

Willdan Group, Inc.
Form DEF 14A
April 21, 2010

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

WILLDAN GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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April 21, 2010

Dear Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders to be held on Friday, June 4, 2010 at 10:00 a.m. Pacific Daylight Time at the Hyatt Regency Orange County, 11999 Harbor Blvd., Garden Grove, California 92840.

The enclosed Notice and Proxy Statement contain details concerning the matters to be considered during the Annual Meeting. At the Annual Meeting, you will be asked to (i) elect nine directors; (ii) ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm; (iii) approve amendments to the Company's 2008 Performance Incentive Plan; and (iv) transact such other business as may properly come before the meeting. You will note that the Board of Directors of the Company recommends a vote "FOR" the election of each of the nine director nominees, "FOR" the ratification of the appointment of KPMG LLP, and "FOR" the approval of the amendments to the Company's 2008 Performance Incentive Plan. Please complete, sign and return your Proxy in the enclosed envelope at your earliest convenience to assure that your shares will be represented and voted at the Annual Meeting, even if you cannot attend.

YOUR VOTE IS VERY IMPORTANT. We appreciate you taking the time to vote promptly. After reading the Proxy Statement, please vote by Internet, telephone, or mail at your earliest convenience. If you decide to attend the Annual Meeting and would prefer to vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares. YOUR SHARES CANNOT BE VOTED UNLESS YOU VOTE BY INTERNET, TELEPHONE OR MAIL, OR ATTEND THE ANNUAL MEETING AND VOTE IN PERSON.

Thank you for your continued support of Willdan. We look forward to seeing you at the Annual Meeting.

Win Westfall
Chairman of the Board

Thomas D. Brisbin
President and Chief Executive Officer

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WILLDAN GROUP, INC.
2401 EAST KATELLA AVENUE, SUITE 300
ANAHEIM, CALIFORNIA 92806

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 4, 2010

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders (the "Annual Meeting") of Willdan Group, Inc., a Delaware corporation (the "Company"), will be held on Friday, June 4, 2010 at 10:00 a.m. Pacific Daylight Time at the Hyatt Regency Orange County, 11999 Harbor Blvd., Garden Grove, California 92840, for the following purposes described in this Notice:

- (1) To elect nine members of the Board of Directors, each to serve for a one-year term and until his or her successor is duly elected and qualified;
- (2) To consider and vote upon the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2010;
- (3) To consider and vote upon approval of amendments to the Company's 2008 Performance Incentive Plan; and
- (4) To consider and act upon any other matter that may properly be brought before the Annual Meeting and at any adjournment or postponement thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned or postponed.

The Board of Directors has fixed the close of business on Monday, April 12, 2010 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof. Only stockholders of record of the Company's common stock, \$0.01 par value per share, at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

Important Notice regarding the availability of proxy materials for the stockholder meeting to be held on June 4, 2010. Our proxy statement is attached. Our financial and other information is contained in our Annual Report to Stockholders for the fiscal year ended January 1, 2010. Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2009 Annual Report to Stockholders, including our Form 10-K for the year ended January 1, 2010, are available at our website at <http://ir.willdangroup.com/sec.cfm>, which does not have "cookies" that identify visitors to the site.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to vote and submit your proxy by the Internet, telephone or mail in order to ensure the presence of a quorum. *Registered holders may vote:*

1. By Internet: go to www.investorvote.com/WLDN;
2. By toll-free telephone: call 1-800-652-VOTE (8683); or
- 3.

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By mail: mark, sign, date and promptly mail the enclosed proxy card in the postage-paid envelope.

Any Proxy may be revoked by delivery of a later dated Proxy or a written notice of revocation or by attending the Annual Meeting and voting in person.

By Order of the Board of Directors

Roy L. Gill
Secretary

Anaheim, California
April 21, 2010

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WILLDAN GROUP, INC.
2401 EAST KATELLA AVENUE, SUITE 300
ANAHEIM, CALIFORNIA 92806

PROXY STATEMENT
FOR 2010 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 4, 2010

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Willdan Group, Inc., a Delaware corporation (the "Company"), for use at its 2010 Annual Meeting of Stockholders to be held on Friday, June 4, 2010 at 10:00 a.m. Pacific Daylight Time at the Hyatt Regency Orange County, 11999 Harbor Blvd., Garden Grove, California 92840, and at any adjournment or postponement thereof (the "Annual Meeting"). This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders and Proxy are first being sent to stockholders on or about May 3, 2010. The Company's 2009 Annual Report, including financial statements for the fiscal year ended January 1, 2010, is being mailed to stockholders concurrently with this Proxy Statement. The Annual Report, however, is not part of the proxy solicitation material.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, our stockholders will consider and vote on the following matters:

- (1) the election of nine directors;
- (2) the ratification of the appointment of the Company's independent registered public accounting firm; and
- (3) the approval of amendments to the Company's 2008 Performance Incentive Plan (the "2008 Plan").

In addition, our stockholders will transact any other business that properly comes before the meeting. Management of the Company will also respond to any questions from our stockholders.

Who can attend the Annual Meeting?

All stockholders of the Company as of the Record Date, or their duly appointed proxy holders, may attend the Annual Meeting.

Who is entitled to vote?

Only holders of record of the Company's common stock, \$0.01 par value per share (the "Common Stock"), at the close of business on the record date, April 12, 2010 (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting. Holders of Common Stock are entitled to cast one vote for each share held by them on each matter to be voted upon. The Common Stock is the only class of securities of the Company authorized to vote. Under the Company's Certificate of Incorporation and applicable law, a stockholder is not entitled to cumulative voting rights in the election of directors.

What constitutes a quorum?

The presence, in person or by proxy, of holders entitled to cast at least a majority of all the votes entitled to be cast is necessary to constitute a quorum for the transaction of business at the Annual Meeting. As of the Record Date, 7,228,683 shares of Common Stock were outstanding and entitled to vote. Abstentions and "broker non-votes" will count toward the presence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner returns an executed proxy, but strikes out a particular proposal because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner.

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How do I vote?

If you are a registered stockholder as of the close of business on the Record Date, you may vote in person at the Annual Meeting or by proxy without attending the meeting. Stockholders whose shares are registered in their own names may vote (1) by returning a proxy card, (2) via the Internet, or (3) by telephone. Specific instructions to be followed by any registered stockholder interested in voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting procedures are designed to authenticate the stockholder's identity and to allow the stockholder to vote his or her shares and confirm that his or her voting instructions have been properly recorded. If you do not wish to vote via the Internet or telephone, please complete, date, sign, and return the proxy card you received with this proxy statement in the enclosed envelope. If you sign and return the proxy card but do not give any instructions, your shares will be voted by the persons named in the proxy card in accordance with the recommendations of the Board of Directors given below.

If your stock is held in the name of a broker, bank or other nominee, please mark, date, sign, and return the voting instruction form you received from your broker or nominee with this proxy statement.

If you are a registered stockholder and wish to vote in person at the meeting, be sure to bring a form of personal picture identification with you. If your stock is held by a broker, bank or other nominee (in "street name") and you wish to vote in person at the meeting, in addition to picture identification you should bring an account statement or a letter from the record holder indicating that you owned the shares as of the record date, and obtain from the record holder and bring with you a proxy from the record holder issued in your name.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by delivering a duly executed proxy bearing a later date or a written revocation to the Secretary of the Company at the address of the Company set forth above, or by attending the Annual Meeting and voting in person. Any stockholder of record as of the Record Date attending the Annual Meeting may vote in person, whether or not a proxy has been previously given, but the presence (without further action) of a stockholder at the Annual Meeting will not constitute revocation of a previously given proxy.

If I return my proxy card without specifying voting instructions on it, will my shares be voted?

Unless you give other instructions on your proxy, the persons named as proxy holders on the proxy will vote in accordance with the recommendations of the Company's Board of Directors. The Board's recommendations are set forth together with the description of each matter in this Proxy Statement. In summary, the Board unanimously recommends a vote: **FOR** election of each of the nine nominees for director, **FOR** ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010, and **FOR** approval of the amendments to the 2008 Plan.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in the discretion of the proxy holders.

What vote is required to approve each matter?

Assuming the presence of a quorum, the affirmative vote of a plurality of all of the votes cast on the matter at the Annual Meeting in person or by proxy will be required for the election of each director nominee and the affirmative vote of a majority of all of the votes cast on the matter at the Annual Meeting in person or by proxy will be required for the ratification of the appointment of

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KPMG LLP to serve as the Company's independent registered public accounting firm and the approval of the amendments to the 2008 Plan. Abstentions are not counted as votes cast and will have no effect on the vote for the election of the directors, the ratification of the appointment of KPMG LLP or the approval of the amendments to the 2008 Plan.

Who tabulates the votes?

Stockholder votes will be tabulated by the persons appointed to act as inspectors of election for the Annual Meeting.

Could other matters be decided at the meeting?

It is not anticipated that any matter, other than those set forth in this Proxy Statement, will be presented at the Annual Meeting. If other matters are presented, proxies will be voted by the proxy holders in accordance with the recommendation of the Board of Directors or, if no recommendation is given, in the discretion of the proxy holders.

What happens if the Annual Meeting is postponed or adjourned?

Your proxy may be voted at the postponed or adjourned Annual Meeting. You will still be able to change your proxy until it is voted.

How can I receive a copy of the Annual Report?

The Annual Report, which includes the Company's Annual Report on Form 10-K for the year ended January 1, 2010, accompanies this proxy statement and may also be accessed through our website at www.willdan.com under "Investors SEC Filings."

Where can I find the voting results of the Annual Meeting?

Our intention is to announce the preliminary voting results at the Annual Meeting and to publish the final results within four business days after the Annual Meeting on a Form 8-K to be filed with the United States Securities and Exchange Commission (the "SEC") and which we will make available on our website at www.willdan.com under "Investors SEC Filings."

Table of Contents**PROPOSAL 1:****ELECTION OF DIRECTORS**

The Bylaws provide that the Board of Directors (the "Board") consists of nine directors until changed by the Board. The directors are regularly elected at each annual meeting of the stockholders, and each director shall hold office until his or her successor has been elected and qualified or until his or her earlier resignation or removal.

The nine nominees, if elected at the Annual Meeting, will hold office until the next annual meeting of stockholders, or until an earlier stockholder meeting at which directors are elected, and until their respective successors are duly elected and qualified. The Board, based on the recommendations of the Nominating and Corporate Governance Committee, has nominated Win Westfall, Thomas D. Brisbin, Linda L. Heil, Raymond W. Holdsworth, W. Tracy Lenocker, Douglas J. McEachern, Keith W. Renken, Wayne Shelton and John M. Toups to serve as directors of the Company (each a "Nominee" and collectively, the "Nominees"). Each Nominee is currently serving as a director.

Each Nominee has consented to be nominated and to serve if elected. However, if any Nominee is unavailable for election or unable to serve, the proxy holders may vote for another person nominated by the Board or the Board may amend the Bylaws to reduce the number of directors to be elected at the Annual Meeting.

Information Regarding Directors

The following table and biographical descriptions set forth certain information with respect to the directors and Nominees. Unless otherwise specified, each Nominee has continuously served as a director of the Company since he or she was previously elected, based on information furnished to the Company by each director. The following information is as of April 21, 2010, unless otherwise specified.

Name	Age	Director		Positions Held with the Company (other than Director)
		Since		
Win Westfall	76	2001		Chairman of the Board
Thomas D. Brisbin	57	2007		President and Chief Executive Officer
Linda L. Heil	70	2006		
Raymond W. Holdsworth	67	2009		
W. Tracy Lenocker	64	1997		
Douglas J. McEachern	58	2009		
Keith W. Renken	75	2006		
Wayne Shelton	77	2008		
John M. Toups	84	2007		

The Company believes that the members of its Board should have a range of skills, experience, diversity, and expertise that enables the Board to provide sound guidance with respect to the Company's operations and interests. When considering a candidate, the Board looks at the current composition of the Board and the evolving needs of the Company, in addition to such candidate's background and accomplishments. The Nominating and Corporate Governance Committee identifies candidates for election to the Board, reviews their qualifications, skills, experience and other characteristics, and recommends nominees for director to the Board for approval.

The Nominating and Corporate Governance Committee seeks directors with strong reputations and experience in areas relevant to the strategy and operations of the Company's businesses, particularly in engineering, consulting and finance. The majority of the Company's current directors, who are also the Nominees, holds or has held senior executive positions in large, complex organizations and have operating experience that meets these objectives, as described below. In these positions, they

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have gained experience in core management skills, strategic and financial planning, public company financial reporting, corporate governance, risk management, and leadership development. Additionally, a number of our directors have experience serving on the boards of directors of other public companies, which increases their knowledge of effective corporate governance.

The Nominating and Corporate Governance Committee also believes that each of the Nominees and current directors has other key attributes that are important to an effective board, including integrity and demonstrated high ethical standards, sound judgment, analytical skills, the ability to engage management and each other in a constructive and collaborative fashion, diversity of background, experience, and thought, and the commitment to devote significant time and energy to service on the Board and its Committees. The following biographies provide further qualifications, attributes and other information with respect to the directors and Nominees.

Win Westfall has served as our Chairman of the Board since May 2006, and has been a member of our board of directors since 2001. Mr. Westfall was our President and Chief Executive Officer from May 2006 to February 2007, our Senior Vice President of Corporate Relations from January 2004 to May 2006, and a regional manager in northern California from 1998 through January 2004. Mr. Westfall has over 35 years experience as a line manager for consulting engineering firms, and has served as city engineer for seven California cities. Mr. Westfall received his B.S. in Civil Engineering from the University of Southern California in 1962, and an M.B.A. from Pepperdine University in 1980. Mr. Westfall is a fellow of The Society of American Military Engineers and has been active in numerous other professional associations. During 1997, he served as the National President for The American Public Works Association, or APWA, the first private consultant to hold this position. Mr. Westfall has served on and chaired national committees for the American Council of Engineering Companies, and in 2004 was made an Honorary CLOD (past president) of the County Engineers Association of California, the first private consultant to be accorded this honor, as well. He has been a registered civil engineer in California, Hawaii, Idaho, Nevada and Washington. Mr. Westfall also has served as the trustee of the APWA Education Endowment Fund since 1999 and on the California Transportation Foundation board of directors since 2005. Mr. Westfall, as a former executive officer and regional manager of our Company with significant engineering experience, brings his in-depth knowledge of our Company and its industry, operations and business to the Board, providing valuable insight to the Board as it reviews our operations, growth and financial prospects. In addition, we believe that his experience as an engineer for California cities benefits our Board by providing increased understanding of the needs of our clients.

Thomas D. Brisbin joined our Board of Directors in April 2007, when he was also appointed our President and Chief Executive Officer. Dr. Brisbin previously was vice president of and consultant for AECOM Technology Corporation, or AECOM, since spring 2004. At AECOM, a company focused on infrastructure, environment and facilities engineering contracts, Dr. Brisbin was responsible for developing the company's environmental business. Prior to joining AECOM, Dr. Brisbin was chief operating officer and executive vice president of Tetra Tech, Inc., or Tetra Tech, a leading provider of consulting, engineering and technical services, for five years. Prior to that, he was employed by Planning Research Corporation, or PRC, a systems analysis and management consulting company and wholly-owned subsidiary of The Black & Decker Corporation, from 1978 to 1995 and was co-founder and President of PRC Environmental Management, Inc. During his tenure at PRC, he was involved in all aspects of operations, marketing and finance. Before joining PRC, he was a research associate at Argonne National Laboratory. He has also served as an adjunct professor at the Illinois Institute of Technology. Dr. Brisbin holds a B.S. degree from Northern Illinois University and a Ph.D. in Environmental Engineering from Illinois Institute of Technology. He also completed Harvard Business School's Advanced Management Program in 1988. Dr. Brisbin, as our current President and Chief Executive Officer, brings his in-depth knowledge of the day-to-day operations of our Company and its industry to the Board, providing valuable insight to the Board as it reviews our operations, growth and

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financial prospects. In addition, we believe that his experience as an executive officer at Tetra Tech, a publicly traded engineering and consulting company, benefits our Board by increasing his knowledge of our industry and effective public company corporate governance.

