

EXPONENT INC
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended January 1, 2016.

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

77-0218904

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

149 Commonwealth Drive, Menlo Park, California 94025

(Address of principal executive offices) (Zip Code)

(650) 326-9400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$0.001 par value per share The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(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

The aggregate market value of the common stock held by non-affiliates of the registrant based on the closing sales price of the common stock as reported on the NASDAQ Global Select Market on July 2, 2015, the last business day of the registrant's most recently completed second quarter, was \$996,092,846. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 10% or more of registrant's outstanding common stock as of July 2, 2015 have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant's common stock outstanding as of February 19, 2016 was 25,720,598.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the registrant's 2016 Annual Meeting of Stockholders to be held on May 26, 2016 are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPONENT, INC.

FORM 10-K ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 1, 2016

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains, and incorporates by reference, 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), including but not limited to statements regarding future growth and market opportunities, revenue, margins, headcount, utilization and operating expenses, 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 and in the documents incorporated herein by reference, statements other than statements of current or historical fact are forward-looking statements. The words “anticipate”, “believe”, “estimate”, “continue”, “could”, “may”, “plan”, “expect” and similar expressions, as they relate to the Company or its management, identify certain of 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 this Annual Report under the heading “Risk Factors” and elsewhere.

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. The Company undertakes no obligation to update or revise any such forward-looking statements.

PART I

Item 1. Business

GENERAL

Exponent, Inc., together with its subsidiaries, (“Exponent”, the “Company”, “we”, “us” and “our”) is a science and engineering consulting firm that provides solutions to complex problems. Our multidisciplinary team of scientists, physicians, engineers, business and regulatory consultants brings together more than 90 different technical disciplines to solve complicated issues facing industry and government today. Our professional staff can perform in-depth scientific research and analysis, or very rapid-response evaluations to provide our clients with the critical information they need.

The history of Exponent, Inc. goes back to 1967, with the founding of the partnership Failure Analysis Associates, which was incorporated the following year in California and reincorporated in Delaware as Failure Analysis Associates, Inc. in 1988. The Failure Group, Inc. was organized in 1989 as a holding company for Failure Analysis Associates, Inc. and changed its name to Exponent, Inc. in 1998.

CLIENTS

General

Exponent serves clients in automotive, aviation, chemical, construction, consumer products, energy, government, health, insurance, manufacturing, technology and other sectors of the economy. Many of our engagements are initiated directly by large corporations or by lawyers or insurance companies whose clients anticipate, or are engaged in, litigation related to their products, equipment, processes or services. The scope of our services in failure prevention and technology evaluation has grown as the technological complexity of products has increased over the years.

Pricing and Terms of Engagements

·Toxicology & Mechanistic Biology

3

ENGINEERING AND OTHER SCIENTIFIC

Biomechanics

Our Biomechanics Practice uses engineering and biomedical science to solve complex problems at the intersection of biology and engineering. Our expertise is used to understand and evaluate the interaction between the human body as a biological system and the physical environment to explore the cause, nature, and severity of injuries.

During the past year, our biomechanics staff performed analyses of human injury related to a variety of products including recreational vehicles, sporting goods, trucks, trains, aircraft, industrial equipment, and automobiles. They also looked at the implications of using protective devices (such as restraint systems, airbags, and helmets) on reducing the potential for injury, and assessed injuries in the workplace, in the home, and during recreational activities.

Biomedical Engineering

Our Biomedical Engineering Practice applies engineering principles to the medical field, including the evaluation of designs and performance of medical devices and biologics. Our engineers and scientists assist clients with characterization of cells, tissues, biomaterials, and medical devices. As part of our regulatory compliance, we can perform preclinical testing and formulate a related regulatory strategy, conduct design verification and validation, as well as design and manufacturing failure analyses, recall management, and medical device explant analysis. In addition, our staff can perform analysis of clinical outcomes for medical devices using administrative claims databases. Our expertise is also utilized in product liability, intellectual property litigation, technology acquisition and due diligence matters.

Buildings & Structures

The basic function of a building is to provide structurally sound, durable and environmentally controlled space to house and protect occupants and contents. If this basic function is not achieved, it is because one or more aspect(s) of the building design or construction failed to perform its intended function. Our architects, engineers, and scientists have been investigating such failures for decades, and we use this experience to solve problems with building systems and components, including finding the best repair options and mitigating the risk of future failures.

