the New Credit Facilities, we will have a significant amount of indebtedness. As of June 29, 2018, our total consolidated indebtedness was approximately $2.0 million and our interest payments were approximately $30,000 for the quarterly period ended June 29, 2018. As of June 29, 2018, on a pro forma basis after giving effect to the acquisition of Lime Energy and borrowings under the New Credit Facilities, our total indebtedness would have been approximately $117.4 million. However, the amount available for borrowing under the Delayed Draw Term Loan Facility will be reduced by the net proceeds from any equity offering completed by us prior to any borrowings under such facility but, in no event, will the amount available for borrowing be less than $70.0 million. This amount may increase as we incur more indebtedness in the future. Such significant amount of indebtedness could have important consequences, including the following:

- making it difficult for us to satisfy our payment obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general negative economic and industry conditions;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- exposing us to the risk of increased interest rates as certain of our borrowings have variable interest rates;

- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

If we complete our acquisition of Lime Energy and incur debt under the New Credit Facilities, we may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

If we complete our acquisition of Lime Energy and incur debt under the New Credit Facilities, we may not be able to generate sufficient cash to service our indebtedness. In addition to interest we will owe on our outstanding debt, our delayed draw term loan portion of the New Credit Facilities will amortize quarterly in an amount equal to 10% annually. Our ability to make scheduled payments on or refinance our debt obligations depends on our financial

condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the amounts due on our indebtedness.

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

The Credit Agreement contains terms that restrict our ability to access sufficient capital and operate our business.

The Credit Agreement contains terms that restrict our ability to, among other things:

- incur, create or assume additional indebtedness;
- incur, create or assume liens securing debt or other encumbrances on our assets;
- purchase, hold or acquire certain investments;
- acquire the assets of, or merge or consolidate with, other companies;
- sell, lease, or otherwise dispose of assets;
- pay dividends or make distributions to our stockholders; and
- purchase or redeem our stock.

In addition, the Credit Agreement contains financial maintenance covenants that require us to maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio tested on a quarterly basis, which we may not be able to achieve, and other restrictive covenants that may impair our ability to finance future operations or capital needs or to engage in other favorable business

activities. Failing to comply with these covenants could result in an event of default under the Credit Agreement, which could result in us being required to repay the amounts outstanding thereunder prior to maturity. These prepayment obligations could have an adverse effect on our business, results of operations and financial condition.

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

The loss of Lime Energy's senior officers or key employees could harm its business and, if we complete our acquisition of Lime Energy, negatively affect our financial condition, cash flow and results of operations.

We believe that Lime Energy's senior management's reputation and relationships with its customers is a critical element to the success of Lime Energy's business. Lime Energy depends on the diligence, skill and network of business contacts of its management team. We believe there are only a limited number of available qualified executives in the energy services industry, and we therefore have encountered, and will likely continue to encounter, intense competition for qualified employees from other companies in the industry. We believe our future success with Lime Energy will depend upon the continued service of its senior management personnel and other senior officers, each of whose services are important to the success of Lime Energy's current business strategies. If we complete our acquisition of Lime Energy and we were to subsequently lose the services of any of the members of Lime Energy's senior management team, it could negatively affect our financial condition, cash flow and results of operations.