Linda L. Heil has served as a member of our Board of Directors since May 2006 and is a member of our Investment, Finance and Strategy Committee. She is also currently our largest individual stockholder. Mrs. Heil is the widow of Dan Heil who co-founded the company in 1964. Mr. Heil served as our Chief Executive Officer and Chairman from the company's inception until 1993, and then again from 1995 until his passing in May 2006. Mrs. Heil is retired from active employment but has been a licensed real estate agent since 1977 and has practiced periodically. As our largest stockholder, Mrs. Heil benefits the Board because she is particularly attuned to strategic, financial and other matters that may affect stockholders' investments in the Company.

Raymond W. Holdsworth joined our Board of Directors in 2009. He is a member of our Nominating and Corporate Governance and Investment, Finance and Strategy Committees. Mr. Holdsworth previously served as Vice Chairman of Corporate Development for AECOM from October 2005 through March 2009, and he continues to work as a consultant for AECOM. Mr. Holdsworth joined AECOM in 1992 and held a number of positions, including President, before being named Vice Chairman in 2005. During his tenure at AECOM, he led a variety of outreach, growth and diversification activities. Mr. Holdsworth began his career at Peat Marwick Mitchell and worked in California's Office of Transportation Planning and Research. He has also held senior management positions with DMJM, an engineering/architectural firm in the transportation and infrastructure industry which is now a major operating subsidiary of AECOM, International Technology Corp. and Parsons Brinckerhoff Quade & Douglas Inc., a company that provides strategic consulting, planning, engineering, and program and construction management services relating to infrastructure. Mr. Holdsworth serves as a director of Sundt Corporation, Inc., a private company that builds projects for public and private clients throughout the United States, and as a Trustee for California State University. Mr. Holdsworth received a B.A. in English in 1964 from Lake Forest College and an M.B.A. in 1969 from the University of Pennsylvania, Wharton School of Business. He is a former Chairman of the California Chamber of Commerce and a former Vice Chairman of the Civil Engineering Research Foundation/International Institute. We believe that Mr. Holdsworth's background in engineering and experience as the Vice Chairman of Corporate Development for AECOM during the time when it became a public company provides useful insight to our Board with regard to our growth strategy and strategic initiatives.

W. Tracy Lenocker served as a member of the Board of Directors periodically since the 1980s and continuously from 1997 through February 2007. After serving as our interim President and Chief Executive Officer from February 2007 through April 2007, he once again joined our Board of Directors in April 2007. Mr. Lenocker serves as the chairperson of our Nominating and Corporate Governance Committee and is a member of our Investment, Finance and Strategy Committee. Mr. Lenocker is currently the President and majority owner of Lenocker Consulting Group which provides civil engineering and geographic information systems, or GIS, consulting services. He also founded Lenocker & Associates in 1995, which provides GIS services to public agencies, and served as its President until 2006. From July 2006 until December 2007 he was the President of Civilsoft LLC, a consulting firm specializing in civil engineering. He has worked in both the public and private engineering sectors in California and Florida. Mr. Lenocker was a part-time instructor in civil engineering at California State University, Long Beach from 1980 to 1991. He is a past chairman of the American Society of Civil Engineers, or ASCE, Committee on Computer Practices and received the national ASCE award in Computing in Civil Engineering. Mr. Lenocker also has served on the boards of directors of several non-profit organizations and currently is the chairman of the board for the W. A. Tucker Foundation and serves on the Diabetic Youth Services board. Mr. Lenocker received a B.S. in Civil Engineering in 1975 from the University of Florida and an M.S. in Civil Engineering from

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California State University, Long Beach in 1980. Mr. Lenocker is a registered civil engineer in California. We believe that Mr. Lenocker's long tenure on our Board, along with his significant engineering and consulting experience, makes him a valuable resource on our Board.

Douglas J. McEachern joined our Board of Directors in 2009 and is a member of our Audit and Compensation Committees. He was an Audit Partner at Deloitte & Touche, LLP, or Deloitte, from August 1985 until May 2009. Mr. McEachern was a staff member and manager at Deloitte's predecessor, Touche Ross & Co., from 1976 to 1983. From 1983 to 1985, he was the Professional Accounting Fellow with the Federal Home Loan Bank Board in Washington D.C. Mr. McEachern is the Audit Committee Chairman of Big Brothers/Big Sisters of Greater Los Angeles. He is also a member of the Methodist Hospital of Arcadia and Arcadia Public Library Foundation boards of directors. During 2009, Mr. McEachern was an auditing instructor at Claremont McKenna College and he taught accounting at California State Polytechnic University at Pomona. Additionally, Mr. McEachern is a member of the American Institute of Certified Public Accountants, or AICPA, the California Society of Certified Public Accountants, or CalCPA, and the National Association of Real Estate Investment Trusts, or NAREIT. Mr. McEachern received a B.S. in Business Administration in 1974 from the University of California, Berkeley, and an M.B.A. in 1976 from the University of Southern California. We believe that Mr. McEachern's significant audit experience at Deloitte makes him an important contributor to our Board and its committees, including the Audit Committee.

Keith W. Renken joined our Board of Directors in September 2006. He is the chairperson of our Audit Committee and a member of our Compensation and Investment, Finance and Strategy Committees. Mr. Renken retired in 1992 as Senior Partner and Chairman, Executive Committee of Southern California, for the public accounting firm Deloitte & Touche. From 1992 through 2006, he was an adjunct professor (executive in residence) in the Marshall School of Business at the University of Southern California. He is currently the Managing Partner of Renken Enterprises, a family business providing consulting services to growth companies and real estate operations. Mr. Renken is on the board of directors and audit committees of two other publicly held companies, East West Bancorp, Inc., since 2000, and Limoneira Company, an integrated agribusiness, since 2009, and one investment management company, Whittier Trust Company, since September 2008. He is also on East West Bancorp, Inc.'s compensation committee. Mr. Renken was also a member of the board of directors of 21st Century Insurance Group from 2002 until 2007, and he serves on the boards of directors and/or audit committees of several other private companies and non-profit organizations. Mr. Renken is a Certified Public Accountant in the states of Arizona (inactive) and California (inactive). He received a B.S. in Business Administration in 1957 from the University of Arizona and an M.S. in Business Administration from the University of Arizona in 1959. We believe that Mr. Renken's considerable knowledge of financial and operational issues facing large companies and his accounting and finance experience at Deloitte makes him a valuable member of our Board and its committees, including the Audit Committee. In addition, we believe that Mr. Renken's extensive experience on the boards and audit committees of diverse public and private companies, including financial services companies, provides him with increased knowledge of effective corporate governance that benefits our Board and its committees.

Wayne Shelton joined our Board of Directors in April 2008. He is the chairperson of our Compensation Committee and a member of our Nominating and Corporate Governance Committee. Mr. Shelton served as President and Chief Executive Officer of Hughes Information Systems, an information systems and engineering firm and subsidiary of Hughes Aircraft Company, from 1990 until his retirement in 1997. From 1987 until 1990, Mr. Shelton served as President and Chief Executive Officer of PRC. Prior to becoming PRC's Chief Executive Officer, Mr. Shelton was PRC's President and Chief Operating Officer. Additionally, from 1985 to 1990, Mr. Shelton served as executive vice president of Emhart Corporation, a multinational manufacturing, electronics and chemical company and the parent company of PRC. Mr. Shelton also served as a part-time consultant to senior executives

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and boards of directors from 2005 until 2009. Mr. Shelton served as a trustee for Inova Health Care Services from 2003 until 2009, and as a member of Inova Health Systems' audit and compliance subcommittee from 2005 to 2009. Mr. Shelton received his B.S. in Mathematics from the University of Minnesota in 1954. We believe that Mr. Shelton's strong background in the engineering industry, including his prior experience as President and Chief Executive Officer of both Hughes Information Systems and PRC, makes him a valuable resource on our Board.

John M. Toups joined our Board of Directors in April 2007. Mr. Toups serves as chairperson of our Investment, Finance and Strategy Committee and he is a member of our Audit and Compensation Committees. Mr. Toups served as President and Chief Executive Officer of PRC from 1978 until 1987. Prior to that, Mr. Toups served in various executive positions with PRC. For a short period of time in 1990, he served as interim Chairman of the Board of Directors and Chief Executive Officer of the National Bank of Washington and Washington Bancorp. Mr. Toups serves as a director of two other public companies: GTSI Corp., a reseller of software and hardware, and NVR, Inc., a homebuilding and mortgage banking company. He is the chairman of the board and the nominating and corporate governance committee for GTSI, and also serves on its compensation committee. He is the chairman of NVR's compensation committee and serves as NVR's Lead Director and on its corporate governance and executive committees. In addition, Mr. Toups serves as a director of two privately held companies, Dinte Resources, Inc., an executive search firm, and Dewberry & Davis, an engineering services firm, and serves on Dewberry's audit committee. Mr. Toups also served as a director of Halifax Corporation, a publicly held electronic services company, from 1993 until 2010, when Halifax Corporation was acquired and ceased to be a publicly traded company. He also is currently the Chair Emeritus for the Inova Health System Board of Trustees. Mr. Toups received his B.S. in Civil Engineering from the University of California, Berkeley in 1949. He is a registered civil engineer in California and Maryland and a fellow of the American Society of Civil Engineers. We believe that Mr. Toups' extensive experience as an officer and as a director of a broad range of both public and private companies, including engineering and financial services companies, allows him to provide strong leadership and oversight on our strategic and financial plans. In particular, we believe Mr. Toups' experience as President and Chief Executive Officer of PRC and his extensive experience serving on the boards and committees of publicly traded companies provides valuable insight on our industry and effective corporate governance to our Board and its committees.

Vote Required for Election of Each Director

Election of each director requires the affirmative vote of a plurality of all of the votes cast on the matter at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES. PROXIES RECEIVED WILL BE VOTED "FOR" EACH OF THE NOMINEES UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THE PROXY.

Table of Contents**PROPOSAL 2:****RATIFICATION OF THE APPOINTMENT OF KPMG LLP
AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed KPMG LLP as the Company's independent registered public accounting firm to audit its financial statements for the year ending December 31, 2010.

Although ratification by stockholders is not required by law, the Board has determined that it is desirable to request approval of this appointment by the stockholders. If the stockholders do not ratify the appointment, the Audit Committee will reconsider whether or not to retain KPMG LLP, and may decide to retain them notwithstanding the vote. Even if the appointment is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders. In addition, if KPMG LLP should decline to act or otherwise become incapable of acting, or if the employment should be discontinued, the Audit Committee will appoint a substitute independent public registered public accounting firm. A representative of KPMG LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Principal Accountant's Fees and Services

The following is a summary of the fees billed to us by KPMG LLP for professional services for the fiscal years ended January 1, 2010 and January 2, 2009, respectively:

Fee Category	Fiscal 2009 Fees	Fiscal 2008 Fees
Audit Fees	\$ 405,000	\$ 470,500
Audit-Related Fees		
Tax Fees		
All Other Fees		
Total Fees	\$ 405,000	\$ 470,500

Audit Fees

Fees for audit services provided by KPMG for fiscal 2009 and fiscal 2008 consisted of professional services for the annual audit of our consolidated financial statements and for review of our interim condensed consolidated financial statements including quarterly reports.

Audit-Related Fees

No fees for audit-related services were billed by KPMG LLP in fiscal 2009 or fiscal 2008.

Tax Fees

No fees for tax services, including tax return preparation, tax compliance, tax advice and tax planning, were billed by KPMG LLP in fiscal 2009 or fiscal 2008.

All Other Fees

There were no fees paid for any other services not described above in fiscal 2009 or fiscal 2008.

The Company has been advised by KPMG LLP that neither the firm, nor any member of the firm, has any financial interest, direct or indirect, in any capacity in the Company or its subsidiaries.

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Audit Committee Pre-Approval Policy

Consistent with SEC policies regarding independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm, including audit services, audit-related services, tax services, and other services. In some cases, the full Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. During the year, circumstances may arise when it becomes necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regularly scheduled meeting.

Vote Required for Ratification of the Appointment of KPMG LLP as the Company's Independent Registered Public Accounting Firm

Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm requires the affirmative vote of a majority of all the votes cast on the matter at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO RATIFY THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2010. PROXIES RECEIVED WILL BE VOTED "FOR" RATIFICATION UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THE PROXY.

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PROPOSAL 3:

**APPROVAL OF AMENDMENTS TO THE WILLDAN GROUP, INC.
2008 PERFORMANCE INCENTIVE PLAN**

General

At the Annual Meeting, stockholders will be asked to approve the following amendments to the Willdan Group, Inc. 2008 Performance Incentive Plan (the "2008 Plan"), which were adopted, subject to stockholder approval, by the Board of Directors on March 26, 2010:

Increase in Aggregate Share Limit. The 2008 Plan currently limits the aggregate number of shares of the Company's common stock that may be delivered pursuant to all awards granted under the 2008 Plan to 486,167 shares. The proposed amendments would increase this limit by an additional 350,000 shares so that the new aggregate share limit for the 2008 Plan would be 836,167 shares. As noted below, shares subject to stock options granted under the Willdan Group, Inc. 2006 Stock Incentive Plan (the "2006 Plan") which expire, or for any reason are cancelled or terminated, after June 9, 2008 without being exercised are also available for award grant purposes under the 2008 Plan. The proposed amendments would also increase the limit on the number of shares that may be delivered pursuant to "incentive stock options" granted under the 2008 Plan by 350,000 shares to an overall limit of 1,100,000 shares. For purposes of clarity, any shares that are delivered pursuant to incentive stock options also count against (and are not in addition to) the aggregate 2008 Plan share limit described above.

Extension of Performance-Based Award Feature. One element of the 2008 Plan is the flexibility to grant certain performance-based awards designed to satisfy the requirements for deductibility of compensation under Section 162(m) of the U.S. Internal Revenue Code (the "Code"). These awards are referred to as "Performance-Based Awards" and are in addition to other awards, such as stock options and stock appreciation rights, expressly authorized under the 2008 Plan which may also qualify as performance-based compensation for Section 162(m) purposes. If stockholders approve this 2008 Plan proposal, the Performance-Based Award feature of the 2008 Plan will be extended through the first annual meeting of our stockholders that occurs in 2015 (this expiration time is earlier than the general expiration date of the 2008 Plan and is required under applicable tax rules). (See "Summary Description of the 2008 Performance Incentive Plan Performance-Based Awards" below.)

As of April 8, 2010, a total of 359,800 shares of the Company's common stock were subject to outstanding awards granted under the 2008 Plan, and an additional 178,700 shares of the Company's common stock were then available for new award grants under the 2008 Plan.

The Company believes that incentives and stock-based awards focus employees on the objective of creating stockholder value and promoting the success of the Company, and that incentive compensation plans like the 2008 Plan are an important attraction, retention and motivation tool for participants in the plan.

The Board of Directors approved the foregoing amendments based on a belief that the number of shares currently available under the 2008 Plan does not give the Company sufficient authority and flexibility to adequately provide for future incentives. The Board of Directors believes that these amendments would give the Company greater flexibility to structure future incentives and better attract, retain and award key employees.

If stockholders do not approve this proposal, the current share limits under, and other terms and conditions of, the 2008 Plan will continue in effect.

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Summary Description of the 2008 Performance Incentive Plan

The principal terms of the 2008 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2008 Plan, which has been filed as an exhibit to the copy of this Proxy Statement that was filed electronically with the SEC and can be reviewed on the SEC's website at <http://www.sec.gov>. You may also obtain, free of charge, a copy of the 2008 Plan by writing to Del Conrad at 2401 East Katella Avenue, Suite 300, Anaheim, California 92806.

Purpose. The purpose of the 2008 Plan is to promote the success of the Company and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons through the grant of awards and incentives for high levels of individual performance and improved financial performance of the Company. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

Administration. Our Board of Directors or one or more committees appointed by our Board of Directors administers the 2008 Plan. Our Board of Directors has delegated general administrative authority for the 2008 Plan to the Compensation Committee. A committee may delegate some or all of its authority with respect to the 2008 Plan to another committee of directors, and certain limited authority to grant awards to employees may be delegated to one or more officers of the Company. (The appropriate acting body, be it the Board of Directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the "Administrator").

The Administrator has broad authority under the 2008 Plan with respect to award grants including, without limitation, the authority:

to select participants and determine the type(s) of award(s) that they are to receive;

to determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

to cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;

to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

subject to the other provisions of the 2008 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award; and

to allow the purchase price of an award or shares of the Company's common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of the Company's common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

No Repricing. In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by stockholders) will any adjustment be made to a stock option or stock appreciation right award under the 2008 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per share exercise or base price of the award.

