

EXPONENT INC  
Form 10-Q  
May 09, 2011  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

---

(Mark One)

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

For the quarterly period ended April 1, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-18655

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

77-0218904  
(I.R.S. Employer Identification No.)

149 COMMONWEALTH DRIVE, MENLO PARK, CALIFORNIA  
(Address of principal executive office)

94025  
(Zip Code)

Registrant's telephone number, including area code (650) 326-9400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Edgar Filing: EXPONENT INC - Form 10-Q

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

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

As of April 29, 2011, the latest practicable date, the registrant had 14,013,010 shares of Common Stock, \$0.001 par value per share, outstanding.

---

EXPONENT, INC.  
FORM 10-Q

TABLE OF CONTENTS

	Page
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1.	Financial Statements (unaudited):
	Condensed Consolidated Balance Sheets April 1, 2011 and December 31, 2010 3
	Condensed Consolidated Statements of Income Three Months Ended April 1, 2011 and April 2, 2010 4
	Condensed Consolidated Statements of Comprehensive Income Three Months Ended April 1, 2011 and April 2, 2010 5
	Condensed Consolidated Statements of Cash Flows Three Months Ended April 1, 2011 and April 2, 2010 6
	Notes to Condensed Consolidated Financial Statements 7
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations 16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 22
Item 4.	Controls and Procedures 23
<b>PART II – OTHER INFORMATION</b>	
Item 1A.	Risk Factors 23
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 24
Item 6.	Exhibits 24
Signatures	25

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## EXPONENT, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

April 1, 2011 and December 31, 2010

(in thousands, except par value)

(unaudited)

	April 1, 2011	December 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$89,914	\$ 106,549
Short-term investments	2,339	-
Accounts receivable, net of allowance for doubtful accounts of \$2,299 and \$2,126 at April 1, 2011 and December 31, 2010, respectively	80,289	72,034
Prepaid expenses and other assets	4,582	10,585
Deferred income taxes	7,164	5,426
Total current assets	184,288	194,594
Property, equipment and leasehold improvements, net	27,004	27,267
Goodwill	8,607	8,607
Deferred income taxes	13,051	12,940
Deferred compensation plan assets	19,466	15,068
Other assets	396	416
Total assets	\$252,812	\$ 258,892
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$8,808	\$ 9,715
Accrued payroll and employee benefits	25,832	41,888
Deferred revenues	5,351	6,131
Total current liabilities	39,991	57,734
Other liabilities	425	413
Deferred compensation	19,466	15,068
Deferred rent	1,768	1,877
Total liabilities	61,650	75,092
<b>Stockholders' equity:</b>		
Common stock, \$0.001 par value; 100,000 shares authorized; 16,427 shares issued at April 1, 2011 and December 31, 2010	16	16
Additional paid-in capital	105,166	96,089
Accumulated other comprehensive loss	(210 )	(451 )

Edgar Filing: EXPONENT INC - Form 10-Q

Retained earnings	155,916	156,086
Treasury stock, at cost; 2,398 and 2,431 shares held at April 1, 2011 and December 31, 2010, respectively	(69,726 )	(67,940 )
Total stockholders' equity	191,162	183,800
Total liabilities and stockholders' equity	\$252,812	\$ 258,892

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

- 3 -

---

## EXPONENT, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended April 1, 2011 and April 2, 2010  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended	
	April 1, 2011	April 2, 2010
Revenues:		
Revenues before reimbursements	\$64,183	\$55,201
Reimbursements	9,290	4,205
Revenues	73,473	59,406
Operating expenses:		
Compensation and related expenses	42,700	37,780
Other operating expenses	5,782	5,219
Reimbursable expenses	9,290	4,205
General and administrative expenses	3,335	2,695
Total operating expenses	61,107	49,899
Operating income	12,366	9,507
Other income, net:		
Interest income, net	21	63
Miscellaneous income, net	992	960
Total other income, net	1,013	1,023
Income before income taxes	13,379	10,530
Income taxes	5,376	4,291
Net income	\$8,003	\$6,239
Net income per share:		
Basic	\$0.55	\$0.44
Diluted	\$0.53	\$0.42
Shares used in per share computations:		
Basic	14,532	14,212
Diluted	15,140	14,940

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



EXPONENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended April 1, 2011 and April 2, 2010  
(in thousands)  
(unaudited)

	Three Months Ended	
	April 1, 2011	April 2, 2010
Net income	\$8,003	\$6,239
Other comprehensive income:		
Foreign currency translation adjustments, net of tax	240	161
Unrealized gains on investments arising during the period, net of tax	1	17
Comprehensive income	\$8,244	\$6,417

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



## EXPONENT, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended April 1, 2011 and April 2, 2010

(in thousands)

(unaudited)

	Three Months Ended	
	April 1, 2011	April 2, 2010
Cash flows from operating activities:		
Net income	\$8,003	\$6,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and leasehold improvements	1,064	1,073
Amortization of premiums and accretion of discounts on short-term investments	-	17
Deferred rent	(109 )	185
Provision for doubtful accounts	536	362
Stock-based compensation	3,815	3,092
Deferred income tax provision	(1,912 )	(1,073 )
Tax benefit for stock plans	(2,123 )	(1,383 )
Changes in operating assets and liabilities:		
Accounts receivable	(8,791 )	(1,268 )
Prepaid expenses and other assets	6,472	(351 )
Accounts payable and accrued liabilities	1,223	3,233
Accrued payroll and employee benefits	(13,348 )	(8,241 )
Deferred revenues	(780 )	(448 )
Net cash (used in) provided by operating activities	(5,950 )	1,437
Cash flows from investing activities:		
Capital expenditures	(801 )	(728 )
Purchase of short-term investments	(2,338 )	-
Sale/maturity of short-term investments	-	3,200
Net cash (used in) provided by investing activities	(3,139 )	2,472
Cash flows from financing activities:		
Tax benefit for stock plans	2,123	1,383
Payroll taxes for restricted stock units	(3,473 )	(1,850 )
Repurchase of common stock	(7,126 )	(4,051 )
Exercise of share-based payment awards	660	1,226
Net cash used in financing activities	(7,816 )	(3,292 )
Effect of foreign currency exchange rates on cash and cash equivalents	270	(145 )
Net (decrease) increase in cash and cash equivalents	(16,635 )	472
Cash and cash equivalents at beginning of period	106,549	67,895
Cash and cash equivalents at end of period	\$89,914	\$68,367