During the past year, we have evaluated numerous problems with residential, commercial and industrial structures for insurers, attorneys and owners. Our evaluations often include property inspections, testing, engineering analysis and the development of repair recommendations. In addition, we have worked with owners to assess and mitigate the risk of failure associated with hazards such as hurricanes, earthquakes, tsunamis and aging infrastructure. We have assessed these risks to high-rise buildings, industrial facilities, pipelines and nuclear power plant structures.

Civil Engineering

Our Civil Engineering Practice provides broad expertise that includes geotechnical engineering, geological engineering, engineering geology, and geology to address a host of geo-failures, including landslides, foundation and retaining wall failures, pipeline failures, dam and levee failures and construction claims. We also provide peer review services for complicated structures. Our water resources staff specializes in the application of proven hydrologic, hydraulic, hydrodynamic, and sediment transport research and science to provide scientifically sound and cost-effective solutions to our clients.

Over the past year, our consultants have been engaged in a number of investigations related to wildland fires, landslides, retaining wall and foundation failures, large construction claims, flooding and sediment transport. This practice has had a diverse portfolio of projects and clients that represent a broad spectrum of industries.

Construction Consulting

Our Construction Consulting Practice provides project advisory, risk analysis, strategic planning, dispute resolution, delay analysis and financial damages services. During the past year, we expanded the practice by leveraging key client relationships in several construction sectors including utilities and oil and gas. Our multi-disciplinary staff, which includes engineers, architects, construction managers, schedulers, accountants, and technical specialists, provides these services to both the public and private sectors for clients who represent a diverse mix of companies and agencies.

Our projects include many sectors of the construction and engineering industry which include power plants, transmission and distribution facilities, petrochemical facilities, water/wastewater treatment plants, bridges and roads, rail systems, tunnels, airports, commercial buildings, institutional buildings, industrial and manufacturing facilities, sporting arenas and gaming facilities. We provide services to firms involved in the engineering and construction industry including construction owners, lending agencies, engineering and construction contractors, subcontractors, designers, attorneys and insurance carriers.

Electrical Engineering & Computer Science

Our Electrical Engineering and Computer Science Practice offers a broad range of expertise to address complex issues for industrial, government and private clients. Our power engineers advise and offer guidance to clients on problems relating to electrical systems including power generation, transmission and distribution. Our team of electrical engineers works on failure analysis, product robustness and reliability for consumer and industrial electronics. Our computer engineers and scientists work with high-tech industries and computer controlled applications to evaluate product safety and software reliability. The computer engineering and science expertise we offer encompasses a breadth of areas including information and numerical sciences, algorithms and data structures, computer graphics, computer architecture, networking and communications, as well as security and cryptography. We operate laboratories for testing heavy equipment and electronics and we have a broad capability in analyzing computer software.

Over the past year, we performed a wide array of investigations ranging from assessing electrical damage to infrastructure from the effect of weather related events to working with clients to develop sophisticated machine learning algorithms applied to large quantities of unstructured data. We continue to work with consumer electronics manufacturers and the transportation industry on the reliability and robustness of computer controlled equipment for user safety. We have also provided our expertise to clients with intellectual property matters by advising them on matters of integrated circuit design, semiconductor fabrication and computer software implementations.

Engineering Management Consulting

Our Engineering Management Consulting Practice provides multi-disciplinary expertise and rapid response to assist clients with management consulting services related to technical issues. Our consultants provide services in the areas of asset strategy, technology strategy, regulatory strategy, asset planning, project management, engineering, construction, maintenance, operations, and risk analysis. This practice primarily services the electric and gas utility industries, including transmission, distribution, fossil fuel generation, nuclear generation, and renewable generation.

We provide unique and advanced services including risk and reliability assessment and mitigation. Our scientists and engineers assist our clients in minimizing losses related to asset failures and/or business operations. Accidents, unanticipated events, and system failures are the primary causes of deferred or lost production interruptions and may lead to loss of life, injury, property damage, and undesired releases. Our multi-disciplinary staff has also performed diverse technical, business interruption, and compliance-related risk and reliability assessments for chemical, petrochemical, petroleum, and manufacturing clients worldwide.

Human Factors

Our Human Factors Practice evaluates human performance and safety in product and system use. Our consultants study how the limitations and capabilities of people, including memory, perception, reaction time, judgment, physical size and dexterity, affect the way they use a product, interact with an organization or environment, process information or participate in an activity.