Eligibility. Persons eligible to receive awards under the 2008 Plan include officers or employees of the Company or any of its subsidiaries, directors of the Company, and certain consultants and advisors to the Company or any of its subsidiaries. As of April 2, 2010, approximately 465 officers and employees of the Company and its subsidiaries (including all of the Company's named executive

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officers), and each of the Company's eight directors who are not currently employees, are considered eligible under the 2008 Plan.

Authorized Shares; Limits on Awards. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2008 Plan currently equals the sum of: (1) 486,167 shares plus (2) the number of 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.

As of April 8, 2010, approximately 52,333 shares of the Company's common stock had become available for grant under the 2008 Plan in respect of awards under the 2006 Plan that have terminated without having been exercisable or paid and approximately an additional 211,500 shares were subject to awards that were then still outstanding under the 2006 Plan. No additional awards may be granted under the 2006 Plan.

If stockholders approve this 2008 Plan proposal, the aggregate share limit for the 2008 Plan would be increased by an additional 350,000 shares.

The following other limits are also contained in the 2008 Plan:

The maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 750,000 shares. If stockholders approve this 2008 Plan proposal this limit would be increased by an additional 350,000 shares of the Company's common stock so that the new incentive stock option limit for the 2008 Plan would be 1,100,000 shares. For purposes of clarity, any shares that are delivered pursuant to incentive stock options also count against (and are not in addition to) the aggregate 2008 Plan share limit described above.

The maximum number of shares subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the plan is 100,000 shares.

The maximum number of shares that may be delivered pursuant to awards granted under the plan, other than in the circumstances described in the next sentence, is 750,000 shares. This limit on so-called "full-value awards" does not apply, however, to shares delivered (i) in respect of compensation earned but deferred or (ii) pursuant to stock option grants or stock appreciation right grants.

To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2008 Plan. In the event that shares are delivered in respect of a dividend equivalent right, only the actual number of shares delivered with respect to the award shall be counted against the share limits of the 2008 Plan. To the extent that shares are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares shall be charged against the applicable share limits with respect to such exercise.) Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2008 Plan will again be available for subsequent awards under the 2008 Plan. Shares that are exchanged by a participant or withheld by the Company to pay the exercise price of an award granted under the 2008 Plan, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any award, will not be available for subsequent awards under the 2008 Plan. In addition, the 2008 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the Company through the assumption of awards (or in substitution for awards) in connection with an

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acquisition of another company will not count against the shares available for issuance under the 2008 Plan. The Company may not increase the applicable share limits of the 2008 Plan by repurchasing shares of common stock on the market (by using cash received through the exercise of stock options or otherwise).

Types of Awards. The 2008 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in the Company's common stock or units of the Company's common stock. The 2008 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash.

A stock option is the right to purchase shares of the Company's common stock at a future date at a specified price per share (the "exercise price"). The per share exercise price of an option generally may not be less than the fair market value of a share of the Company's common stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under "Federal Income Tax Consequences of Awards Under the 2008 Plan" below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the Code and the 2008 Plan. Incentive stock options may only be granted to employees of the Company or a subsidiary.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of a share of the Company's common stock on the date of exercise over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and generally may not be less than the fair market value of a share of the Company's common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The other types of awards that may be granted under the 2008 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units, dividend equivalents, or similar rights to purchase or acquire shares.

Performance-Based Awards. The Administrator may grant awards that are intended to be performance-based awards within the meaning of Section 162(m) of the Code ("Performance-Based Awards"). Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2008 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). Performance-Based Awards may be in the form of restricted stock, performance stock, stock units, or other rights.

The vesting or payment of Performance-Based Awards (other than options or stock appreciation rights) will depend on the absolute or relative performance of the Company on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The Administrator must establish criteria and targets in advance of applicable deadlines under the Code and while the attainment of the performance targets remains substantially uncertain. The criteria that the Administrator may use for this purpose will include one or more of the following: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), stock price, total stockholder return, gross revenue, revenue growth, operating income (before or after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, or any combination thereof. The performance measurement period with respect to an award may range from three months to ten years. Performance targets will be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other

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extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets.

Performance-Based Awards may be paid in stock or in cash (in either case, subject to the limits described under the heading "Authorized Shares; Limits on Awards" above). Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the Administrator must certify that the performance targets have been satisfied. The Administrator has discretion to determine the performance targets and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

Deferrals. The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

Assumption and Termination of Awards. Generally, and subject to limited exceptions set forth in the 2008 Plan, if the Company dissolves or undergoes certain corporate transactions such as a merger, business combination, or other reorganization, or a sale of substantially all of its assets, all awards then-outstanding under the 2008 Plan will become fully vested or paid, as applicable, and will terminate or be terminated in such circumstances, unless the Administrator provides for the assumption, substitution or other continuation of the award. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2008 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a corporate event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

Transfer Restrictions. Subject to certain exceptions contained in Section 5.7 of the 2008 Plan, awards under the 2008 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws and, with limited exceptions set forth in the 2008 Plan, are not made for value.

Adjustments. As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2008 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of Performance-Based Awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

No Limit on Other Authority. The 2008 Plan does not limit the authority of the Board of Directors or any committee to grant awards or authorize any other compensation, with or without reference to the Company's common stock, under any other plan or authority.

Termination of or Changes to the 2008 Plan. The Board of Directors may amend or terminate the 2008 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the Code to preserve the intended tax consequences of the plan. For example, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2008 Plan. (Adjustments as a result of stock splits or similar events will not, however, be considered an

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amendment requiring stockholder approval.) Unless terminated earlier by the Board of Directors, the authority to grant new awards under the 2008 Plan will terminate on March 9, 2018. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

Federal Income Tax Consequences of Awards under the 2008 Performance Incentive Plan

The U.S. federal income tax consequences of the 2008 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2008 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

With respect to nonqualified stock options, the company is generally entitled to deduct and the participant recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, the company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.

The current federal income tax consequences of other awards authorized under the 2008 Plan generally follow certain basic patterns: nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, stock appreciation rights, stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the company will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2008 Plan in connection with a "change in control" (as this term is used under the Code), the company may not be permitted to deduct the portion of the compensation attributable to the acceleration if it exceeds certain threshold limits under the Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards that are not "performance-based" within the meaning of Section 162(m) of the Code may not be permitted to be deducted by the company in certain circumstances.

Specific Benefits under the 2008 Performance Incentive Plan

The Company has not approved any awards that are conditioned upon stockholder approval of the proposed amendments to the 2008 Plan and is not currently considering any specific award grants that are conditioned upon such approval. If the additional shares that will be available under the 2008 Plan if stockholders approve the proposed amendments had been available for award purposes in fiscal 2009, the Company expects that its award grants for fiscal 2009 would not have been substantially different from those actually made in that year under the 2008 Plan. For information regarding stock-based awards granted to the Company's named executive officers during fiscal 2009, see the material under the heading "Executive Compensation."

The closing market price for a share of the Company's common stock as of April 19, 2010 was \$2.26 per share.

Table of Contents**AGGREGATE PAST GRANTS UNDER THE 2008 PERFORMANCE INCENTIVE PLAN**

As of April 8, 2010, awards covering 366,050 shares of the Company's common stock had been granted under the 2008 Plan. (This number of shares includes shares subject to awards that expired or terminated without having been exercised and paid and became available for new award grants under the 2008 Plan.) The following table shows information regarding the distribution of those awards among the persons and groups identified below, option exercises and option holdings as of that date. No awards other than options have been granted under the 2008 Plan.

Name and Position	Number of Shares Subject to Past Option Grants	Number of Shares Acquired On Exercise	Number of Shares Underlying Options as of April 8, 2010	
			Exercisable	Unexercisable
Named Executive Officers:				
Thomas D. Brisbin President and Chief Executive Officer, Director	50,000			50,000
Kimberly D. Gant Senior Vice President and Chief Financial Officer	30,000			30,000
Frank Tripepi President and Chief Executive Officer, Willdan Financial Services subsidiary	26,500		8,333	18,167
Marc Tipermas Director of National Programs	17,500			17,500
Total for Current Executive Officers as a Group (5 persons)(1):	149,000		16,666	132,334
Non-Executive Director Group:				
Linda L. Heil	7,000		1,000	6,000
Raymond W. Holdsworth	5,000			5,000
W. Tracy Lenocker	7,000		1,000	6,000
Douglas J. McEachern	5,000			5,000
Keith W. Renken	7,000		1,000	6,000
Wayne Shelton	7,000		1,000	6,000
John M. Toups	7,000		1,000	6,000
Win Westfall	7,000		1,000	6,000
Total for Non-Executive Director Group (8 persons):	52,000		6,000	46,000
Each other person who has received 5% or more of the options, warrants or rights under the 2008 Plan				
All employees, including all current officers who are not executive officers or directors, as a group	165,050		2,500	162,550
Total	366,050		25,166	340,884

- (1) The amounts included for "Total for Current Executive Officers as a Group" include 25,000 shares subject to past option grants made to Daniel Chow. As of April 8, 2010, 8,333 of these shares were exercisable and 16,667 shares were not exercisable. Mr. Chow is currently an executive officer but is not one of the Company's Named Executive Officers. The options granted to Mr. Chow represent more than 5% of the total options granted under the 2008 Plan.

Dr. Brisbin and each of the non-executive directors identified above is a nominee for re-election as a director at the 2010 Annual Meeting.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The Company currently maintains three equity compensation plans: (1) the 2008 Plan, (2) the Amended and Restated Willdan Group, Inc. 2006 Employee Stock Purchase Plan (the "ESPP"), and (3) the 2006 Plan. Each of these plans has been approved by our stockholders. Stockholders are being asked to approve certain amendments to the 2008 Plan that our board adopted on March 26, 2010, as described above under "Proposal 3: Approval of Amendments to the Willdan Group, Inc. 2008 Performance Incentive Plan."

The following table sets forth, for our equity compensation plans, the number of shares of common stock subject to outstanding options, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants under all of our plans as of January 1, 2010.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights and vesting of restricted stock units	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)
Equity compensation plans approved by security holders	566,300(1) \$	4.54	423,384(2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	566,300(1) \$	4.54	423,384(2)

(1) Of these shares, 354,800 were subject to options then outstanding under the 2008 Plan, and 211,500 were subject to options then outstanding under the 2006 Plan.

(2) Of the aggregate number of shares that remained available for future issuance, 183,700 were available under the 2008 Plan and 239,684 were available under the ESPP. This number of shares is presented before giving effect to the 20,727 shares purchased under the ESPP for the purchase period that ended on December 31, 2009, which shares were delivered in January 2010. Subject to certain express limits of the 2008 Plan, shares available for award purposes under the 2008 Plan generally may be used for any type of award authorized under that plan including options, stock appreciation rights, and other forms of awards granted or denominated in shares of our common stock including, without limitation, stock bonuses, restricted stock, restricted stock units and performance shares. No new awards may be granted under the 2006 Plan. This table does not reflect the 350,000 additional shares that will be available under the 2008 Plan if stockholders approve the 2008 Plan proposal.

Vote Required for Approval of the Amendments to the 2008 Performance Incentive Plan

The Board of Directors believes that the approval of the amendments to the 2008 Plan will promote the interests of the Company and its stockholders and will help the Company and its subsidiaries continue to be able to attract, retain and reward persons important to our success. All members of the Board of Directors and all of the Company's executive officers are eligible for awards under the 2008 Plan and thus have a personal interest in the approval of the amendments to the 2008 Plan.

Approval of the amendments to the 2008 Plan requires the affirmative vote of a majority of the common stock present, or represented, and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE AMENDMENTS TO THE 2008 PERFORMANCE INCENTIVE PLAN AS DESCRIBED ABOVE AND SET FORTH IN EXHIBIT I HERETO. PROXIES RECEIVED WILL BE VOTED "FOR" APPROVAL UNLESS STOCKHOLDERS SPECIFY OTHERWISE IN THE PROXY.

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CORPORATE GOVERNANCE

The Board of Directors

Corporate Governance

The Company is managed under the direction of a Board of Directors currently composed of nine members, six of whom the Board has determined are independent under the rules of the listing standards for the Nasdaq Global Market (the "Nasdaq Rules") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). If all of the nominees named in this proxy statement are elected, six of the nine directors will continue to be independent under the Nasdaq Rules.

Board members are expected to attend each Board meeting and each meeting of any committee on which such Board member serves and they are encouraged to attend the Annual Meeting of Stockholders. The Board of Directors met four times in 2009. Each incumbent director attended at least 75% of the total number of meetings of the Board of Directors and of each committee on which he or she served during 2009. Each incumbent director except Mr. Renken attended the 2009 annual meeting. Stockholders or other interested parties may communicate with members of the Board of Directors individually or with the Board of Directors as a whole by sending a letter to the appropriate director or the Board of Directors in care of the Secretary of the Company at the address shown below under " Communications with the Board of Directors."

Board Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. The Board has determined that having a non-management director serve as Chairman is in the best interest of the Company's stockholders at this time. This structure permits the Chief Executive Officer to focus on the management of the Company's day-to-day operations. At the same time, because the Chairman of the Board, Mr. Westfall, is the Company's former President and Chief Executive Officer, and worked for the Company from 1998 until 2007, this structure also makes use of Mr. Westfall's extensive knowledge of the Company and its industry. Although Mr. Westfall is not considered an independent director, the Company believes that having a non-management director serve as Chairman of the Board ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing Board priorities and procedures.

Executive Sessions

Non-management directors meet regularly in executive sessions without management. Non-management directors are those directors who are not Company officers or employees and include directors, if any, who are not independent by virtue of the existence of a material relationship with the Company, former status or family relationship or for any other reason other than being an employee of the Company. Executive sessions are led by a "Lead Director" and Mr. Renken has been designated as the Lead Director. An executive session is held in conjunction with each regularly scheduled quarterly Board meeting and other sessions may be called by the Lead Director in his own discretion or at the request of the Board.

Director Independence

The Company has established standards of independence for the Board that comply with the Nasdaq Rules and Exchange Act. Under these standards of independence, for a director to be considered independent, the director must, among other things, not be an officer or employee of the

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Company or its subsidiaries and the director must not have a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company's policy is to have at least a majority of directors qualify as independent under the listing standards set forth in the Nasdaq Rules and Exchange Act. The Board of Directors has determined that Messrs. Holdsworth, Lenocker, McEachern, Renken, Shelton and Toups are independent directors under the standards set forth in the Nasdaq Rules and Exchange Act.

Committees of the Board of Directors

We have four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Investment, Finance and Strategy Committee. The charters for each of these committees are available on our website at www.willdan.com under "Investors Corporate Governance Governance Documents" or are available in print to any stockholder who requests a copy from the Company's Secretary at 2401 East Katella Avenue, Suite 300, Anaheim, California 92806. Each of these committees regularly reports to the Board of Directors as a whole. Mr. Westfall, our chairman of the board, serves as an ex officio member of each committee but does not attend executive sessions that are held by each committee.

Audit Committee. The Board's Audit Committee consists of Messrs. Renken, McEachern and Toups, each of whom the Board has determined is an independent director and meets the independence requirements for Audit Committee members under the Nasdaq Rules and the Exchange Act. Mr. Renken is the chairman of the Audit Committee and has been designated by the Board as the Audit Committee financial expert. Each of the other members of the Audit Committee is financially literate. The Audit Committee met four times during fiscal 2009.

Under the terms of the Audit Committee charter, the purpose of this committee is to assist the Board in overseeing the integrity of the Company's financial statements and financial reporting, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent registered public accounting firm, the performance of the Company's internal reporting and audit functions, and the Company's disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance and ethics. The Audit Committee confers formally with the Company's independent registered public accounting firm, as well as with members of management to inquire as to the manner in which the respective responsibilities of these groups and individuals are being discharged. The Audit Committee engages our independent registered public accounting firm and reviews and approves the scope of the audit conducted by the independent registered public accounting firm.

Compensation Committee. The Board's Compensation Committee consists of Messrs. Shelton, McEachern, Renken, and Toups, each of whom the Board has determined is an independent director under the Nasdaq Rules, with Mr. Shelton serving as the Committee's chairman. The Compensation Committee is responsible for establishing and governing the compensation and benefit practices of the Company. The Compensation Committee charter requires that the Compensation Committee consist of two or more members of the Board, each of whom satisfies the independence requirements under Nasdaq Rules and the Exchange Act. At all times during fiscal 2009, the Compensation Committee consisted of at least two members of the Board, each of whom the Board has affirmatively determined satisfies these independence requirements. The Compensation Committee met five times during fiscal 2009.