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

- 6 -

---

EXPONENT, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended April 1, 2011 and April 2, 2010

Note 1: Basis of Presentation

Exponent, Inc. (referred to as the “Company” or “Exponent”) is an engineering and scientific consulting firm that provides solutions to complex problems. The Company operates on a 52-53 week fiscal year ending on the Friday closest to the last day of December.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not contain all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments which are necessary for the fair presentation of the condensed consolidated financial statements have been included and all such adjustments are of a normal and recurring nature. The operating results for the three months ended April 1, 2011 are not necessarily representative of the results of future quarterly or annual periods. The following information should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

The unaudited condensed consolidated financial statements include the accounts of Exponent, Inc. and its subsidiaries, which are wholly owned. All intercompany accounts and transactions have been eliminated in consolidation.

**Authorized Capital Stock.** In a letter dated May 23, 2006, the Company committed to stockholders to limit its use of authorized capital stock to 40 million common shares, and 2 million preferred shares, unless the approval of the Company’s stockholders is subsequently obtained, such as through a further amendment to the Company’s authorized capital stock.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Recently Adopted Accounting Pronouncements.** In October 2009, the Financial Accounting Standards Board (“FASB”) issued a new revenue recognition standard for arrangements with multiple deliverables. The new standard permits entities to initially use management’s best estimate of selling price to value individual deliverables when those deliverables do not have vendor specific objective evidence of fair value or when third-party evidence is not available. Additionally, the new standard modifies the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. Also in October 2009, the FASB amended the accounting standards for revenue recognition to exclude software contained within certain qualifying tangible products from the scope of the software revenue recognition guidance if the software is essential to the tangible product’s functionality. Effective January 1, 2011, the Company adopted these standards. The adoption of these standards did not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.



## Note 2: Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including available-for-sale fixed income securities, trading fixed income and equity securities held in its deferred compensation plan and the liability associated with its deferred compensation plan. The fair value of these certain financial assets and liabilities was determined using the following inputs at April 1, 2011 (in thousands):

	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets or Significant Other Observable Inputs and Significant Unobservable Inputs			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Fixed income available-for-sale securities (1)	\$64,778	\$ 62,439	\$ 2,339	-
Fixed income trading securities held in deferred compensation plan (2)				
	7,399	7,399	-	-
Equity trading securities held in deferred compensation plan (2)				
	12,750	12,750	-	-
Total	\$84,927	\$ 82,588	\$ 2,339	\$ -
Liabilities				
Deferred compensation plan (3)	20,149	20,149	-	-
Total	\$20,149	\$ 20,149	\$ -	\$ -

(1) Included in cash and cash equivalents and short-term investments on the Company's consolidated balance sheet.

(2) Included in other current assets and deferred compensation plan assets on the Company's consolidated balance sheet.

(3) Included in accrued liabilities and deferred compensation on the Company's consolidated balance sheet.

The fair value of these certain financial assets and liabilities was determined using the following inputs at December 31, 2010 (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in			
		Active Markets for	Significant Other	Significant
		Identical Assets	Observable Inputs	Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>				
Money market securities (1)	\$64,767	\$ 64,767	\$ -	\$ -
Fixed income trading securities held in deferred compensation plan (2)	4,956	4,956	-	-
Equity trading securities held in deferred compensation plan (2)	10,423	10,423	-	-
<b>Total</b>	<b>\$80,146</b>	<b>\$ 80,146</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>				
Deferred compensation plan (3)	15,379	15,379	-	-
<b>Total</b>	<b>\$15,379</b>	<b>\$ 15,379</b>	<b>\$ -</b>	<b>\$ -</b>

(1) Included in cash and cash equivalents and short-term investments on the Company's consolidated balance sheet.

(2) Included in other current assets and deferred compensation plan assets on the Company's consolidated balance sheet.

(3) Included in accrued liabilities and deferred compensation on the Company's consolidated balance sheet.

Fixed income available-for-sale securities at April 1, 2011 primarily represent obligations of state and local government agencies. Included in fixed income available-for-sale securities are \$62,439,000 of money market securities classified as cash equivalents. Fixed income and equity trading securities represent mutual funds held in the Company's deferred compensation plan. See Note 7 for additional information about the Company's deferred compensation plan.

As of April 1, 2011, the Company held state and municipal bonds with a fair value of \$2,339,000 and an amortized cost of \$2,338,000. Contractual maturities for these bonds range from one to two years. There were no available-for-sale investments as of December 31, 2010.

At April 1, 2011 and December 31, 2010, the Company did not have any assets valued using significant unobservable inputs.

The carrying amount of the Company's accounts receivable, other assets and accounts payable approximates their fair values. There were no other-than-temporary impairments or credit losses related to available-for-sale securities during the first three months of 2011 and 2010.

### Note 3: Revenue Recognition

The Company derives its revenues primarily from professional fees earned on consulting engagements, product sales in its defense technology development practice and fees earned for the use of its equipment and facilities, as well as reimbursements for outside direct expenses associated with the services that are billed to its clients. Any taxes assessed on revenues relating to services provided to its clients are recorded on a net basis.