We address the reliability of human memory and retrospective reporting in the gathering of fact-based evidence. We review warnings and labeling issues related to consumer products, pharmaceuticals, motor vehicles, medical devices and industrial products. In addition, we assist manufacturers with compliance with regulatory guidelines related to products and work with them regarding analysis of adverse event reports and consumer complaints in publicly available databases overseen by the Consumer Product Safety Commission and the Food and Drug Administration. We also provide support assessing alleged false advertising claims for consumer products, foods and pharmaceuticals.

Industrial Structures

Our Industrial Structures Practice, based in Düsseldorf and Berlin, Germany, specializes in design and assessment of industrial structures subject to extreme conditions. Our staff has provided design reviews and assessments on more than 1,000 structures around the world, and our staff has participated in the creation of several engineering standards.

Our Industrial Structures Practice provides planning, assessment, rehabilitation and dismantling analysis of load-bearing structures in four particular areas: antenna masts, power plants, buildings and special structures like refractories or tanks. One service we provide in over 900 locations throughout the year is quality assurance of antenna masts for a variety of facilities including telecommunications, wind energy and industrial chimneys. Our consultants provide inspection services related to new construction and assess design deficiencies related to new and existing facilities, as well as assist our clients with on-time, quality construction on their projects.

With the use of our self-developed computer software for non-linear material behavior, we provide close-to-reality assessment of a wide variety of structures such as cracked reinforced concrete structures, multi-layer refractories or masonry towers. Beyond industrial structures, more and more commercial property projects are becoming part of this practice.

Materials & Corrosion Engineering

Our in-depth knowledge of materials science, corrosion, and metallurgical engineering, combined with the breadth of our collective experience across many industries and disciplines gives our Materials and Corrosion Engineering Practice a unique ability to efficiently provide our clients with solutions to their complex materials-based problems. We use our knowledge and experience to understand how and why materials, products, and processes may not perform their intended function, as well as to prevent future problems. In the past year, our Materials and Corrosion Engineering Practice helped clients solve critical materials-related issues in the consumer electronics, medical device, chemical processing, transportation, energy, and aerospace fields, among others.

Mechanical Engineering

We provide clients with a thorough comprehension of current or alternative designs to determine potential vulnerabilities before failures occur, develop appropriate risk mitigation methods, and provide post failure investigations. Our consultants review the safety and reliability of processes and products. We assist in performing

product recall investigations and reviewing internal compliance programs as part of the implementation of corrective action plans. We have performed these activities in the transportation, heavy industry, energy, and consumer product areas.

Our staff develop and utilize detailed, validated computational models to evaluate equipment, consumer products and medical devices to solve a variety of technical challenges associated with their design and optimization. Our scientists and engineers also provide services in the area of intellectual property and are often asked to interpret the language of a patent from a scientific and engineering perspective and provide insight regarding the proper technical interpretation of patent claims. During the past year our mechanical engineers worked on a wide variety of projects ranging from high profile consumer product recall investigations to pipeline integrity evaluations and worker safety issues.

Industrial equipment integrity analysis and management is a growing part of our business involved with increasing productivity and lowering risk in manufacturing. We advise clients on mitigating engineering asset failures, improving equipment reliability, and performance and better understanding their risk profile. Our approach combines engineering mechanics with computational algorithms, industry-accepted standards, and operational data.

Polymer Science & Materials Chemistry

Our Polymer Science and Materials Chemistry Practice consults with industrial, government, legal, insurance and individual clients regarding polymers and textiles used in diverse applications as well as chemical aspects of batteries, drug delivery systems, and other products that depend on highly controlled manufacturing environments. We assist clients in understanding the short- and long-term performance of plastic, rubber, adhesive, coating, composite and electrochemical energy systems when challenged by physical, chemical, thermal and other operational stressors.

Our consultants participate in product development programs, perform failure analyses and provide support to clients involved in regulatory and legal proceedings. Clients value our technical expertise related to chemistry, formulation, manufacturing and materials performance, our understanding of the history and evolution of these materials, and our ability to assist them in identifying and incorporating emerging materials and manufacturing technologies into their businesses. During the past year, significant program activities addressed components of consumer electronics, wearable devices, battery technology, implantable medical devices, combination drug delivery systems, historical formulations and components, manufacturing technology, industrial textiles, performance apparel, building materials, automotive materials, technology scouting, materials science aspects of health risk, service life prediction, sustainability, and polymer-related intellectual property, including trade secrets.