The Compensation Committee assists the Board of Directors in determining the compensation of the Company's executive officers and senior management and recommends to the Board annual and long-term compensation for the Company's executive officers and senior management. In addition to its annual review of the compensation of the Company's officers, the Compensation Committee

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administers the Company's 2008 Plan, 2006 Plan and ESPP. The Committee has the authority to designate officers, directors or key employees eligible to participate in the plans, to prescribe the terms of any award of stock options, to interpret the plans, and to make all other determinations for administering the plans. Our Chief Executive Officer recommends to the Compensation Committee salary, annual bonus and long-term compensation levels for less senior officers, including the other Named Executive Officers (as defined below). Our other executive officers, including the other Named Executive Officers, do not currently have any role in determining or recommending the form or amount of compensation paid to our Named Executive Officers or our other executive officers.

The Compensation Committee is authorized to retain and terminate any compensation consultant engaged to assist in the evaluation of the compensation of our senior executive officers (including all of the Named Executive Officers). During fiscal 2009, the Compensation Committee retained the firm of Towers Perrin to provide director and officer cash and equity compensation information for comparable companies and to suggest actions for the Compensation Committee to address in its quarterly meetings.

Nominating and Corporate Governance Committee. The Board's Nominating and Corporate Governance Committee consists of Messrs. Lenocker, Holdsworth and Shelton, each of whom the Board has determined is an independent director under the Nasdaq Rules, with Mr. Lenocker serving as the Committee's chairman. The Nominating and Corporate Governance Committee met four times in fiscal 2009.

The Nominating and Corporate Governance Committee works with the Board of Directors to determine the appropriate characteristics, skills, and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Nominating and Corporate Governance Committee and the Board take into account many factors, as discussed above under " Information Regarding Directors." Although the Company does not have a formal policy with regard to the consideration of diversity in identifying candidates for election to the Board, the Nominating and Corporate Governance Committee recognizes the benefits associated with a diverse group of directors and takes diversity considerations into account when identifying director candidates. The Nominating and Corporate Governance Committee seeks a broad range of perspectives and considers both the personal characteristics and experience of prospective nominees to ensure that the Board as a whole will possess the appropriate skills and expertise to oversee the Company. These factors, and others considered useful by the Nominating and Corporate Governance Committee, will be reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time.

After assessing the perceived needs of the Board, the Nominating and Corporate Governance Committee identifies specific individuals and looks to well respected companies as a potential source of director candidates with relevant experience. The priorities and emphasis of the Nominating and Corporate Governance Committee and of the Board may change from time to time to take into account changes in business and other trends and the portfolio of skills and experience of current and prospective Board members. The Nominating and Corporate Governance Committee establishes procedures for the nomination process and recommends candidates for election to the Board.

Investment, Finance and Strategy Committee. The Board's Investment, Finance and Strategy, or IFS, Committee consists of Messrs. Toups, Holdsworth, Lenocker and Renken and Mrs. Heil, with Mr. Toups serving as the Committee's chairperson. The IFS Committee assists the Board by reviewing and making recommendations to the Board or taking actions on behalf of the Board relating to the Company's financial and strategic plans. The IFS Committee charter requires that the IFS Committee consist of three members of the Board, each of whom the Board has determined satisfies the independence requirements under the Nasdaq Rules and the Exchange Act. Currently, Mrs. Heil is a member of the IFS Committee although the Board has not determined that she is independent. The IFS Committee met three times during fiscal 2009.

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The responsibilities of the IFS Committee include reviewing with management, on a timely basis, significant financial matters of the Company and its subsidiaries, including matters relating to the Company's capitalization, dividend policy and practices, credit ratings, cash flows, borrowing activities, investment strategies, and potential acquisitions, and risk oversight. The Committee also reviews and may recommend to the Board actions relating to offerings of the Company's debt or equity securities; purchases or disposals of treasury shares, except the purchase of shares pursuant to approved employee benefit plans; stock splits or reclassification of shares; the declaration and payment of any dividends on the Company's common stock; guarantees of unconsolidated third party indebtedness; and certain other financial transactions and strategies.

Oversight of Risk

Companies face a variety of risks, including credit risk, liquidity risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that the Company faces, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board Committee, (3) implement appropriate and responsive risk management strategies consistent with the Company's risk profile, and (4) integrate risk management into the Company decision-making.

The Board has designated the IFS Committee to take the lead in overseeing risk management and the IFS Committee makes periodic reports to the Board regarding briefings provided by management and advisors as well as the Committee's own analysis and conclusions regarding the adequacy of the Company's risk management processes.

In addition to the formal compliance program, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The Board also continually works, with the input of the Company's executive officers, to assess and analyze the most likely areas of future risk for the Company.

Code of Ethics

The Company expects that all of its directors, officers and employees will maintain a high level of integrity in their dealings with and on behalf of the Company and will act in the best interests of the Company. The Company has adopted a Code of Ethical Conduct which provides principles of conduct and ethics for the Company's directors, officers and employees. This Code complies with the requirements of the Sarbanes-Oxley Act of 2002 and the Nasdaq Rules. This Code of Ethical Conduct is available on the Company's website at www.willdan.com under "Investors Corporate Governance Governance Documents" and is also available in print, without charge, to any stockholder who requests a copy by writing to our Secretary at 2401 East Katella Avenue, Suite 300, Anaheim, California 92806.

Material Litigation

There are currently no ongoing material proceedings in which any director or executive officer is a party adverse to the Company or any of its subsidiaries, or in which any director or executive officer has a material interest adverse to the Company or any of its subsidiaries.

Director Nominations by Stockholders

The Board will consider director candidates recommended by stockholders for inclusion on the slate of directors nominated by the Board. Any stockholder may submit one candidate for consideration in conformity with the Bylaws and as set forth hereafter under the caption "Other Information Stockholder Proposals." Stockholders wishing to recommend a candidate must submit the recommendation to the Nominating and Corporate Governance Committee, c/o the Secretary, Willdan Group, Inc., 2401 East Katella Avenue, Suite 300, Anaheim, California 92806. If a nominating

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stockholder is not a record holder, the stockholder must provide the same evidence of eligibility as set forth in Exchange Act Rule 14a-8(b)(2).

At the time the nominating stockholder submits the recommendation, the candidate must submit all information about the candidate that the Company would be required to disclose in a proxy statement in accordance with Exchange Act rules. In addition, at that time the candidate must:

Certify that he or she meets the requirements to be: (a) independent under the independence requirements of the Nasdaq Rules, (b) a non-management director under Rule 16b-3 of the Exchange Act, and (c) an outside director under Section 162(m) of the Code;

Consent to serve on the board of directors, if nominated and elected; and

Agree to complete, upon request, a customary directors' and officers' questionnaire.

The Nominating and Corporate Governance Committee will evaluate any stockholder-recommended candidate to determine whether he or she is highly qualified. Particular consideration will be given to those individuals who have substantial achievement in their personal and professional pursuits and whose talents, experience and integrity would be expected to contribute to the best interests of the Company and to long-term stockholder value. Without limitation, the Committee recommends individuals who have a general management focus, have specialization in the Company's principal business activities or finance, have significant experience in issues encountered by public companies and who could contribute to the diversity of the board. The Nominating and Corporate Governance Committee evaluates stockholder-recommended candidates in the same way it evaluates candidates proposed from other sources.

Communications with the Board of Directors

Individuals may contact the Company's entire Board of Directors or an individual director by sending a written communication to the Board or such director in care of:

Secretary
Willdan Group, Inc.
2401 E. Katella Avenue, Suite 300
Anaheim, CA 92806

Each communication must set forth the name and address of the stockholder on whose behalf the communication is sent. Each communication will be reviewed by the Company's Secretary to determine whether it is appropriate for presentation to the Board or such director. Advertisements, solicitations or hostile communications will not be presented. Communications determined by the Secretary to be appropriate for presentation to the Board or such director will be submitted to the Board or such director on a periodic basis.

A stockholder wishing to communicate directly with the non-management members of the board may address the communication to "Non-Management Directors, c/o Board of Directors" at the same address set forth above. These communications will be handled by the Lead Director, who presides at the meetings of non-management directors. Finally, communications can be sent directly to individual directors by addressing letters to the director's individual name, c/o the Board of Directors, at the address above.

Table of Contents**PRINCIPAL STOCKHOLDERS**

Except as otherwise noted, the following table sets forth information as of April 12, 2010 with respect to: (i) each of our directors and nominees, (ii) each of our Named Executive Officers (as defined below under "Executive Compensation"), (iii) our directors and executive officers as a group and (iv) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock, based upon Schedule 13G and Schedule 13D reports filed with the SEC.

Unless otherwise noted below, the address of the persons listed on the table is c/o Willdan Group, Inc., 2401 East Katella Avenue, Suite 300, Anaheim, California 92806. The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Except as otherwise noted, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock reflected as beneficially owned, subject to applicable community property laws. We had 7,228,683 shares of common stock outstanding on April 12, 2010.

Name and Address of Stockholder	Amount of Beneficial Ownership	Percent of Common Stock
<i>Executive Officers, Directors and Director Nominees</i>		
Win Westfall(1)	6,500	*
Thomas D. Brisbin(2)	157,131	2.13%
Linda L. Heil(3)	928,620	12.83%
Raymond W. Holdsworth(4)	2,500	*
W. Tracy Lenocker(5)	213,500	2.95%
Douglas J. McEachern(6)	5,000	*
Keith W. Renken(7)	38,500	*
Wayne Shelton(8)	14,500	*
John M. Toups(9)	30,500	*
Kimberly D. Gant(10)	34,338	*
Marc Tipermas(11)	39,667	*
Frank Tripepi(12)	88,833	1.23%
All directors and executive officers as a group (13 persons)	1,567,922	20.94%
<i>5% Stockholders</i>		
Phronesis Partners, L.P. 130 East Chestnut Street Suite 403 Columbus, OH 43215	744,409	10.33%
RBF Capital, LLC 100 Drakes Landing Rd. Suite 300 Greenbrae, CA 94904	541,141	7.51%
Wedbush, Inc. 1000 Wilshire Blvd Los Angeles, CA 90017	469,239	6.50%

*

The percentage of shares beneficially owned by this executive officer or director does not exceed one percent of the Company's outstanding common stock.

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- (1) Consists of 2,000 shares of common stock held directly by Mr. Westfall and 4,500 shares of common stock subject to options exercisable on or before June 11, 2010.
- (2) Consists of 25,465 shares of common stock held directly by Dr. Brisbin and 131,666 shares of common stock subject to options exercisable on or before June 11, 2010.
- (3) Consists of 855,881 shares of common stock held in The Dan W. Heil Marital Trust, 64,239 shares of common stock held in the Dan W. Heil Family Trust, and 8,500 shares of common stock subject to options exercisable on or before June 11, 2010. Mrs. Heil is the sole trustee and beneficiary of each trust and has voting and investment control over our shares of common stock held therein.
- (4) Consists of 2,500 shares of common stock subject to options exercisable on or before June 11, 2010.
- (5) Consists of 200,000 shares of common stock held directly by Mr. Lenocker and 13,500 shares of common stock subject to options exercisable on or before June 11, 2010.
- (6) Consists of 2,500 shares of common stock held in The McEachern Family Trust and 2,500 shares of common stock subject to options exercisable on or before June 11, 2010. Mr. McEachern and his wife are co-trustees and beneficiaries of the trust and have shared voting and investment control over our shares of common stock held therein.
- (7) Consists of 30,000 shares of common stock held by the LVRJC Partnership and 8,500 shares of common stock subject to options exercisable on or before June 11, 2010. Mr. Renken is the managing partner of the partnership and has sole voting and investment control over our shares of common stock held therein.
- (8) Consists of 10,000 shares of common stock held directly by Mr. Shelton and 4,500 shares of common stock subject to options exercisable on or before June 11, 2010.
- (9) Consists of 24,000 shares of common stock held directly by Mr. Toups and 6,500 shares of common stock subject to options exercisable on or before June 11, 2010.
- (10) Consists of 7,672 shares of common stock held directly by Ms. Gant and 26,666 shares of common stock subject to options exercisable on or before June 11, 2010.
- (11) Consists of 8,834 shares of common stock held directly by Mr. Tipermas and 30,833 shares of common stock subject to options exercisable on or before June 11, 2010.
- (12) Consists of 80,000 shares of common stock held directly by Mr. Tripepi and 8,833 shares of common stock subject to options exercisable on or before June 11, 2010.

Table of Contents**MANAGEMENT**

The following table sets forth the names, ages and positions of our current executive officers. Executive officers of the Company serve at the pleasure of the Board of Directors. During fiscal 2009, Dr. Brisbin, Ms. Gant and Mr. Tipermas were employed pursuant to employment agreements, which are summarized below under "Executive Compensation Description of Employment Agreements, Salary and Bonus Amounts."

Name	Age	Position
Thomas D. Brisbin	57	President and Chief Executive Officer, Director
Kimberly D. Gant	44	Chief Financial Officer, Senior Vice President and Treasurer
Daniel Chow	59	President and Chief Executive Officer of Willdan Engineering
Marc Tipermas	62	President of National Programs
Frank G. Tripepi	62	President and Chief Executive Officer of Willdan Financial Services

Biographical information concerning Dr. Brisbin is set forth under the caption "Proposal 1. Election of Directors Information Regarding Nominees and Directors."

Kimberly D. Gant was appointed Chief Financial Officer in July 2007. From January 2005 until July 2007, Ms. Gant served as vice president of corporate development for AECOM Technology Corporation. At AECOM, Ms. Gant was responsible for due diligence and integration activities for mergers and acquisitions, treasury and capital markets activities and SEC financial reporting compliance. From October 1996 to January 2005, Ms. Gant was employed by Tetra Tech, Inc. At Tetra Tech, she held finance positions of increasing responsibility, including vice president of corporate development and treasury and vice president of corporate planning and reporting, and was responsible for pre-acquisition financial analysis, acquisition due diligence and execution, treasury management, strategic sourcing and international business and financial risk assessment. Prior to joining Tetra Tech, Ms. Gant was employed by Hydro-Search, Inc., an engineering and consulting firm, in various accounting positions. Ms. Gant is a certified public accountant (inactive) and holds a B.A. in Accountancy from the University of Oklahoma.

Daniel Chow was appointed President and Chief Executive Officer of Willdan Engineering in December 2008. Prior to joining Willdan, Mr. Chow was the Vice President of AMEC Earth & Environmental, Inc., a subsidiary of AMEC plc, a global provider of high-value consultancy, engineering and project management services to the energy, power and process industries, from April 2004 to December 2008. Prior to AMEC, Mr. Chow worked at Tetra Tech EM Inc. (formerly PRC Environmental Management, Inc.) for over 20 years and held various senior management positions, including Vice President of US operations. During Mr. Chow's tenure with these firms he was responsible for establishing new offices and developing and implementing management systems firmwide to enhance operations. He also led the pursuit and management of multi-million dollar contracts for government clients that included the U.S. Navy and the U.S. Army Corps of Engineers. Mr. Chow received his B.Sc. in Mechanical Engineering from Tennessee Technological University and his Master's Degree in Environmental Engineering from Illinois Institute of Technology. He is a registered professional engineer in the state of Illinois and Guam.

Marc Tipermas was appointed President of National Programs in June 2007. Mr. Tipermas has spent most of his 30-year career in the professional services industry in a variety of senior executive level business development and operations positions. From 1981 to 1998, Mr. Tipermas worked at ICF Kaiser International, a global consulting, engineering, and program management firm with over 6,000 employees, and he was named President and Chief Operating Officer in 1997. From January 2005 until May 2006, he was Senior Vice President for Business Development of Dynamac Corporation, an environmental consulting firm. From May 2006 until May 2007, he worked as an independent business development consultant to several nationwide engineering and consulting firms. Earlier in his career

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Mr. Tipermas worked at the U.S. Environmental Protection Agency (EPA) and from 1980 to 1981 served as the first Director of EPA's Superfund Policy and Program Management Office. Mr. Tipermas received an S.B. from the Massachusetts Institute of Technology and also holds Ph.D. and Master's degrees from Harvard University in political science.