- 9 -

---

Exponent reports revenues net of subcontractor fees. The Company has determined that it is not the primary obligor with respect to its subcontractors because:

- its clients are directly involved in the subcontractor selection process;
- the subcontractor is responsible for fulfilling the scope of work; and
- the Company passes through the costs of subcontractor agreements with only a minimal fixed percentage mark-up to compensate it for processing the transactions.

Reimbursements, including those related to travel and other out-of-pocket expenses, and other similar third-party costs such as the cost of materials, are included in revenues, and an equivalent amount of reimbursable expenses are included in operating expenses. Any mark-up on reimbursable expenses is included in revenues.

Substantially all of the Company's engagements are performed under time and material or fixed-price billing arrangements. On time and material and fixed-price projects, revenue is generally recognized as the services are performed. For substantially all of the Company's fixed-price engagements, it recognizes revenue based on the relationship of incurred labor hours at standard rates to its estimate of the total labor hours at standard rates it expects to incur over the term of the contract. The Company believes this methodology achieves a reliable measure of the revenue from the consulting services it provides to its customers under fixed-price contracts given the nature of the consulting services the Company provides and the following additional considerations:

- the Company considers labor hours at standard rates and expenses to be incurred when pricing its contracts;
- the Company generally does not incur set-up costs on its contracts;
- the Company does not believe that there are reliable milestones by which to measure progress toward completion;
- if the contract is terminated early, the customer is required to pay the Company for time at standard rates plus materials incurred to date;
- the Company does not recognize revenue for award fees or bonuses until specific contractual criteria are met;
- the Company does not include revenue for unpriced change orders until the customer agrees with the changes;
  - historically the Company has not had significant accounts receivable write-offs or cost overruns; and
  - its contracts are typically progress billed on a monthly basis.

Product revenue is recognized when both title and risk of loss transfer to the customer and customer acceptance has occurred, provided that no significant obligations remain.

Gross revenues and reimbursements for the three months ended April 1, 2011 and April 2, 2010 were as follows:

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Gross revenues	\$75,993	\$ 60,917
Less: subcontractor fees	2,520	1,511
Revenues	73,473	59,406
Reimbursements:		
Out-of-pocket travel reimbursements	1,310	1,004
Other outside direct expenses	7,980	3,201
	9,290	4,205
Revenues before reimbursements	\$64,183	\$ 55,201





Significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. These judgments and estimates include an assessment of collectability and, for fixed-price engagements, an estimate as to the total effort required to complete the project. If the Company made different judgments or utilized different estimates, the amount and timing of its revenue for any period could be materially different.

All consulting contracts are subject to review by management, which requires a positive assessment of the collectability of contract amounts. If, during the course of the contract, the Company determines that collection of revenue is not reasonably assured, it does not recognize the revenue until its collection becomes reasonably assured, which is generally upon receipt of cash. The Company assesses collectability based on a number of factors, including past transaction history with the client and project manager, as well as the creditworthiness of the client. Losses on fixed-price contracts are recognized during the period in which the loss first becomes evident. Contract losses are determined to be the amount by which the estimated total costs of the contract exceeds the total fixed price of the contract.

#### Note 4: Net Income Per Share

Basic per share amounts are computed using the weighted-average number of common shares outstanding during the period. Diluted per share amounts are calculated using the weighted-average number of common shares outstanding during the period and, when dilutive, the weighted-average number of potential common shares from the issuance of common stock to satisfy outstanding restricted stock units and the exercise of outstanding options to purchase common stock using the treasury stock method.

The following schedule reconciles the shares used to calculate basic and diluted net income per share:

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Shares used in basic per share computation	14,532	14,212
Effect of dilutive common stock options outstanding	205	334
Effect of dilutive restricted stock units outstanding	403	394
Shares used in diluted per share computation	15,140	14,940

There were no options excluded from the diluted per share calculation for the three months ended April 1, 2011. Common stock options to purchase 60,000 shares were excluded from the diluted per share calculation for the three months ended April 2, 2010 due to their antidilutive effect. The weighted-average exercise price for the antidilutive shares was \$31.01 for the three months ended April 2, 2010.

#### Note 5: Stock-Based Compensation

##### Restricted Stock Units

Restricted stock unit grants are designed to attract and retain employees, and to better align employee interests with those of the Company's stockholders. For a select group of employees, up to 40% of their annual bonus is settled with fully vested restricted stock unit awards. Under these fully vested restricted stock unit awards, the holder of each award has the right to receive one share of the Company's common stock for each fully vested restricted stock unit four years from the date of grant. Each individual who receives a fully vested restricted stock unit award is also granted a matching number of unvested restricted stock unit awards. Unvested restricted stock unit awards are also

granted for select new hires and promotions. These unvested restricted stock unit awards generally cliff vest four years from the date of grant, at which time the holder of each award will have the right to receive one share of the Company's common stock for each restricted stock unit award provided the holder of each award has met certain employment conditions. In the case of retirement at 59½ years or older, all unvested restricted stock unit awards will continue to vest, provided that the holder of each award does all consulting work through the Company and does not become an employee for a past or present client, beneficial party or competitor of the Company.

- 11 -

---

The value of these restricted stock unit awards is determined based on the market price of the Company's common stock on the date of grant. The value of fully vested restricted stock unit awards issued is recorded as a reduction to accrued bonuses. The portion of bonus expense that the Company expects to settle with fully vested restricted stock unit awards is recorded as stock-based compensation expense during the period the bonus is earned. The Company recorded stock-based compensation expense associated with accrued bonus awards of \$1,419,000 and \$1,081,000 during the three months ended April 1, 2011 and April 2, 2010, respectively. The value of the unvested restricted stock unit awards granted is recognized on a straight-line basis over the shorter of the four-year vesting period or the period between the grant date and the date the award recipient turns 59½. If the award recipient is 59½ years or older on the date of grant, the value of the entire award is expensed upon grant. The Company recorded stock-based compensation expense associated with the unvested restricted stock unit awards of \$2,243,000 and \$1,849,000 during the three months ended April 1, 2011 and April 2, 2010, respectively.