Frank G. Tripepi has been the President and Chief Executive Officer of our subsidiary, Willdan Financial Services, formerly known as MuniFinancial, since June 2002. From October 2008 to December 2009, Mr. Tripepi also served as the interim city manager for the City of La Puente. Prior to joining Willdan Financial Services, Mr. Tripepi served as the city manager of Rosemead, California for approximately 28 years. In April 2004, Mr. Tripepi received an appointment to the Board of Governors of the Rose Institute of State and Local Government. The Rose Institute conducts and publishes research on California government and politics. Mr. Tripepi received his B.A. in Political Science in 1969 from California State University, Fullerton.

Table of Contents**EXECUTIVE COMPENSATION**

The following table presents information regarding compensation during fiscal 2008 and fiscal 2009 of our named executive officers (the "Named Executive Officers"). The Named Executive Officers include our principal executive officer and our two other most highly compensated executive officers. For purposes of these disclosures, we are also including our principal financial officer as one of our Named Executive Officers.

Recent changes to the SEC's disclosure rules now require us to value stock awards and option awards reported in the following table using the grant date fair value of the awards, rather than using the amount recognized for financial statement reporting purposes to value these awards. Because of these changes to the disclosure rules, the amounts reported below for option awards in fiscal 2008 differ from the amounts previously reported in our Summary Compensation Table for fiscal 2008 and, as a result, each Named Executive Officer's total compensation for 2008 is also different than the amounts previously reported.

Summary Compensation Table Fiscal 2008 and Fiscal 2009

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards \$(1)	All Other Compensation \$(2)	Total (\$)
Thomas D. Brisbin President and Chief Executive Officer; Director	2009	250,016		39,800	10,800	300,616
	2008	254,824		28,938	12,008	295,770
Kimberly D. Gant Chief Financial Officer, Senior Vice President and Treasurer	2009	200,013(3)		23,880	11,280	235,173
	2008	203,859			12,497	216,356
Marc Tipermas(4) President of National Programs	2009	220,001		13,930	12,347	246,278
Frank G. Triepi(4) President and Chief Executive Officer, Willdan Financial Services	2009	220,001		1,194	42,038	263,233

(1) The amounts reported under "Option Awards" represent the aggregate grant date fair value of option awards granted to our Named Executive Officers during fiscal 2008 and 2009 (disregarding any estimate of forfeitures related to service-based vesting conditions). Detailed information about the specific awards is reported in the table under "Outstanding Equity Awards at Fiscal 2009 Year-End" below. For a discussion of the assumptions and methodologies used to calculate the amounts reported in this column, please see the discussion of stock option awards granted during fiscal 2008 and 2009 contained in Note 8 (Stock Options) to our consolidated financial statements, included as part of our 2009 Annual Report filed on Form 10-K.

(2) The amounts reported under "All Other Compensation" include 401(k) matching contributions paid by us to Dr. Brisbin and Ms. Gant in fiscal 2008, \$6,347 and \$29,616 paid by us to Mr. Tipermas and Mr. Triepi, respectively, for cashing out paid time off in fiscal 2009, and automobile allowances or use of a company vehicle for each of Dr. Brisbin, Ms. Gant, Mr. Tipermas and Mr. Triepi.

(3) Effective March 29, 2010, Ms. Gant's salary was increased to \$230,000.

(4) The Board of Directors determined that Mr. Tipermas and Mr. Triepi were each executive officers of the Company on June 5, 2009.

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Dr. Brisbin served on the Board of Directors during fiscal 2008 and 2009. As an employee-director, Dr. Brisbin did not receive additional compensation for his services as a director.

Compensation of Named Executive Officers

The Summary Compensation Table above quantifies the value of the different forms of compensation earned by or awarded to our Named Executive Officers in fiscal 2008 and 2009. The primary elements of each Named Executive Officer's total compensation reported in the table are base salary and, for certain Named Executive Officers, a long-term equity incentive award consisting of stock options. Named Executive Officers also received the other benefits listed in the "All Other Compensation" column of the Summary Compensation Table, as further described in footnote (2) to the table.

The Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. A description of the material terms of each Named Executive Officer's employment agreement, if any, is provided immediately following this paragraph. The "Grants of Plan-Based Awards in Fiscal 2009" table, and the description of the material terms of the stock options granted in fiscal 2009 that follows it, provides information regarding the long-term equity incentives awarded to certain Named Executive Officers in fiscal 2009. The "Outstanding Equity Awards at Fiscal 2009 Year-End" and "Option Exercises and Stock Vested in Fiscal 2009" sections provide further information on the Named Executive Officers' potential realizable value and actual value realized with respect to their equity awards. The discussion of the potential payments due upon a termination of employment or change in control that follows is intended to further explain the potential future payments that are, or may become, payable to our Named Executive Officers under certain circumstances.

Description of Employment Agreements, Salary and Bonus Amounts

We have entered into employment agreements with Dr. Brisbin, our President and Chief Executive Officer, Ms. Gant, our Chief Financial Officer, Senior Vice President and Treasurer, and Mr. Tipermas, our President of National Programs. These employment agreements, including the salary and bonus terms of such agreements, are described below. The provisions of these agreements relating to severance benefits following a termination of the executive's employment are described below under "Potential Payments Upon Termination or Change in Control."

Dr. Brisbin. On April 2, 2007, we entered into an employment agreement with Dr. Brisbin. This agreement provides for an initial employment term of three years, with the agreement automatically renewing for successive one-year terms unless either party gives written notice not less than 60 days prior to expiration. Under the agreement, Dr. Brisbin received an annual base salary of \$250,000 for his first year of employment and the board of directors shall review Dr. Brisbin's base salary at least annually thereafter and may increase, but not decrease, the salary then in effect based on such review. Dr. Brisbin is also eligible to receive an annual discretionary bonus in an amount determined by the Board based on the achievement of performance targets established by the Board. The agreement also provides that Dr. Brisbin is eligible for all standard company pension and welfare benefit programs in accordance with those generally afforded our employees and an automobile allowance of \$900 per month.

Ms. Gant. On July 23, 2007, we entered into an employment agreement with Ms. Gant, which was amended on April 22, 2009. This agreement, as amended, provides for an initial employment term through December 31, 2008, with the agreement automatically extending on a monthly basis until terminated by us or Ms. Gant. Under the agreement, Ms. Gant received an annual base salary of \$200,000 through December 31, 2008 and our board of directors must review Ms. Gant's base salary at least annually and may increase, but not decrease, the salary then in effect based on such review. On

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March 26, 2010, our board of directors increased Ms. Gant's base salary to \$230,000, effective on March 29, 2010. Ms. Gant is also eligible to receive an annual discretionary bonus of up to 50% of her base salary as determined by the Board for each twelve-month period based on performance targets established by the Board. The agreement also provides that Ms. Gant is eligible for all standard company pension and welfare benefit programs in accordance with those generally afforded our employees and an automobile allowance of \$940 per month.

Mr. Tipermas. On May 22, 2007, we entered into an employment agreement with Mr. Tipermas. This agreement provides for an initial employment term through December 31, 2008, with the agreement automatically continuing on an at-will basis until terminated by Mr. Tipermas or by us under the agreement. Under the agreement, Mr. Tipermas received an annual base salary of \$220,000 through May 31, 2008. Thereafter, Mr. Tipermas' annual base salary must be reviewed by the Chief Executive Officer at least annually, and may be increased, but not decreased, based on such review. Mr. Tipermas is also eligible to receive an annual incentive bonus as determined by the Chief Executive Officer on the basis of individual and Company performance objectives, provided Mr. Tipermas is employed with the Company on the last day of the 12-month period covered by the bonus. The agreement also provides that Mr. Tipermas is eligible for all standard company pension and welfare benefit programs in accordance with those generally afforded our employees.

Grants of Plan-Based Awards in Fiscal 2009

The following table presents information regarding the equity incentive awards granted to Named Executive Officers during fiscal 2009 under the 2008 Plan. The material terms of each grant are described below under "Description of Plan-Based Awards."

Name	Grant Date	All Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards (\$)
Thomas D. Brisbin	6/8/2009	50,000(1)	1.87	39,800
Kimberly Gant	6/8/2009	30,000(1)	1.87	23,880
Marc Tipermas	6/8/2009	17,500(1)	1.87	13,930
Frank G. Tripepi	6/8/2009	1,500(1)	1.87	1,194

- (1) The options vest in substantially equal annual installments over the three year period following the grant date.

Description of Plan-Based Awards

During fiscal 2009, each of Dr. Brisbin, Ms. Gant, Mr. Tipermas and Mr. Tripepi were awarded stock options under the 2008 Plan. The options were granted on June 8, 2009, and will vest in substantially equal annual installments over three years from the grant date. The options were granted with a per-share exercise price equal to the closing market price of the Company's common stock on the Nasdaq Global Market on the grant date and have a term of ten years. Outstanding options, however, may terminate earlier than their stated expiration date in connection with a change in control transaction or a termination of the recipient's employment. The recipient will generally have three months to exercise the stock option following a termination of employment. This period is extended to 12 months if the recipient dies or terminates his or her employment because of a disability incurred while employed by the Company. However, if a recipient's employment is terminated by the Company for cause, outstanding stock options (whether vested or unvested) will immediately terminate. The stock options granted to our Named Executive Officers during fiscal 2009 do not include any dividend or dividend equivalent rights.

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As indicated above, the stock options granted in fiscal 2009 were granted under, and are subject to the terms of, the 2008 Plan, which is administered by the Compensation Committee. The Compensation Committee has authority to interpret the plan provisions and make all required determinations under the plan. This authority includes making required proportionate adjustments to outstanding awards upon the occurrence of certain corporate events such as reorganizations, mergers and stock splits, and making provisions to ensure that any tax withholding obligations incurred in respect of awards are satisfied. Awards granted under the plan are generally only transferable to a beneficiary of an award recipient upon his or her death. However, the Compensation Committee may establish procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable securities laws and, with limited exceptions set forth in the plan documents, are not made for value.

Under the terms of the 2008 Plan, if there is a change in control of the Company, each recipient's outstanding equity-based awards granted under the plan will generally become fully vested and exercisable to the extent such outstanding awards are not substituted or assumed in connection with the transaction. Any options that become vested in connection with a change in control generally must be exercised prior to the change in control, or they will be canceled in exchange for the right to receive a cash payment in connection with the change in control transaction.

Outstanding Equity Awards at Fiscal 2009 Year-End

The following table presents information regarding the outstanding option awards held by each Named Executive Officer as of January 1, 2010. No Named Executive Officer held any outstanding stock awards as of January 1, 2010.

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards:	Option Exercise Price (\$)	Option Expiration Date
			Number of Securities Underlying Unexercised Options Unearned (#)		
Thomas D. Brisbin	66,666(1)	33,334		9.30	4/2/2017
	15,000(2)			5.60	3/10/2018
Kimberly D. Gant		50,000(3)		1.87	6/8/2019
	16,666(4)	8,334		9.90	7/23/2017
Marc Tipermas		30,000(3)		1.87	6/8/2019
	16,666(5)	8,334		9.38	5/22/2017
Frank Tripepi		17,500(3)		1.87	6/8/2019
	8,333(6)	16,667		2.20	11/15/2018
		1,500(3)		1.87	6/8/2019

- (1) 100,000 options were granted to Dr. Brisbin on April 2, 2007. These options vest in substantially equal annual installments over three years from their grant date.
- (2) The 15,000 options granted to Dr. Brisbin on March 10, 2008 vested immediately on their grant date.
- (3) Dr. Brisbin, Ms. Gant, Mr. Tipermas and Mr. Tripepi were granted 50,000, 30,000, 17,500, and 1,500 options, respectively, on June 8, 2009. These options vest in substantially equal annual installments over three years from their grant date.
- (4) Ms. Gant was granted 25,000 options on July 23, 2007. These options vest in substantially equal annual installments over three years from their grant date.

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- (5) Mr. Tipermas was granted 25,000 options on May 22, 2007. These options vest in substantially equal annual installments over three years from their grant date.
- (6) Mr. Tripepi was granted 25,000 options on November 5, 2008. These options vest in substantially equal annual installments over three years from their grant date.

Option Exercises and Stock Vested in Fiscal 2009

Our Named Executive Officers did not exercise any stock options during fiscal 2009. No stock awards have ever been granted to our Named Executive Officers.

Potential Payments Upon Termination or Change in Control

As noted above, outstanding options issued under our 2006 Plan or our 2008 Plan will vest immediately and become fully exercisable upon a change in control of us to the extent such outstanding awards are not substituted or assumed in connection with the transaction. The employment agreements for Dr. Brisbin, Ms. Gant and Mr. Tipermas also provide for severance benefits upon termination by us without cause or by the Named Executive Officer for good reason, each as described below.

Dr. Brisbin. If Dr. Brisbin's employment is terminated by us without cause or by Dr. Brisbin for good reason (as those terms are defined in the employment agreement), Dr. Brisbin will receive severance compensation in an amount equal to his then-current annual base salary through the end of the term of his employment agreement plus health benefits for such period. However, if Dr. Brisbin breaches his non-competition or non-solicitation obligations under his employment agreement at any time, he will no longer be entitled to receive any unpaid severance benefits.

Ms. Gant. If Ms. Gant's employment is terminated by us without cause or by Ms. Gant for good reason (as those terms are defined in the employment agreement) during Ms. Gant's employment period, Ms. Gant will receive severance compensation in an amount equal to her then-current annual base salary, plus health benefits, for six months after the date that her employment agreement is terminated. However, if Ms. Gant breaches her non-competition or non-solicitation obligations under her employment agreement at any time, she will no longer be entitled to receive any unpaid severance benefits.

Mr. Tipermas. If Mr. Tipermas' employment is terminated by us without cause or by Mr. Tipermas for good reason (as those terms are defined in the employment agreement), Mr. Tipermas will be paid severance payment equal to six months of his base salary.

Table of Contents**DIRECTOR COMPENSATION****Director Compensation for Fiscal 2009**

The following table presents information regarding the compensation earned during fiscal 2009 by individuals who were members of our Board of Directors at any time during fiscal 2009, except Named Executive Officers (referred to herein as "Non-Employee Directors"). Dr. Brisbin is a Named Executive Officer and his compensation is presented above under "Executive Compensation" in the Summary Compensation Table and related explanatory tables. Dr. Brisbin is not entitled to additional compensation for his services as a director.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards (\$)	Option Awards \$(2)	All Other Compensation \$(3)	Totals (\$)
Linda L. Heil	39,750		3,897	12,199	55,846
Raymond W. Holdsworth	24,643		3,897		28,540
W. Tracy Lenocker	49,000		3,897		52,897
Douglas J. McEachern	24,643		3,897		28,540
Keith W. Renken	54,125		3,897		58,022
Wayne Shelton	52,750		3,897		56,647
John M. Toups	51,000		3,897		54,897
Win Westfall	48,000		3,897	14,060	65,957

- (1) The fees for Mrs. Heil and Messrs. Lenocker, Renken, Shelton and Westfall include fees of \$1,500, \$2,750, \$3,000, \$1,250 and \$2,500 respectively, which were paid in fiscal 2009 for services provided in fiscal 2008.
- (2) The amounts reported under "Option Awards" above represent the aggregate grant date fair value of option awards granted to our Non-Employee Directors during fiscal 2009 (disregarding any estimate of forfeitures related to service-based vesting conditions). For a discussion of the assumptions and methodologies used to calculate the amounts reported in this column, please see the discussion of option awards contained in Note 8 (Stock Options) to our consolidated financial statements, included as part of our annual report filed on Form 10-K.
- As of January 1, 2010, Mr. Lenocker held 16,000 outstanding and unexercised stock option awards, Mrs. Heil and Mr. Renken each held 11,000 outstanding and unexercised stock option awards, Mr. Toups held 9,000 outstanding and unexercised stock option awards, Mr. Shelton and Mr. Westfall each held 7,000 outstanding and unexercised stock option awards, and Mr. Holdsworth and Mr. McEachern each held 5,000 outstanding and unexercised stock option awards. As of January 1, 2010, none of our Non-Employee Directors held any outstanding stock awards.
- (3) The amount reported under "All Other Compensation" with respect to Mrs. Heil is the estimated value of medical benefit coverage for fiscal 2009 for Mrs. Heil and her two dependents pursuant to an arrangement approved by our Board of Directors in May 2006. The amount reported under "All Other Compensation" with respect to Mr. Westfall is the estimated value of medical benefit coverage for fiscal 2009 for Mr. Westfall and his spouse pursuant to an arrangement approved by our Board of Directors in May 2006.