### Stock Options

Stock options are granted for terms of ten years and generally vest 25% per year over a four-year period from the grant date. The Company grants options at exercise prices equal to the fair value of the Company's common stock on the date of grant. The Company recorded stock-based compensation expense of \$153,000 and \$162,000 during the three months ended April 1, 2011 and April 2, 2010, respectively, associated with stock option grants.

The Company uses the Black-Scholes option-pricing model to determine the fair value of options granted. The determination of the fair value of stock-based awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include expected stock price volatility over the term of the award, actual and projected employee stock option exercise behaviors, the risk-free interest rate and expected dividends.

The Company used historical exercise and post-vesting forfeiture and expiration data to estimate the expected term of options granted. The historical volatility of the Company's common stock over a period of time equal to the expected term of the options granted was used to estimate expected volatility. The risk-free interest rate used in the option-pricing model was based on United States Treasury zero-coupon issues with remaining terms similar to the expected term on the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore used an expected dividend yield of zero in the option-pricing model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting option forfeitures and stock-based compensation expense was recorded only for those awards that are expected to vest. All share-based payment awards are recognized on a straight-line basis over the requisite service periods of the awards.

### Note 6: Treasury Stock

On May 22, 2007, the Company's Board of Directors approved up to \$35 million for repurchases of the Company's common stock. On May 29, 2008, the Company's Board of Directors authorized an additional \$35 million for repurchases of the Company's common stock. On February 19, 2009, the Company's Board of Directors authorized an additional \$25.1 million for the repurchase of the Company's common stock.

The Company repurchased 181,640 shares of its common stock for \$7,126,000 during the three months ended April 1, 2011. The Company repurchased 139,941 shares of its common stock for \$3,805,000 during the three months ended April 2, 2010. As of April 1, 2011, the Company had remaining authorization under its stock repurchase plans of \$7,853,000 to repurchase shares of common stock.

The Company reissued 215,456 shares of its treasury stock with a cost of approximately \$5,341,000 to settle restricted stock unit awards, stock options and purchases under the Employee Stock Purchase Plan during the three months ended April 1, 2011. The Company reissued 221,431 shares of its treasury stock with a cost of \$4,704,000 to settle restricted stock unit awards, stock options and purchases under the Employee Stock Purchase Plan during the three months ended April 2, 2010.

- 12 -

---

## Note 7: Deferred Compensation Plan

The Company maintains a nonqualified deferred compensation plan for the benefit of a select group of highly compensated employees. Under this plan participants may elect to defer up to 100% of their compensation. Company assets that are earmarked to pay benefits under the plan are held in a rabbi trust and are subject to the claims of the Company's creditors. As of April 1, 2011 and December 31, 2010, the invested amounts under the plan totaled \$20,189,000 and \$15,379,000, respectively. These assets are classified as trading securities and are recorded at fair market value with changes recorded as adjustments to other income and expense.

As of April 1, 2011 and December 31, 2010, vested amounts due under the plan totaled \$20,189,000 and \$15,379,000, respectively. Changes in the liability are recorded as adjustments to compensation expense. During the three months ended April 1, 2011 and April 2, 2010, the Company recognized an increase to compensation expense of \$651,000 and \$569,000 respectively, as a result of changes in the market value of the trust assets, with the same amount being recorded as other income, net.

## Note 8: Supplemental Cash Flow Information

The following is supplemental disclosure of cash flow information:

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Cash paid during period:		
Income taxes	\$236	\$ 182
Non-cash investing and financing activities:		
Unrealized gain on short-term investments	\$1	\$ 17
Vested stock unit awards issued to settle accrued bonuses	\$4,538	\$ 3,566

## Note 9: Accounts Receivable, Net

At April 1, 2011 and December 31, 2010, accounts receivable, net, was comprised of the following:

(In thousands)	April 1, 2011	December 31, 2010
Billed accounts receivable	\$49,397	\$ 47,198
Unbilled accounts receivable	33,191	26,962
Allowance for doubtful accounts	(2,299 )	(2,126 )
Total accounts receivable, net	\$80,289	\$ 72,034

## Note 10: Inventory

At April 1, 2011, the Company had \$126,000 of finished goods inventory included in prepaid expenses and other current assets on its condensed consolidated balance sheet. At December 31, 2010, the Company had \$1,630,000 and \$1,225,000 of finished goods and raw materials inventory, respectively, included in prepaid expenses and other current assets on its condensed consolidated balance sheet.

Note 11: Segment Reporting

The Company has two operating segments based on two primary areas of service. One operating segment is a broad service group providing technical consulting in different practices primarily in the areas of engineering and technology development. The Company's other operating segment provides services in the area of environmental, epidemiology and health risk analysis. This operating segment provides a wide range of consulting services relating to environmental hazards and risks and the impact on both human health and the environment.

- 13 -

---

Segment information for the three months ended April 1, 2011 and April 2, 2010 follows:

# Revenues

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Engineering and other scientific	\$55,661	\$ 44,727
Environmental and health	17,812	14,679
Total revenues	\$73,473	\$ 59,406

# Operating income

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Engineering and other scientific	\$16,230	\$ 13,003
Environmental and health	5,275	4,275
Total segment operating income	21,505	17,278
Corporate operating expense	(9,139 )	(7,771 )
Total operating income	\$12,366	\$ 9,507

# Capital Expenditures

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Engineering and other scientific	\$335	\$ 601
Environmental and health	80	42
Total segment capital expenditures	415	643
Corporate capital expenditures	386	85
Total capital expenditures	\$801	\$ 728



## Depreciation and Amortization

(In thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Engineering and other scientific	\$658	\$ 680
Environmental and health	51	47
Total segment depreciation and amortization	709	727
Corporate depreciation and amortization	355	346
Total depreciation and amortization	\$1,064	\$ 1,073

The Company derived 11% of revenues from agencies of the federal government for the three months ended April 1, 2011. No single customer comprised more than 10% of the Company's revenues for the three months ended April 2, 2010. No single customer comprised more than 10% of the Company's accounts receivable at April 1, 2011 or at December 31, 2010.

## Note 12: Goodwill

Below is a breakdown of goodwill reported by segment as of April 1, 2011:

(In thousands)	Environmental and health	Engineering and other scientific	Total
Goodwill	\$ 8,099	\$ 508	\$8,607

There were no changes in the carrying amount of goodwill for the three months ended April 1, 2011. There were no goodwill impairments or gains or losses on disposals for any portion of the Company's reporting units during the three months ended April 1, 2011.

## Note 13: Contingencies

In July of 2008, the Company was served with a writ by a former client. The writ did not articulate a claim. The Company met with the former client in November of 2008 and again in January of 2009 and learned in those discussions of potential claims against the Company arising out of the testimony delivered by one of the Company's employees. The former client claims that this testimony contributed to an adverse verdict against them. Given the uncertainty as to whether the claimant will choose to pursue one or more claims against the Company, and the nature of the potential claims against the Company, an estimated loss cannot be determined at this time. The Company believes it has a strong defense against all such potential claims and intends to vigorously defend itself. Further, the Company believes that some of the potential claims would be covered by insurance. Although the Company's ultimate liability in this matter (if any) cannot be determined, based upon information currently available, the Company believes, after consultation with legal counsel, the ultimate resolution of these potential claims will not have a material adverse effect on its financial condition, results of operations or liquidity.

In March of 2010, a lawsuit was filed against the Company which alleges, among other things, that the Company failed to provide rest and meal periods, failed to furnish accurate itemized wage statements, failed to keep accurate payroll records, incurred waiting time penalties, conducted unfair business practices and failed to comply with certain other California Labor Code requirements. In March of 2011, the Company entered into a preliminary agreement to

settle these claims. The financial impact of the preliminary settlement did not have a material effect on the Company's financial condition, results of operations or liquidity.

In addition to the above matters, the Company is a party to various other legal actions from time to time and may be contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which the Company believes, after consultation with legal counsel, will not have a material adverse effect, individually or in the aggregate, on its financial condition, results of operations or liquidity. All legal costs associated with litigation are expensed as incurred.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein and with our audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2010, which are contained in our fiscal 2010 Annual Report on Form 10-K.

### Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995, and the rules promulgated pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended thereto) that are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. When used in this document the words "anticipate," "believe," "estimate," "expect" and similar expressions, as they relate to the Company or its management, identify such forward-looking statements. Such statements reflect the current views of the Company or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual results, performance, or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Factors that could cause or contribute to such material differences include the possibility that the demand for our services may decline as a result of changes in general and industry specific economic conditions, the timing of engagements for our services, the effects of competitive services and pricing, the absence of backlog related to our business, our ability to attract and retain key employees, the effect of tort reform and government regulation on our business and liabilities resulting from claims made against us. Additional risks and uncertainties are discussed in our fiscal 2010 Annual Report on Form 10-K under the heading "Risk Factors" and elsewhere in the report. The inclusion of such forward-looking information should not be regarded as a representation by the Company or any other person that the future events, plans, or expectations contemplated by the Company will be achieved. Due to such uncertainties and risks, you are warned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. The Company does not intend to release publicly any updates or revisions to any such forward-looking statements.

### Business Overview

Exponent, Inc. is an engineering and scientific consulting firm that provides solutions to complex problems. Our multidisciplinary team of scientists, physicians, engineers and business consultants brings together more than 90 different technical disciplines to solve complicated issues facing industry and business today. Our services include analysis of product development, product recall, regulatory compliance, and discovery of potential problems related to products, people or property and impending litigation, as well as the development of highly technical new products.

### CRITICAL ACCOUNTING ESTIMATES

In preparing our condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income and net income, as well as on the value of certain assets and liabilities on our consolidated balance sheet. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis we evaluate our assumptions, judgments and estimates and make changes accordingly. We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition and estimating the allowance for doubtful accounts have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies

have not differed materially from actual results. Policies covering revenue recognition and estimating the allowance for doubtful accounts are described in our fiscal 2010 Annual Report on Form 10-K under “Critical Accounting Estimates” and Note 1 (Summary of Significant Accounting Policies) of the Notes to Consolidated Financial Statements.

- 16 -

---

## RESULTS OF CONSOLIDATED OPERATIONS

### Executive Summary

Revenues for the first quarter of 2011 increased 24% and revenues before reimbursements increased 16% as compared to the same period in the prior year. This growth was due to solid overall demand and particularly strong performances in our defense technology development, biomechanics, biomedical engineering and thermal sciences practices, as well as our environmental and health groups. In defense technology development we continued to work on improvised explosive device detection technology and had significant year-over-year growth in product sales of rapidly deployed surveillance systems. In biomechanics we added several new experienced consultants who specialize in injury analysis. In biomedical engineering, we had significant activity related to implants including litigation matters, recalls and new technology assessments. In thermal sciences, our work included a major intellectual property litigation related to aircraft engines and several failure analysis projects for the energy sector. In our environmental and health groups, we performed in-depth scientific studies to understand both the short and long-term impact of chemicals in the environment.