Compensation for Non-Employee Directors during fiscal 2009 generally consisted of an annual retainer, fees for attending meetings, fees for work related to board committees and a stock option award.

Table of Contents***Annual Retainer and Meeting Fees***

The following table sets forth the schedule of annual retainers and meeting fees for each Non-Employee Director in effect during fiscal 2009. Effective October 2009, the Board elected to temporarily receive only 80% of their annual retainers for board and committee membership and chair positions. They continue to receive 100% of their fees for attending board and committee meetings.

Type of Fee	Dollar Amount
Annual Board Retainer	\$ 30,000
Additional Annual Retainer to Chairman of the Board	\$ 10,000
Additional Annual Retainer to Chair of Audit Committee	\$ 5,500
Additional Annual Retainer to Chair of Compensation Committee	\$ 3,500
Additional Annual Retainer to Chair of Investment, Finance and Strategy Committee	\$ 2,500
Additional Annual Retainer to Chair of Nominating and Corporate Governance Committee	\$ 2,500
Additional Annual Retainer for Committee Membership (non-chair)	\$ 1,500
Additional Daily Fee for Personal Attendance at Board Meetings(1)	\$ 1,500
Additional Daily Fee for Telephonic Attendance at Board Meetings(1)	\$ 750
Additional Daily Fee for Personal Attendance at Committee Meetings(1)	\$ 1,000
Additional Daily Fee for Telephonic Attendance at Committee Meetings(1)	\$ 500

(1) Directors only receive one fee for meetings per day.

All Non-Employee Directors are also reimbursed for out-of-pocket expenses they incur serving as directors.

Stock Option Awards

In June 2009, each Non-Employee Director was granted an award of 5,000 stock options under the 2008 Plan. The stock option awards were granted with a per-share exercise price equal to the fair market value of a share of the Company's Common Stock on the grant date. For these purposes, and in accordance with the terms of the 2008 Plan and the Company's equity award grant practices, the fair market value is equal to the closing price of a share of the Company's common stock on the Nasdaq Global Market on the grant date.

Each stock option granted to our Non-Employee Directors in fiscal 2009 is subject to a two year vesting schedule, with 50% of the option vesting on each of the first and second anniversaries of the grant date. Once vested, each stock option will generally remain exercisable until its normal expiration date. The stock options granted to our Non-Employee Directors in fiscal 2009 have a term of ten years. Outstanding stock options, however, may terminate earlier in connection with a change in control transaction or a termination of the Non-Employee Director's services as a director. Subject to any accelerated vesting that may apply in particular circumstances, the unvested portion of the stock option will immediately terminate upon a termination of the Non-Employee Director's services as a director. The Non-Employee Director will generally have three months to exercise the vested portion of the stock option following a termination of service. This period is extended to twelve months if the termination is on account of the Non-Employee Director's death or permanent disability. The options granted to Non-Employee Directors in fiscal 2009 do not include any dividend or dividend equivalent rights.

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The Compensation Committee of the Board of Directors administers Non-Employee Director stock option awards granted under the 2008 Plan and has the ability to interpret and make all required determinations under the plan, subject to plan limits. This authority includes making required proportionate adjustments to outstanding awards to reflect any impact resulting from various corporate events such as reorganizations, mergers and stock splits. Pursuant to the terms of the 2008 Plan, stock options granted to our Non-Employee Directors will generally vest on an accelerated basis in connection with a change in control of the Company to the extent such awards are not substituted or assumed by a successor in connection with the transaction.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Related Person Transactions

The following provides a description of certain relationships and related transactions since the beginning of fiscal year 2007 between some of our directors and executive officers and us or our subsidiaries and affiliates.

Sublease with Infuse Capital. On November 3, 2009, we entered into a Sublease Agreement with Infuse Capital, a California corporation ("Infuse"). One of our directors, Tracy Lenocker, is the sole owner of Infuse. Pursuant to the Sublease Agreement, Infuse will sublease from us approximately 4,869 square feet of office space from December 15, 2009 through June 29, 2013. Infuse will pay us a monthly rent ranging from approximately \$8,500 to \$9,300, for a total of approximately \$376,000 over the term of the Sublease Agreement. Infuse will also pay us a proportionate share of certain operating expenses and taxes relating to the subleased property.

Lifetime Medical Benefits. On May 19, 2006, our board of directors approved the extension of lifetime medical benefits to our director, Mrs. Heil, and our Chairman of the Board, Mr. Westfall, and his spouse, Patricia Westfall. Mrs. Heil's eligible dependents are included through the maximum age allowable under our benefits plan. In fiscal 2009, we paid premiums for these medical benefits in the amounts of \$12,199 for Ms. Heil and her eligible dependents and \$14,060 for Mr. Westfall and his spouse.

Tax Agreements. In connection with our initial public offering in November 2006, we entered into a Tax Agreement Relating to S Corporation Distributions with each of our stockholders, including our Chairman of the Board, Mr. Westfall, and our directors, Mrs. Heil and Mr. Lenocker. Pursuant to these agreements, we agreed to indemnify, defend and hold harmless each stockholder on an after-tax basis against additional income taxes, plus interest and penalties resulting from adjustments made, as a result of a final determination made by a competent tax authority, to the taxable income we reported as an S Corporation. Such indemnification also includes any losses, costs or expenses, including reasonable attorneys' fees, arising out of a claim for such tax liability.

Indemnification Agreement. In connection with our initial public offering in November 2006, we entered into an Indemnification Agreement with our director, Mrs. Heil, as trustee of The 1994 Dan W. Heil and Linda Lee Heil Revocable Trust, the selling stockholder in the initial public offering. Pursuant to this agreement, we agreed to indemnify the selling stockholder against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the selling stockholder may be required to make for certain liabilities.

Related Person Transaction Policy

In March 2007, the Board adopted a policy addressing the Company's procedures with respect to the review, approval and ratification of "related person transactions" that are required to be disclosed pursuant to Item 404(a) of Regulation S-K. The policy provides that any transaction, arrangement or relationship, or any series of similar transactions, in which the Company was, is or will be a participant, the amount involved exceeds \$120,000, and a "related person" (as defined in the policy) has or will have a direct or indirect material interest (each such transaction, a "Related Person Transaction") shall be subject to review and approval or ratification by the Audit Committee. In its review of Related Person Transactions, the Audit Committee shall review the material facts and circumstances of the transaction and shall take into account certain factors, where appropriate, based on the particular facts and circumstances, including (i) the nature of the "related person's" interest in the transaction, (ii) the approximate dollar value of the amount involved in the Related Person Transaction, (iii) whether the transaction was taken in the Company's ordinary course of business, (iv) whether the transaction with the "related person" is proposed to be, or was, entered into on terms no less favorable to the Company

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than terms that could have been reached with an unrelated third party and (v) the purpose of, and the potential benefits to the Company of, the Related Person Transaction.

No member of the Audit Committee may participate in the review, approval or ratification of a transaction with respect to which he or she is a "related person" provided that such member can be counted for purposes of a quorum and shall provide such information with respect to the transaction as may be reasonably requested by other members of the Committee or the Board.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors assists the Board in performing its oversight responsibilities for the Company's financial reporting process, audit process and internal controls as more fully described in the Audit Committee charter. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity to U.S. generally accepted accounting principles.

In the performance of its oversight function, the Audit Committee reviewed and discussed the Company's audited financial statements for the year ended January 1, 2010 with the Company's management and with the Company's independent registered public accounting firm. In addition, the Committee discussed with the Company's independent registered public accounting firm the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the audit of the Company's financial statements. The Audit Committee has also received the written disclosures and the letter from the Company's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm their independence from the Company.

Based on the review and discussions with management and the independent registered public accounting firm described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 1, 2010 for filing with the SEC.

Members of the Audit Committee

Keith W. Renken (Chair)
Douglas J. McEachern
John M. Toups

The preceding Report of the Audit Committee shall not be deemed filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Report by reference into a filing under either of such Acts. The Report shall not be deemed soliciting material, or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Securities Exchange Act.

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OTHER INFORMATION

Solicitation of Proxies

The cost of solicitation of proxies in the form enclosed herewith will be paid by the Company. Solicitation will be made primarily by mail, but regular employees of the Company, without additional remuneration, may solicit proxies by telephone, e-mail, facsimile and personal interviews. In addition, Computershare Investor Services will assist in solicitation of proxies. The Company anticipates out-of-pocket costs associated with proxy solicitation. The Company will also request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such holders for their reasonable expenses.

Householding of Stockholder Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of the Company's Proxy Statement or Annual Report may have been sent to multiple stockholders in the same household unless the Company has received contrary instructions from one or more of the stockholders. The Company will promptly deliver a separate copy of either document to any stockholder upon request by writing to the Company at the following address: Willdan Group, Inc., 2401 East Katella Avenue, Suite 300, Anaheim, California 92806, Attn: Secretary or upon oral request directed to the Company's Secretary at (800) 424-9144. Any stockholder who wants to receive separate copies of the Annual Report and Proxy Statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact the stockholder's bank, broker, or other nominee record holder, or contact the Company by writing to the above address or by oral request at the above telephone number.

Stockholder Proposals

A stockholder proposal submitted pursuant to Rule 14a-8 under the Exchange Act for inclusion in the Company's Proxy Statement and form of proxy for the 2011 Annual Meeting of Stockholders must be received by the Company by December 22, 2010. Such a proposal must also comply with the requirements as to form and substance established by the SEC for such proposals.

A stockholder otherwise desiring to bring a proposal before the 2011 Annual Meeting of Stockholders (including generally any proposal relating to the nomination of a director to be elected to the Board of Directors) must comply with the then current advance notice and information requirements in the Company's Charter and Bylaws and deliver the proposal to the principal executive offices of the Company after February 4, 2011 and on or before March 6, 2011 (90 to 120 days prior to the first anniversary of this year's Annual Meeting) in order for such proposal to be considered timely. If, however, the date of the 2011 Annual Meeting is more than 30 days before or more than 60 days after June 4, 2011, stockholders must submit such nominations or proposals no earlier than the close of business on the 120th day prior to the Annual Meeting, and no later than the close of business on the later of the 90th day prior to the Annual Meeting or the 10th day following the date on which public disclosure of the date of the Annual Meeting is first made by the Company. In addition, with respect to nominations for directors, if the number of directors to be elected at the 2011 Annual Meeting of Stockholders is increased and there is no public announcement by us naming all of the nominees for director or specifying the size of the increased Board of Directors by February 24, 2011 (100 days prior to the first anniversary of this year's Annual Meeting), notice will also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to our Secretary at our principal executive offices no later than the close of business on the 10th day following the day on which such public announcement is first made by the Company. Any proposal nominating a

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director candidate must also comply with the requirements above under "Proposal 1. Election of Directors The Board of Directors Director Nominations by Stockholders."

Our bylaws also provide that a stockholder who wishes to nominate a director or propose other proper business to be brought before the stockholders at the Annual Meeting must be a stockholder of record of the Company at the time the notice is delivered to the Company's Secretary and the stockholder must be entitled to vote at the Annual Meeting.

A stockholder notice to nominate a director or bring any other business before the 2011 Annual Meeting of Stockholders must set forth certain information specified in our Bylaws. Any stockholder proposal should be mailed to: Willdan Group, Inc., 2401 East Katella Avenue, Suite 300, Anaheim, California 92806, Attn: Secretary. Copies of the Charter and Bylaws may be obtained without charge by providing a written request to the Secretary of the Company at that address.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC and the Nasdaq Global Market. Officers, directors and greater than 10% stockholders are required by the SEC's regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners in fiscal 2009 were satisfied.

Other Matters

The Board of Directors does not know of any matter other than those described in this Proxy Statement which will be presented for action at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO THE COMPANY. PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY TODAY.

WILLDAN GROUP, INC.
2008 PERFORMANCE INCENTIVE PLAN

1. PURPOSE OF PLAN

The purpose of this Willdan Group, Inc. 2008 Performance Incentive Plan (this "**Plan**") of Willdan Group, Inc., a Delaware corporation (the "**Corporation**"), is to promote the success of the Corporation and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons.

2. ELIGIBILITY

The Administrator (as such term is defined in Section 3.1) may grant awards under this Plan only to those persons that the Administrator determines to be Eligible Persons. An "**Eligible Person**" is any person who is either: (a) an officer (whether or not a director) or employee of the Corporation or one of its Subsidiaries; (b) a director of the Corporation or one of its Subsidiaries; or (c) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Subsidiaries in a capital-raising transaction or as a market maker or promoter of securities of the Corporation or one of its Subsidiaries) to the Corporation or one of its Subsidiaries and who is selected to participate in this Plan by the Administrator; provided, however, that a person who is otherwise an Eligible Person under clause (c) above may participate in this Plan only if such participation would not adversely affect either the Corporation's eligibility to use Form S-8 to register under the Securities Act of 1933, as amended (the "**Securities Act**"), the offering and sale of shares issuable under this Plan by the Corporation or the Corporation's compliance with any other applicable laws. An Eligible Person who has been granted an award (a "participant") may, if otherwise eligible, be granted additional awards if the Administrator shall so determine. As used herein, "**Subsidiary**" means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation; and "**Board**" means the Board of Directors of the Corporation.

3. PLAN ADMINISTRATION**3.1**

The Administrator. This Plan shall be administered by and all awards under this Plan shall be authorized by the Administrator. The "**Administrator**" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by Section 157(c) of the Delaware General Corporation Law and any other applicable law, to one or more officers of the Corporation, its powers under this Plan (a) to designate the officers and employees of the Corporation and its Subsidiaries who will receive grants of awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such awards. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

With respect to awards intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "**Code**"), this Plan shall be administered by a committee consisting solely of two or more

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outside directors (as this requirement is applied under Section 162(m) of the Code); provided, however, that the failure to satisfy such requirement shall not affect the validity of the action of any committee otherwise duly authorized and acting in the matter. Award grants, and transactions in or involving awards, intended to be exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), must be duly and timely authorized by the Board or a committee consisting solely of two or more non-employee directors (as this requirement is applied under Rule 16b-3 promulgated under the Exchange Act). To the extent required by any applicable listing agency, this Plan shall be administered by a committee composed entirely of independent directors (within the meaning of the applicable listing agency).

3.2

Powers of the Administrator. Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

- (a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive an award under this Plan;
 - (b) grant awards to Eligible Persons, determine the price at which securities will be offered or awarded and the number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of such awards consistent with the express limits of this Plan, establish the installments (if any) in which such awards shall become exercisable or shall vest (which may include, without limitation, performance and/or time-based schedules), or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such awards;
 - (c) approve the forms of award agreements (which need not be identical either as to type of award or among participants);
 - (d) construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, its Subsidiaries, and participants under this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the awards granted under this Plan;
 - (e) cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consent under Section 8.6.5;
 - (f) accelerate or extend the vesting or exercisability or extend the term of any or all such outstanding awards (in the case of options or stock appreciation rights, within the maximum ten-year term of such awards) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature) subject to any required consent under Section 8.6.5;
 - (g) adjust the number of shares of Common Stock subject to any award, adjust the price of any or all outstanding awards or otherwise change previously imposed terms and conditions, in such circumstances as the Administrator may deem appropriate, in each case subject to Sections 4 and 8.6, and provided that in no case (except due to an adjustment contemplated by Section 7 or any repricing that may be approved by stockholders) shall such an adjustment constitute a repricing (by amendment, substitution, cancellation and regrant, exchange or other means) of the per share exercise or base price of any option or stock appreciation right;
-

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- (h) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator's action (unless otherwise designated by the Administrator, the date of grant of an award shall be the date upon which the Administrator took the action granting an award);
- (i) determine whether, and the extent to which, adjustments are required pursuant to Section 7 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7;
- (j) acquire or settle (subject to Sections 7 and 8.6) rights under awards in cash, stock of equivalent value, or other consideration, provided, however, that in no case without stockholder approval shall the Corporation effect a "repricing" of a stock option or stock appreciation right granted under this Plan by purchasing the option or stock appreciation right at a time when the exercise or base price of the award is greater than the fair market value of a share of Common Stock; and
- (k) determine the fair market value of the Common Stock or awards under this Plan from time to time and/or the manner in which such value will be determined.