During the quarter we continued to see elevated levels of activity on a number of major assignments that engaged consultants across many of our practices. As a result, utilization increased to 73% as compared to 71% during the same period last year. Net income increased 28% from the same period last year and diluted earnings per share increased to \$0.53 per share as compared to \$0.42 per share in the same period last year. This increase in profitability was due to improved utilization and increased leverage of our cost structure.

For the remainder of 2011 we remain focused on selectively adding top talent and developing the skills necessary to expand upon our market position, providing clients with in-depth scientific research and analysis to determine what happened and how to prevent failures or exposures in the future, capitalizing on opportunities in our defense technology development practice and emerging growth areas, managing other operating expenses, generating cash from operations, maintaining a strong balance sheet and undertaking activities such as share repurchases to enhance shareholder value. We expect activity levels to gradually decrease as some of our major assignments move beyond the initial intense stage of investigation, but we expect these investigations to continue for several quarters or years at a lower level of activity.

### Overview of the Three Months Ended April 1, 2011

During the first quarter of 2011, we had a 24% increase in revenues as compared to the same period last year. The increase in revenues was due to an increase in billable hours, an increase in realized billing rates, an increase in product sales, and an increase in reimbursable project related costs for consulting projects in our defense technology development practice. Billable hours for the first quarter of 2011 increased 8% to 246,000 as compared to 228,000 during the same period last year. The increase in billable hours was due to an increase in utilization and an increase in technical full-time equivalent employees. Utilization increased to 73% for the first quarter of 2011 as compared to 71% during the same period last year due in part to elevated levels of activity on a number of major assignments that involved consultants across many of our practices. Technical full-time equivalent employees increased 5% to 650 during the first quarter of 2011 as compared to 621 during the same period last year due in part to the addition of several experienced consultants in our biomechanics practice and our continuing recruiting and retention efforts. Product sales of rapidly deployed surveillance systems in our defense technology development practice increased to \$6,143,000 during the first quarter of 2011 as compared to \$508,000 during the same period last year. Reimbursable project related costs for consulting projects in our defense technology development practice increased to \$3,056,000 during the first quarter of 2011 as compared to \$893,000 during the same period last year due to an increase in our work on improvised explosive device detection technology projects.



Three Months Ended April 1, 2011 compared to Three Months Ended April 2, 2010

#### Revenues

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011		April 2, 2010		
Engineering and other scientific	\$55,661		\$44,727		24.4 %
Percentage of total revenues	75.8	%	75.3	%	
Environmental and health	17,812		14,679		21.3 %
Percentage of total revenues	24.2	%	24.7	%	
Total revenues	\$73,473		\$59,406		23.7 %

The increase in revenues for our engineering and other scientific segment was due to increases in billable hours, higher billing rates, an increase in product sales in our defense technology development practice and an increase in reimbursable project related costs for consulting projects in our defense technology development practice. During the first quarter of 2011, billable hours for this segment increased by 5% to 177,000 as compared to 168,000 during the same period last year. The increase in billable hours was due to strong demand for our services. Utilization increased to 75% for the first quarter of 2011 as compared to 72% for the same period last year due in part to elevated levels of activity on a number of major assignments that engaged consultants across many of our practices. Technical full-time equivalent employees increased 2% to 457 during the first quarter of 2011 as compared to 447 for the same period last year due in part to the addition of several experienced consultants in our biomechanics practice and our continuing recruiting and retention efforts. Product sales of rapidly deployed surveillance systems in our defense technology development practice increased to \$6,143,000 during the first quarter of 2011 as compared to \$508,000 during the same period last year. Reimbursable project related costs for consulting projects in our defense technology development practice increased to \$3,056,000 during the first quarter of 2011 as compared to \$893,000 during the same period last year due to an increase in our work on improvised explosive device detection technology projects.

The increase in revenues for our environmental and health segment was due to an increase in billable hours and higher billing rates. During the first quarter of 2011, billable hours for this segment increased by 15% to 69,000 as compared to 60,000 during the same period last year. The increase in billable hours was due to strong demand for our services. Utilization increased to 69% for the first quarter of 2011 as compared to 67% for the same period last year due in part to elevated levels of activity on a number of major assignments that involved consultants across many of our practices. Technical full-time equivalent employees increased by 12% to 193 during the first quarter of 2011 as compared to 173 for the same period last year due to our continuing recruiting and retention efforts.

#### Compensation and Related Expenses

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011		April 2, 2010		
Compensation and related expenses	\$42,700		\$37,780		13.0 %
Percentage of total revenues	58.1	%	63.6	%	

The increase in compensation and related expenses during the first quarter of 2011 was due to an increase in payroll, fringe benefits, and bonus expense. Payroll increased by \$1,681,000 and fringe benefits increased by \$703,000 due to the increase in technical full-time equivalent employees and the impact of our annual salary increase on April 3, 2010. Bonuses increased by \$2,036,000 due to a corresponding increase in profitability. During the first quarter of 2011,

deferred compensation expense increased \$82,000, with a corresponding increase to other income, net, as compared to the first quarter of 2010 due to a change in the value of assets associated with our deferred compensation plan. This increase consisted of an increase in the value of plan assets of \$651,000 during the first quarter of 2011 and an increase in the value of plan assets of \$569,000 during the first quarter of 2010. We expect our compensation expenses to increase as we selectively add new talent and realize the impact of our annual salary increases which will be effective at the beginning of the second quarter of 2011.

- 18 -

---



## Other Operating Expenses

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011	April 2, 2010			
Other operating expenses	\$5,782	\$5,219			10.8 %
Percentage of total revenues	7.9	%	8.8	%	

Other operating expenses include facilities-related costs, technical materials, computer-related expenses and depreciation and amortization of property, equipment and leasehold improvements. The increase in other operating expenses was primarily due to an increase in occupancy expense of \$253,000 and an increase in technical materials of \$175,000. The increase in occupancy expense was due to some planned maintenance activities for our owned facilities and occupancy costs associated with the increase in technical full-time equivalent employees. The increase in technical materials was due to an increase in development activities in our defense technology development practice.

## Reimbursable Expenses

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011	April 2, 2010			
Reimbursable expenses	\$9,290	\$4,205			120.9 %
Percentage of total revenues	12.6	%	7.1	%	

The increase in reimbursable expenses was primarily due to an increase in project-related costs in our defense technology development practice. The amount of reimbursable expenses will vary from quarter to quarter depending on the nature of our projects.

## General and Administrative Expenses

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011	April 2, 2010			
General and administrative expenses	\$3,335	\$2,695			23.7 %
Percentage of total revenues	4.5	%	4.5	%	

The increase in general and administrative expenses during the first quarter of 2011 was due to an increase in charitable contributions of \$219,000, an increase in legal expenses of \$165,000, and an increase in travel and meals of \$110,000. The increase in legal fees was primarily due to the costs associated with legal claims. The increase in travel and meals was due to an increase in business development activities.

## Other Income, Net

(In thousands)	Three Months Ended				Percent Change
	April 1, 2011	April 2, 2010			
Other income, net	\$1,013	\$1,023			(1.0) %
Percentage of total revenues	1.4	%	1.7	%	



Other income, net, consists primarily of interest income earned on available cash, cash equivalents and short-term investments, changes in the value of assets associated with our deferred compensation plan and rental income from leasing space in our Silicon Valley facility. During the first quarter of 2011, other income, net, increased \$82,000, with a corresponding increase to deferred compensation expense as compared to the first quarter of 2010 due to a change in the value of assets associated with our deferred compensation plan. This increase consisted of an increase in the value of plan assets of \$651,000 during the first quarter of 2011 and an increase in the value of plan assets of \$569,000 during the first quarter of 2010. This increase was offset by a decrease in interest income and a decrease in rental income.

#### Income Taxes

(In thousands)	Three Months Ended		Percent Change
	April 1, 2011	April 2, 2010	
Income taxes	\$5,376	\$4,291	25.3 %
Percentage of total revenues	7.3 %	7.2 %	
Effective tax rate	40.2 %	40.8 %	

The increase in income tax expense was due to a corresponding increase in pre-tax income partially offset by a decrease in our effective tax rate. The decrease in our effective tax rate was due to a decrease in state income taxes.

#### LIQUIDITY AND CAPITAL RESOURCES

As of April 1, 2011, our cash, cash equivalents and short-term investments were \$92.3 million compared to \$106.5 million at December 31, 2010. The following table summarizes our cash flows (in thousands):

	Three Months Ended	
	April 1, 2011	April 2, 2010
Net cash (used in) provided by operating activities	\$(5,950 )	\$1,437
Net cash (used in) provided by investing activities	(3,139 )	2,472
Net cash used in financing activities	(7,816 )	(3,292 )

The change in net cash (used in) provided by operating activities during the first quarter of 2011 as compared to the same period last year was due to a larger increase in accounts receivable, a larger decrease in accrued payroll and employee benefits and a larger decrease in accounts payable and accrued liabilities, partially offset by a decrease in prepaid expenses and other assets and an increase in net income. Accounts receivable increased by \$8,791,000 during the first quarter of 2011 as compared to an increase of \$1,268,000 during the same period last year. The larger increase was due to an increase in revenues. Days sales outstanding were 96 days for the first quarters of 2011 and 2010. Accrued payroll and employee benefits decreased \$13,348,000 during the first quarter of 2011 as compared to a decrease of \$8,241,000 during the same period last year. The larger decrease in accrued payroll and employee benefits was due an increase in the amount of accrued bonus paid during the first quarter of 2011 as compared to the same period last year. Accounts payable and accrued liabilities increased by \$1,223,000 during the first quarter of 2011 as compared to an increase of \$3,233,000 during the same period last year. The smaller increase in accounts payable and accrued liabilities was due to the timing of payments to our vendors. Prepaid expenses and other assets decreased by \$6,472,000 during the first quarter of 2011 as compared to an increase of \$351,000 during the same period last year. The decrease in prepaid expenses and other assets during the first quarter of 2011 was primarily due to a decrease in inventory.



The change in net cash (used in) provided by investing activities was due to an increase in purchases of short-term investments of \$2,338,000 during the first quarter of 2011 as compared to the same period last year and a decrease in sales and maturities of short-term investments of \$3,200,000 during the first quarter of 2011 as compared to the same period last year.

The increase in net cash used in financing activities during the first quarter of 2011 as compared to the same period last year was primarily due to an increase in treasury repurchases of \$3,075,000 and an increase in payroll taxes for restricted stock units of \$1,623,000.

We expect to continue our investing activities, including purchases of short-term investments and capital expenditures. Furthermore, cash reserves may be used to repurchase common stock under our stock repurchase program or strategically acquire professional services firms that are complementary to our business.