3.3

Binding Determinations. Any action taken by, or inaction of, the Corporation, any Subsidiary, or the Administrator relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

3.4

Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Administrator may obtain and may rely upon the advice of experts, including employees and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Subsidiaries shall be liable for any such action or determination taken or made or omitted in good faith.

3.5

Delegation. The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Subsidiaries or to third parties.

4. SHARES OF COMMON STOCK SUBJECT TO THE PLAN; SHARE LIMITS

4.1

Shares Available. Subject to the provisions of Section 7.1, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. For purposes of this Plan, "**Common Stock**" shall mean the common stock of the Corporation and such other securities or property as may become the subject of awards under this Plan, or may become subject to such awards, pursuant to an adjustment made under Section 7.1.

December 31,
2007

June 30, 2008

Due to Expire

Within

	One YearAfter	One YearTotal	OutstandingTotal
Outstanding Financing Commitments	Financing and leasing assets*	\$1,522.9	\$7,071.9
of credit and acceptances:	Standby letters of credit	543.5	137.0
credit	424.8	424.8	365.9
and Funding Commitments	Guarantees, acceptances and other recourse obligations	216.4	2.5
manufacturer purchase commitments	539.9	33.5	573.4
	Aerospace purchase commitments	1,282.0	6,454.0
	Sale-leaseback payments	142.4	1,674.4
	Unrecognized tax obligations	40.0	152.3
		192.3	223.1

* The total outstanding \$8.6 billion at June 30, 2008 includes approximately \$1.5 billion in vendor program lines that require CIT approval following an asset purchase by the customer, and approximately \$1 billion in credit lines that are currently unavailable to the customer due to requirements for asset / collateral availability or covenant conditions.

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments to extend credit declined from \$13.1 billion at year end to \$8.6 billion at June 30, 2008, as approximately \$2 billion of available undrawn asset-based loan commitments were sold in conjunction with liquidity initiatives, while others were utilized or expired.

In addition to the amounts shown in the table above, the Company has extended unused, cancelable lines of credit to customers in connection with third-party vendor programs, which may be used solely to finance additional product purchases. These uncommitted lines of credit can be reduced or canceled by CIT at any time without notice. Management's experience indicates that customers typically do not seek to exercise their entire available line of credit at any point in time.

In the normal course of meeting the needs of its customers, CIT also enters into commitments to provide financing, letters of credit and guarantees. Standby letters of credit obligate CIT to pay the beneficiary of the letter of credit in the event that a CIT client to whom the letter of credit was issued does not meet its related obligation to the beneficiary. These financial instruments generate fees and involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. To minimize potential credit risk, CIT generally requires collateral and other forms of credit support from the customer.

Guarantees are issued primarily in conjunction with CIT's factoring product in Trade Finance, whereby CIT provides the client with credit protection for its trade receivables without actually purchasing the receivables. The trade terms are generally sixty days or less. If the customer is unable to pay according to the contractual terms, then CIT purchases the receivables from the client. As of June 30, 2008 and December 31, 2007, CIT had no outstanding liabilities relating to these credit-related commitments or guarantees, as amounts are generally billed and collected on a monthly basis. The table above (in Guarantees, acceptances and other recourse obligations) also includes recourse obligations of approximately \$6.7 million at June 30, 2008 and \$13.4 million at December 31, 2007 that were incurred in conjunction with financing and leasing asset sales.

CIT's firm purchase commitments relate predominantly to purchases of commercial aircraft and rail equipment. The commitments to purchase commercial aircraft are with both Airbus Industrie and The Boeing Company. The aerospace equipment purchases are contracted for a specific model aircraft, using a baseline aircraft specification at fixed prices, which reflect discounts from fair market purchase prices prevailing at the time of commitment. The delivery price of an aircraft may also change depending on the final specifications of the aircraft, including engine thrust, aircraft weight and seating configuration. Equipment purchases are recorded at delivery date at the final purchase price paid, which includes purchase price discounts, price changes relating to specification changes and price increases relating to inflation and manufacturing components. Accordingly, the commitment amounts detailed in the preceding table are based on estimated values. Pursuant to existing contractual commitments, 114 aircraft remain to be purchased (21 within the next 12 months). Lease commitments are in place for all of the aircraft to be delivered over the next twelve months. The order amount excludes unexercised CIT options to purchase aircraft. The aircraft deliveries to CIT are scheduled periodically through 2016.

Outstanding commitments to purchase equipment to be leased to customers, other than aircraft, relates primarily to rail equipment. Rail equipment purchase commitments are at fixed prices subject to price increases for inflation and manufacturing components. The

time period between commitment and purchase for rail equipment is generally less than 18 months. Additionally, CIT is party to railcar sale-leaseback transactions under which it is obligated to pay a remaining total of \$1,816.8 million, or approximately \$145.5 million per year for 2009 through 2013, with remaining payments due through 2030. These lease payments are expected to be more than offset by rental income associated with re-leasing the assets, subject to actual railcar utilization and rentals. In conjunction with sale-leaseback transactions, CIT has guaranteed all obligations of the related consolidated lessee entities.

CIT has guaranteed the public and private debt securities of a number of its wholly-owned, consolidated subsidiaries, including those disclosed in Note 18 Summarized Financial Information of Subsidiaries. In the normal course of business, various consolidated CIT subsidiaries have entered into other credit agreements and certain derivative transactions with financial institutions that are guaranteed by CIT. These transactions are generally used by CIT's subsidiaries outside of the U.S. to allow the local subsidiary to borrow funds in local currencies.

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CIT GROUP INC

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Until December 31, 2007, CIT was a partner with Dell Inc. (Dell) in Dell Financial Services L.P. (DFS), a joint venture that offered financing to Dell's customers. The joint venture provided Dell with financing and leasing capabilities that were complementary to its product offerings and provided CIT with a source of new financings. In December 2007, Dell exercised its right to buy CIT's interest and the Company sold its 30% ownership interest in the DFS joint venture. CIT has the right to purchase a minimum percentage of DFS finance receivables on a declining scale through January 2010. CIT has certain recourse to DFS on defaulted contracts. Financing and leasing assets related to the DFS program included in the CIT Consolidated Balance Sheet (but excluding certain related international receivables originated directly by CIT) were approximately \$0.6 billion at both June 30, 2008 and December 31, 2007. Securitized assets included in managed assets were approximately \$2.0 billion at June 30, 2008 and \$2.3 billion at December 31, 2007.

CIT also has a joint venture arrangement with Snap-on Incorporated (Snap-on) that has a similar business purpose and model to the DFS arrangement described above, including limited credit recourse on defaulted receivables. The agreement with Snap-on extends until January 2009. CIT and Snap-on have 50% ownership interests, 50% board of directors' representation, and share income and losses equally. The Snap-on joint venture is accounted for under the equity method and is not consolidated in CIT's financial statements. At both June 30, 2008 and December 31, 2007, financing and leasing assets were approximately \$1.0 billion and securitized assets included in managed assets were less than \$0.1 billion.

Since December 2000, CIT has been a joint venture partner with Canadian Imperial Bank of Commerce (CIBC) in an entity that is engaged in asset-based lending in Canada. Both CIT and CIBC have a 50% ownership interest in the joint venture, and share income and losses equally. This entity is not consolidated in CIT's financial statements and is accounted for under the equity method. CIT's investment in and loans to the joint venture were approximately \$456 million at June 30, 2008 and \$440 million at December 31, 2007.

In the first quarter of 2007, the Company formed Care Investment Trust Inc. (Care), an externally managed real estate investment trust (REIT), formed principally to invest in healthcare-related commercial real estate. In conjunction with a June 2007 IPO, CIT contributed approximately \$280 million of loans to Care in return for cash and a 36% equity investment, worth approximately \$79 million, in Care at the initial public offering price. A subsidiary of CIT provides services to Care pursuant to a management agreement. The investment in Care is accounted for under the equity method, as CIT does not have a majority of the economics (expected losses and residual returns) in the entity.

CIT invests in various trusts, partnerships, and limited liability corporations established in conjunction with structured financing transactions of equipment, power and infrastructure projects. CIT's interests in certain of these entities were acquired by CIT in a 1999 acquisition, and others were subsequently entered into in the normal course of business. Other assets included approximately \$8 million at June 30, 2008 and \$11 million at December 31, 2007 of investments in non-consolidated entities relating to such transactions that are accounted for under the equity or cost methods.

The combination of investments in and loans to non-consolidated entities represents the Company's maximum exposure to loss, as the Company does not provide guarantees or other forms of indemnification to non-consolidated entities.

Certain shareholders of CIT provide investment management, banking and investment banking services to the Company in the normal course of business.

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 BUSINESS SEGMENT INFORMATION

The following table presents our business segment financial information for continuing operations:

	Business Segments (dollars in millions)								
	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer Segments	Total Segments	Corporate and Other	Continuing Operations
For the Quarter Ended June 30, 2008									
Net finance revenue, before depreciation	\$ 157.3	\$ 246.7	\$ 30.8	\$ 252.3	\$ 687.1	\$ 39.0	\$ 726.1	\$ (64.0)	\$ 662.1
Other income	50.3	34.4	54.1	16.0	154.8	0.9	155.7	(0.4)	155.3
Depreciation on operating lease equipment	(8.2)	(142.2)		(129.8)	(280.2)		(280.2)	0.1	(280.1)
Provision for credit losses	(24.5)	0.1	(10.9)	(22.6)	(57.9)	(33.1)	(91.0)	(61.2)	(152.2)
Salaries and general operating expenses	(96.7)	(34.2)	(33.3)	(101.6)	(265.8)	(15.6)	(281.4)	(36.7)	(318.1)
Other pre-tax items(1)	13.6				13.6		13.6	(11.5)	2.1
Income (Loss) from continuing operations before provision for income taxes and minority interest	91.8	104.8	40.7	14.3	251.6	(8.8)	242.8	(173.7)	69.1
(Provision) benefit for income taxes and minority interest after tax	(33.1)	(13.3)	(14.5)	(3.5)	(64.4)	9.0	(55.4)	34.4	(21.0)
Net income (loss) from continuing operations, before preferred dividends	58.7	91.5	26.2	10.8	187.2	0.2	187.4	(139.3)	48.1
For the Quarter Ended June 30, 2007									
Net finance revenue, before depreciation	\$ 185.8	\$ 226.9	\$ 42.0	\$ 291.9	\$ 746.6	\$ 35.5	\$ 782.1	\$ (68.1)	\$ 714.0
Other income	328.5	19.4	66.5	79.7	494.1	17.4	511.5	(10.7)	500.8
Depreciation on operating lease equipment	(10.6)	(137.0)		(144.8)	(292.4)		(292.4)	0.1	(292.3)
Provision for credit losses	(11.4)	(0.3)	(10.3)	(5.8)	(27.8)	(7.8)	(35.6)	23.0	(12.6)
Salaries and general operating expenses	(117.5)	(35.4)	(40.4)	(120.2)	(313.5)	(27.1)	(340.6)	(11.1)	(351.7)
Other pre-tax items(1)	(22.5)				(22.5)		(22.5)	(34.9)	(57.4)

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Income (Loss) from continuing operations before provision for income taxes and minority interest	352.3	73.6	57.8	100.8	584.5	18.0	602.5	(101.7)	500.8
(Provision) benefit for income taxes and minority interest after tax	(133.0)	(10.7)	(21.7)	(30.7)	(196.1)	(2.9)	(199.0)	50.3	(148.7)
Net income (loss) from continuing operations	219.3	62.9	36.1	70.1	388.4	15.1	403.5	(51.4)	352.1

Six Months Ended June 30, 2008

Net finance revenue, before depreciation	\$ 341.7	\$ 490.2	\$ 67.0	\$ 518.6	\$ 1,417.5	\$ 66.2	\$ 1,483.7	\$ (157.5)	\$ 1,326.2
Other income	114.1	74.1	120.0	27.8	336.0	(7.5)	328.5	5.3	333.8
Depreciation on operating lease equipment	(17.4)	(291.7)		(265.9)	(575.0)		(575.0)	0.3	(574.7)
Provision for credit losses	(61.1)	0.5	(20.4)	(50.8)	(131.8)	(182.7)	(314.5)	(84.4)	(398.9)
Salaries and general operating expenses	(210.9)	(74.8)	(72.5)	(205.6)	(563.8)	(36.9)	(600.7)	(21.1)	(621.8)
Other pre-tax items(1)	(103.9)				(103.9)		(103.9)	(228.7)	(332.6)
Income (Loss) from continuing operations before provision for income taxes and minority interest	62.5	198.3	94.1	24.1	379.0	(160.9)	218.1	(486.1)	(268.0)
(Provision) benefit for income taxes and minority interest after tax	(24.0)	(22.3)	(34.7)	(6.5)	(87.5)	65.9	(21.6)	86.0	64.4
Net income (loss) from continuing operations	38.5	176.0	59.4	17.6	291.5	(95.0)	196.5	(400.1)	(203.6)
Total financing and leasing assets	21,798.1	13,934.8	6,325.4	11,794.1	53,852.4	12,989.3	66,841.7		66,841.7
Total managed assets	23,008.6	13,934.8	6,325.4	15,436.3	58,705.1	12,989.3	71,694.4		71,694.4

(Table continues on following page)

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CIT GROUP INC

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Corporate Finance	Transportation Finance	Trade Finance	Vendor Finance	Commercial Segments	Consumer Segments	Total Segments	Corporate and Other	Continuing Operations
Six Months Ended June 30, 2007									
Net finance revenue, before depreciation	\$ 353.3	\$ 437.8	\$ 83.4	\$ 543.4	\$ 1,417.9	\$ 67.4	\$ 1,485.3	\$ (125.4)	\$ 1,359.9
Other income	431.0	37.1	134.2	190.6	792.9	35.2	828.1	(10.3)	817.8
Depreciation on operating lease equipment	(20.4)	(270.6)		(265.2)	(556.2)		(556.2)	0.3	(555.9)
Provision for credit losses	(31.8)	22.1	(18.2)	(16.2)	(44.1)	(15.7)	(59.8)	11.3	(48.5)
Salaries and general operating expenses	(231.8)	(68.7)	(81.7)	(235.4)	(617.6)	(52.6)	(670.2)	(12.8)	(683.0)
Other pre-tax items(1)	(22.5)				(22.5)		(22.5)	(174.2)	(196.7)

Income (Loss) from continuing operations before provision for income taxes and minority interest	477.8	157.7	117.7	217.2	970.4	34.3	1,004.7	(311.1)	693.6
(Provision) benefit for income taxes and minority interest after tax	(178.4)	(18.5)	(45.0)	(70.7)	(312.6)	(7.8)	(320.4)	155.2	(165.2)
Net income (loss) from continuing operations	299.4	139.2	72.7	146.5	657.8	26.5	684.3	(155.9)	528.4
Total financing and leasing assets	20,256.4	12,682.0	6,900.5	12,516.8	52,355.7	11,127.0	63,482.7		63,482.7
Total managed assets	21,347.1	12,682.0	6,900.5	16,602.6	57,532.2	11,127.0	68,659.2		68,659.2

⁽¹⁾ Includes valuation allowances, debt and debt related derivative extinguishment charges and severance and facility exit provisions.

NOTE 15 LEGAL PROCEEDINGS

SECURITIES CLASS ACTION

On July 25, 2008, a putative class action lawsuit, asserting claims under the Securities Exchange Act of 1934 (the "1934 Act"), was filed in the United States District Court for the Southern District of New York against CIT, its Chief Executive Officer and its Chief Financial Officer. The lawsuit alleges violations of Section 10(b) and 20(a) of the 1934 Act and Rule 10b-5 promulgated thereunder. In particular, the lawsuit alleges that during the putative class period from April 18, 2007 to March 5, 2008 the Company made false and misleading statements and or omissions about its financial condition, specifically by failing to account in its financial statements for private student loans related to a pilot training school, which plaintiff alleges were highly unlikely to be repaid and should have been written off. The lawsuit was brought on behalf of all those who purchased CIT common stock during the putative class period, and seeks, among other relief, unspecified damages and interest.

CIT believes that the allegations in this action are without merit and intends to vigorously defend this action.

PILOT TRAINING SCHOOL BANKRUPTCY

In February 2008, a pilot training school filed for bankruptcy and ceased operating. Our student lending business, Student Loan Xpress, Inc. ("SLX"), had originated private (non-government guaranteed) loans to students of the school, which totaled approximately \$196.8 million in principal and accrued interest as of December 31, 2007. The Company ceased originating new loans to students of this school in mid-May 2007, but a majority of our student borrowers have not yet completed their training. Collectibility of the outstanding principal and interest on the balance of the loans, whether or not they have reached payment status, will depend on a number of factors, including the student's current ability to repay the loan, whether a student has completed the pilot licensing requirements, whether a student can complete any remaining education requirements at another institution (including making further tuition payments and accessing previous education records) and satisfy any remaining licensing requirements. The Company's reserve for credit losses at June 30, 2008 includes \$126.5 million related to this exposure.

After the school filed for bankruptcy, and ceased operations, lawsuits, including four putative class action lawsuits, have been filed against SLX and other lenders alleging, among other things, violations of state consumer protection laws. In addition, several other attorneys who purport to represent student borrowers have contacted SLX and threatened litigation if their clients do not receive relief with respect to their debts to SLX. The Attorneys General of several states have informed SLX that they are reviewing the impact of the pilot training school's bankruptcy on the student borrowers and any possible role of SLX. CIT is currently evaluating each of the pending and threatened lawsuits and is cooperating in each of the Attorneys General inquiries. Management believes that the Company has good defenses in each of these pending and threatened matters and with respect to the Attorneys General inquiries. However, since the loans are unsecured and uncertainties exist regarding collection, management continues to evaluate options for resolving these matters as expeditiously as possible.

STUDENT LOAN INVESTIGATIONS

SLX, a subsidiary of CIT, was engaged in the student lending business. In connection with investigations into (i) the relationships between student lenders and the colleges and universities that recommend such lenders to their students, and (ii) the business practices of student lenders, CIT and/or SLX have received requests for information from several state Attorneys General and several federal governmental agencies. In May, 2007, CIT entered into an Assurance of Discontinuance (the "AOD") with the New York Attorney

General (the NYAG), pursuant to which CIT contributed \$3.0 million into a fund established to educate students and their parents concerning student loans and agreed to cooperate with the NYAG s investigation, in exchange for which, the NYAG agreed to discontinue its investigation concerning certain alleged conduct by SLX. CIT is fully cooperating with the remaining investigations.

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

VENDOR FINANCE BILLING AND INVOICING INVESTIGATION

In the second quarter of 2007, the office of the United States Attorney for the Central District of California requested that CIT produce the billing and invoicing histories for a portfolio of customer accounts that CIT purchased from a third-party vendor. The request was made in connection with an ongoing investigation being conducted by federal authorities into billing practices involving that portfolio. State authorities in California have been conducting a parallel investigation. It appears the investigations are being conducted under the Federal False Claims Act and its California equivalent. CIT is cooperating with these investigations. Based on the facts known to date, CIT cannot determine the outcome of these investigations at this time.

OTHER LITIGATION

In addition, there are various legal proceedings and government investigations against or including CIT, which have arisen in the ordinary course of business. While the outcomes of the ordinary course legal proceedings and the related activities are not certain, based on present assessments, management does not believe that they will have a material adverse effect on CIT.

NOTE 16 GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and intangible assets are presented by segment in the table below:

Goodwill and Intangible Assets (dollars in millions)

	Corporate Finance	Trade Finance	Vendor Finance	Total
Goodwill				
Balance at December 31, 2007	\$296.9	\$271.1	\$406.0	\$974.0
Acquisitions, other	0.5	0.7	20.0	21.2
Balance at June 30, 2008	\$297.4	\$271.8	\$426.0	\$995.2
Intangible Assets				
Balance at December 31, 2007	\$ 26.6	\$102.8	\$ 49.1	\$178.5
Acquisitions, other		0.2	2.0	2.2
Amortization	(1.9)	(3.5)	(4.9)	(10.3)
Balance at June 30, 2008	\$ 24.7	\$ 99.5	\$ 46.2	\$170.4

The Company performed interim goodwill impairment testing at June 30, 2008 because its common stock had been trading below book value per share for three consecutive quarters. The estimated fair values of the three reporting units with goodwill (Corporate Finance, Trade Finance and Vendor Finance) were calculated based on observable market price to earnings multiples and tangible book value multiples of relevant, comparable peer companies. Commencing in the second quarter of 2008, management corroborated the estimated fair value of the reporting units based on multiple analyses with discounted cash flow analyses that indicated estimated reporting unit fair values consistent with the estimated reporting unit fair values developed using price to earnings and tangible book

value multiples. Management determined that no goodwill impairment charge was required. Management will continue to monitor the relationship of the Company's market capitalization to both its book value and tangible book value, which management attributes to both financial services industry-wide and Company specific factors, and to evaluate the carrying value of goodwill and other intangible assets.

While management has a plan to return the Company's business fundamentals to levels that support the book value per common share, there is no assurance that the plan will be successful, or that the market price of the common stock will increase to such levels in the foreseeable future. If the Company's common stock price continues to trade below book value per common share, the Company may have to recognize an impairment of all, or some portion of, its goodwill and other intangible assets. Price to earnings and book value multiples relating to the Company's reporting units have generally declined the past three quarters and discount rates used in cash flow analyses have increased. There is no assurance that: (1) valuation multiples will not decline, (2) discount rates will not increase or (3) the earnings, book values or projected earnings and cash flows of the Company's individual reporting units will not decline. Accordingly, an impairment charge to goodwill and other intangible assets may be required in the foreseeable future if the book equity value, exceeds the estimated fair value of the enterprise or of an individual segment.

Other intangible assets, net, are comprised primarily of acquired customer relationships, and are amortized over their corresponding lives ranging from five to twenty years in relation to the related cash flows, where applicable. Amortization expense totaled \$5.4 million and \$4.5 million for the quarters

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ended June 30, 2008 and 2007. Accumulated amortization totaled \$80.3 million at June 30, 2008 and \$71.2 million at December 31, 2007. Projected amortization for the years ended December 31, 2008 through December 31, 2012 is approximately \$20 million, \$19 million, \$18 million, \$17 million and \$16 million.

The increase to goodwill and intangible assets reflected refinements to fair value adjustments, including tax liabilities, related to the 2007 acquisitions of vendor finance businesses, coupled with foreign currency translation adjustments.

NOTE 17 SEVERANCE AND FACILITIES EXIT RESERVES

The following table summarizes activities during 2008:

Severance and Facilities Exit Reserves (dollars in millions)

	Severance		Facilities		Total Reserves
	Number of Employees	Reserve	Number of Facilities	Reserve	
Balance at December 31, 2007	59	\$ 16.7	36	\$ 8.6	\$ 25.3
Additions and adjustments	730	67.1	2	4.3	71.4
Utilization	(685)	(60.3)	(10)	(0.7)	(61.0)
Balance at June 30, 2008	104	\$ 23.5	28	\$ 12.2	\$ 35.7

The severance additions during 2008 primarily relate to employee termination benefits incurred in conjunction with various organization efficiency and cost reduction initiatives, as well as the cessation of student lending originations. These additions, along

with charges related to accelerated vesting of equity and other benefits, were recorded as part of the \$86.1 million provision. Outstanding severance liabilities at June 30, 2008 will largely be paid to employees in the third quarter of 2008.

The ending facilities reserves relate primarily to shortfalls in sublease transactions and will be utilized over the remaining terms which range up to approximately 7 years.

NOTE 18 SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES

The following presents condensed consolidating financial information for CIT Holdings LLC. CIT has guaranteed on a full and unconditional and a joint and several basis the existing debt securities that were registered under the Securities Act of 1933 and certain other indebtedness of this subsidiary. CIT has not presented related financial statements or other information for this subsidiary on a stand-alone basis. No subsidiaries within Other Subsidiaries in the following tables have unconditionally guaranteed debt securities for any other CIT subsidiary. Included under Other Subsidiaries is a 100%-owned finance subsidiary of CIT Group Inc., Canadian Funding Company LLC, for which CIT has fully and unconditionally guaranteed the debt securities.

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CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING BALANCE SHEETS (dollars in millions)

<u>CONSOLIDATING BALANCE SHEETS</u>	<u>CIT Group Inc.</u>	<u>CIT Holdings LLC</u>	<u>Other Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
June 30, 2008					
ASSETS					
Net finance receivables	\$ 677.0	\$ 3,650.1	\$ 48,115.8	\$	\$ 52,442.9
Operating lease equipment, net	8.2	291.8	12,042.4		12,342.4
Finance receivables held for sale		0.3	1,016.4		1,016.7
Cash and cash equivalents	6,108.8	152.8	2,925.4		9,187.0
Other assets	9,902.2	262.8	3,251.9	(6,154.7)	7,262.2
Assets of discontinued operation			5,568.2		5,568.2
Total Assets	\$ 16,696.2	\$ 4,357.8	\$ 72,920.1	\$ (6,154.7)	\$ 87,819.4
LIABILITIES AND STOCKHOLDERS EQUITY					
Debt, including deposits	\$ 49,498.0	\$ 2,638.9	\$ 17,776.6	\$	\$ 69,913.5
Credit balances of factoring clients			3,189.7		3,189.7
Accrued liabilities and payables	(38,956.5)	1,034.3	41,953.2		4,031.0
Liabilities of discontinued operation			4,476.8		4,476.8
Total Liabilities	10,541.5	3,673.2	67,396.3		81,611.0
Minority interest			53.7		53.7
Total Stockholders Equity	6,154.7	684.6	5,470.1	(6,154.7)	6,154.7

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Total Liabilities and Stockholders Equity	\$ 16,696.2	\$ 4,357.8	\$ 72,920.1	\$ (6,154.7)	\$ 87,819.4
December 31, 2007					
ASSETS					
Net finance receivables	\$ 2,022.5	\$ 3,358.4	\$ 47,805.7	\$	\$ 53,186.6
Operating lease equipment, net	8.6	292.0	12,309.9		12,610.5
Finance receivables held for sale		253.3	1,006.9		1,260.2
Cash and cash equivalents	3,196.0	30.5	3,526.0		6,752.5
Other assets	9,262.3	261.0	4,939.8	(6,960.6)	7,502.5
Assets of discontinued operation			9,301.1		9,301.1
Total Assets	\$ 14,489.4	\$ 4,195.2	\$ 78,889.4	\$ (6,960.6)	\$ 90,613.4
LIABILITIES AND STOCKHOLDERS EQUITY					
Debt, including deposits	\$ 49,525.6	\$ 2,346.7	\$ 17,146.0	\$	\$ 69,018.3
Credit balances of factoring clients			4,542.2		4,542.2
Accrued liabilities and payables	(41,996.8)	1,164.9	46,028.5		5,196.6
Liabilities of discontinued operation			4,838.2		4,838.2
Total Liabilities	7,528.8	3,511.6	72,554.9		83,595.3
Minority interest			57.5		57.5
Total Stockholders Equity	6,960.6	683.6	6,277.0	(6,960.6)	6,960.6
Total Liabilities and Stockholders Equity	\$ 14,489.4	\$ 4,195.2	\$ 78,889.4	\$ (6,960.6)	\$ 90,613.4

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CIT GROUP INC

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENTS OF INCOME (dollars in millions)

<u>CONSOLIDATING STATEMENTS OF INCOME</u>	<u>CIT Group Inc.</u>	<u>CIT Holdings LLC</u>	<u>Other Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
Six Months Ended June 30, 2008					
Finance revenue	\$ 65.1	\$ 144.0	\$ 2,696.3	\$	\$ 2,905.4
Interest expense	(211.7)	(12.4)	(1,355.1)		(1,579.2)
Depreciation on operating lease equipment	(0.4)	(41.6)	(532.7)		(574.7)
Net finance revenue	(147.0)	90.0	808.5		751.5
Provision for credit losses	20.7	(17.8)	(401.8)		(398.9)

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Net finance revenue after credit provision	(126.3)	72.2	406.7		352.6
Equity in net income of subsidiaries	73.4			(73.4)	
Valuation allowance for receivables held for sale			(103.9)		(103.9)
Net finance revenue, after credit provision and valuation allowance	(52.9)	72.2	302.8	(73.4)	248.7
Other income	(32.8)	9.4	357.2		333.8
Total net revenue after valuation allowance	(85.7)	81.6	660.0	(73.4)	582.5
Salaries and general operating expenses	(159.9)	(43.5)	(418.4)		(621.8)
Provision for severance and facility exiting activities			(86.1)		(86.1)
Loss on debt and debt-related derivative extinguishments	(142.6)				(142.6)
(Loss) Income from continuing operations before income taxes	(388.2)	38.1	155.5	(73.4)	(268.0)
Benefit (provision) for income taxes	184.6	(14.5)	(94.9)		75.2
Minority interest, after tax			(10.8)		(10.8)
Net (loss) income from continuing operations, before preferred stock dividends	(203.6)	23.6	49.8	(73.4)	(203.6)
(Loss) from discontinued operation	(2,113.8)				(2,113.8)
Net (loss) income before preferred stock dividends	(2,317.4)	23.6	49.8	(73.4)	(2,317.4)
Preferred stock dividends	(24.2)				(24.2)
Net (loss) income (attributable) available to common stockholders	\$ (2,341.6)	\$ 23.6	\$ 49.8	\$ (73.4)	\$ (2,341.6)
Six Months Ended June 30, 2007					
Finance revenue	\$ 50.1	\$ 203.1	\$ 2,744.5	\$	\$ 2,997.7
Interest expense	(12.5)	(81.0)	(1,544.3)		(1,637.8)
Depreciation on operating lease equipment	(0.4)	(36.8)	(518.7)		(555.9)
Net finance revenue	37.2	85.3	681.5		804.0
Provision for credit losses	(27.5)	(6.7)	(14.3)		(48.5)
Net finance revenue after credit provision	9.7	78.6	667.2		755.5
Equity in net income of subsidiaries	664.9			(664.9)	
Valuation allowance for receivables held for sale			(22.5)		(22.5)
Net finance revenue, after credit provision and valuation allowance	674.6	78.6	644.7	(664.9)	733.0
Other income	8.8	36.6	772.4		817.8
Total net revenue after valuation allowance	683.4	115.2	1,417.1	(664.9)	1,550.8
Salaries and general operating expenses	(89.1)	(34.2)	(559.7)		(683.0)
Provision for severance and facility exiting activities			(34.9)		(34.9)
Loss on debt and debt-related derivative extinguishments	(139.3)				(139.3)
(Loss) Income from continuing operations before income taxes	455.0	81.0	822.5	(664.9)	693.6
Benefit (provision) for income taxes	73.4	(29.8)	(208.5)		(164.9)

Minority interest, after tax			(0.3)		(0.3)
Net income (loss) from continuing operations, before preferred stock dividends	528.4	51.2	613.7	(664.9)	528.4
(Loss) from discontinued operation	(447.3)				(447.3)
Net income (loss) before preferred stock dividends	81.1	51.2	613.7	(664.9)	81.1
Preferred stock dividends	(15.0)				(15.0)
Net income available to common stockholders	\$ 66.1	\$ 51.2	\$ 613.7	\$ (664.9)	\$ 66.1

Item 1: Consolidated Financial Statements 29

CIT GROUP INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (dollars in millions)

	CIT Group Inc.	CIT Holdings LLC	Other Subsidiaries	Eliminations	Total
Six Months Ended June 30, 2008					
Cash Flows From Operating Activities:					
Net cash flows provided by (used for) operations	\$ 31.6	\$ (8.8)	\$ 1,213.6	\$	\$ 1,236.4
Cash Flows From Investing Activities:					
Net increase (decrease) in financing and leasing assets	1,365.6	(95.4)	(2,206.6)		(936.4)
Decrease in inter-company loans and investments	1,786.4			(1,786.4)	
Net cash flows (used for) provided by investing activities	3,152.0	(95.4)	(2,206.6)	(1,786.4)	(936.4)
Cash Flows From Financing Activities:					
Net increase (decrease) in debt	(170.2)	292.2	1,406.0		1,528.0
Inter-company financing		(65.7)	(1,720.7)	1,786.4	
Cash dividends paid	(100.6)				(100.6)
Net cash flows provided by (used for) financing activities	(270.8)	226.5	(314.7)	1,786.4	1,427.4
Net (decrease) increase in cash and cash equivalents	2,912.8	122.3	(1,307.7)		1,727.4
Cash and cash equivalents, beginning of period	3,171.0	30.5	3,111.6		6,313.1
Cash and cash equivalents, end of period	\$ 6,083.8	\$ 152.8	\$ 1,803.9	\$	\$ 8,040.5