The following schedule summarizes our principal contractual commitments as of April 1, 2011 (in thousands):

Fiscal year	Operating lease commitments	Capital leases	Purchase obligations	Total
2011 (remaining portion)	\$ 4,602	\$ 3	\$ 3,486	\$ 8,091
2012	5,826	4	-	5,830
2013	3,551	2	-	3,553
2014	3,029	-	-	3,029
2015	1,981	-	-	1,981
Thereafter	2,099	-	-	2,099
	\$ 21,088	\$ 9	\$ 3,486	\$ 24,583

We maintain a nonqualified deferred compensation plan for the benefit of a select group of highly compensated employees. Vested amounts due under the plan of \$19,466,000 were recorded as a long-term liability on our condensed consolidated balance sheet at April 1, 2011. Company assets that are earmarked to pay benefits under the plan are held in a rabbi trust and are subject to the claims of our creditors. As of April 1, 2011 invested amounts under the plan of \$19,466,000 were recorded as a long-term asset on our condensed consolidated balance sheet.

As permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion of any future amounts paid.

We believe that our existing cash, cash equivalents, short-term investments and our anticipated cash flows from operations will be sufficient to meet our anticipated operating requirements for at least the next twelve months.

#### Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles ("Non-GAAP") financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. Generally, a Non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We closely monitor two

financial measures, EBITDA and EBITDAS, which meet the definition of Non-GAAP financial measures. We define EBITDA as net income before income taxes, interest income, depreciation and amortization. We define EBITDAS as EBITDA before stock-based compensation. The Company regards EBITDA and EBITDAS as useful measures of operating performance and cash flow to complement operating income, net income and other GAAP financial performance measures. Additionally, management believes that EBITDA and EBITDAS provide meaningful comparisons of past, present and future operating results. These measures are used to evaluate our financial results, develop budgets and determine employee compensation. These measures, however, should be considered in addition to, and not as a substitute or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of the Non-GAAP measures to the nearest comparable GAAP measure is set forth below.

The following table shows EBITDA as a percentage of revenues before reimbursements for the three months ended April 1, 2011 and April 2, 2010:

(in thousands, except percentages)	Three Months Ended			
	April 1, 2011		April 2, 2010	
Revenues before reimbursements	\$64,183		\$55,201	
EBITDA	\$14,422		\$11,540	
EBITDA as a % of revenues before reimbursements	22.5	%	20.9	%

The increase in EBITDA as a percentage of revenues before reimbursements was primarily due to improved utilization and an increase in revenues before reimbursements for product sales. Utilization for the first quarter of 2011 increased to 73% as compared to 71% during the same period last year. Revenues before reimbursements for product sales increased to \$2,536,000 for the first quarter of 2011 as compared to \$216,000 during the same period last year.

The following table is a reconciliation of EBITDA and EBITDAS to the most comparable GAAP measure, net income, for the three months ended April 1, 2011 and April 2, 2010:

(in thousands)	Three Months Ended	
	April 1, 2011	April 2, 2010
Net income	\$8,003	\$6,239
Add back (subtract):		
Income taxes	5,376	4,291
Interest income, net	(21 )	(63 )
Depreciation and amortization	1,064	1,073
EBITDA	14,422	11,540
Stock-based compensation	3,815	3,092
EBITDAS	\$18,237	\$14,632

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk associated with our balances of cash, cash equivalents and short-term investments. We manage our interest rate risk by maintaining an investment portfolio primarily consisting of debt instruments with high credit quality and relatively short average effective maturities in accordance with the Company's investment policy. The maximum effective maturity of any issue in our portfolio is 3 years and the maximum average effective maturity of the portfolio cannot exceed 12 months. If interest rates were to instantaneously increase or decrease by 100 basis points, the change in the fair market value of our portfolio of cash equivalents and short-term investments would not have a material impact on our financial statements. We do not use derivative financial

instruments in our portfolio. There have not been any material changes during the period covered by this Quarterly Report on Form 10-Q to our interest rate risk exposures, or how these exposures are managed. Notwithstanding our efforts to manage interest rate risk, there can be no assurances that we will be adequately protected against the risks associated with interest rate fluctuations.

- 22 -

---



We are exposed to some foreign currency exchange rate risk associated with our foreign operations. Given the limited nature of these operations, we believe that any exposure is minimal. Currently, we do not employ a foreign currency hedging program to mitigate our foreign currency exchange risk as we believe the risks to date have not been significant.

#### Item 4. Controls and Procedures

##### (a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis, to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. Our goal is to ensure that our senior management has timely access to all material financial and non-financial information concerning our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to significantly modify our disclosure controls and procedures.

##### (b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three month period ended April 1, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

#### Item 1A. Risk Factors

There have been no material changes from risk factors as previously discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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

The following table provides information on the Company's repurchases of the Company's common stock for the three months ended April 1, 2011:

(In thousands, except price per share)	Total Number of Shares Purchased	Average Price Paid Per Share	Approximate Dollar Total Number of Value of Shares That Shares Purchased as May Yet Be Part of Publicly Purchased Under the Announced Programs Programs (1)	
January 1 to January 28	-	\$-	-	\$ 14,979
January 29 to February 25	-	-	-	\$ 14,979
February 26 to April 1	182	39.23	182	\$ 7,853
Total	182	\$39.23	182	\$ 7,853

(1) On May 22, 2007, the Company's Board of Directors approved up to \$35 million for repurchases of the Company's common stock. On May 29, 2008, the Company's Board of Directors authorized an additional \$35 million for repurchases of the Company's common stock. On February 19, 2009, the Company's Board of Directors authorized an additional \$25.1 million for repurchases of the Company's common stock. These plans have no expiration date.

## Item 6. Exhibits

## (a) Exhibit Index

31.1 Certification of Chief Executive Officer pursuant to Rule 13a – 14(a) under the Securities Exchange Act of 1934.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a – 14(a) under the Securities Exchange Act of 1934.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXPONENT, INC.  
(Registrant)

Date: May 6, 2011

/s/ Paul R. Johnston  
Paul R. Johnston, Ph.D., Chief Executive Officer

/s/ Richard L. Schlenker  
Richard L. Schlenker, Chief Financial Officer

- 25 -

---