Statistical & Data Sciences

Our Statistical & Data Sciences Practice comprises our company's core capabilities in statistical methodology and offers its expertise to serve clients at any and all stages of the empirical research process including product development, manufacturing, and regulatory stages. The practice specializes in determining whether a particular activity or product poses an unreasonable risk. Risk estimation involves establishing a reference period and then collecting information about the number of injuries (or other adverse events) suffered and the amount of exposure during this period. Through analysis and synthesis of client-supplied data, combined with information from public sources, we help clients measure their own risk in the context of similar risks and determine appropriate courses of action.

During the past year, we worked on a variety of engineering, health, and environmental projects for government, industry, and legal clients. Our statisticians and data scientists performed assessments of manufacturing quality systems, applied data mining methods to the analysis of medical device complaints, examined the field reliability of electronic networks and computer equipment, and assessed the effects of selected factors on industrial exposure to environmental contaminants.

Technology Development

Drawing on our multidisciplinary science, engineering, testing, failure analysis and failure prevention expertise, our Technology Development Practice specializes in harnessing advanced technologies and concepts from our experience with the commercial and defense sectors to deliver innovation to our clients. We identify and leverage the best in off-the-shelf technologies combined with custom development to deliver solutions ranging from fully integrated systems to concept architectures. Our focus is on a close collaboration with the end user, ease of use, reliability, high quality, and speed of engineering design and execution.

Historically, Technology Development has focused its efforts in the government/defense sector; in 2014 and 2015 the Practice shifted towards more commercial work and made some structural changes to more closely align with the commercial side of the company. Focus areas for this effort were in oil and gas, sports technology, transportation, and cybersecurity.

In the ongoing work for government/defense, we have continued to build on our landmine detection expertise for both vehicle and handheld applications. This work includes renewing our long term support for the U.K. Ministry of Defence and their robotic buried threat detection system.

Thermal Sciences

Our Thermal Sciences Practice provides multi-disciplinary expertise to assist clients in chemical, fire protection, and mechanical engineering. We have investigated and analyzed thousands of fires and explosions ranging from high loss disasters at manufacturing facilities, energy facilities and oil and gas installations to small insurance claims. Information gained from these analyses has helped us assist clients with preventive measures related to the design of their facilities and products. We assist clients in minimizing the risk of fires and explosions, we provide regulatory consulting for permitting new industrial facilities, and we assist manufacturers in addressing the risk of fires associated with consumer products. Our engineers use fire modeling and other computational fluid dynamics modeling tools to supplement our analytical, experimental, and field-based activities. Preventive services include process safety hazard analysis for the chemical and oil and gas industries, fire protection engineering and dust explosion consulting.

In recent years, the Thermal Sciences Practice has developed tools to evaluate fire and explosion risks of lithium-ion batteries. We have consulted with a variety of clients to evaluate and mitigate fire and explosion hazards of batteries in applications including consumer products, vehicles and energy storage.

During the past year, our work in oil and gas exploration and production, Liquefied Natural Gas (LNG) and downstream oil and gas sectors has continued to remain active. Our services in these areas include assessing new oil well control technologies, assessing potential fire and explosion risks and consequences, investigating loss of containment incidents and assessing the integrity of fixed assets. We have also seen growth in our non-litigation fire protection engineering services.

Vehicle Analysis

We have performed thousands of investigations for the automotive, trucking, recreational vehicle, marine, aerospace, and rail industries. Internal research programs and client projects have resulted in technological contributions that have assisted manufacturers in the understanding of product performance and provided insight to government agencies in establishing policy and regulations. Information gained from these analyses has also assisted clients in assessing preventive measures related to the design of their products, as well as evaluating failures.

Our Test and Engineering Center located in Phoenix, Arizona, is the setting for our most complex tests, along with rigorous analysis of results. We have gained a worldwide reputation for our ability to mobilize resources expeditiously and efficiently, integrate a broad array of technical disciplines, and provide valuable insight that is objective and withstands rigorous scrutiny. Many of our projects involve addressing the cause of accidents and our clients rely on us to determine what happened in an accident and why it happened. In many cases, they also want us to assess what could have been done to reduce the severity of the accident or to mitigate occupant injuries to those involved. Whether the objective is design analysis, component testing, or accident reconstruction, our knowledge of vehicle systems and engineering principles coupled with our experience from conducting full-scale tests aim to add insight and proficiency to every project.

ENVIRONMENTAL AND HEALTH

Chemical Regulation & Food Safety

Our Center for Chemical Regulation and Food Safety includes both technical and regulatory specialists who are experienced in dealing with foods, and with pesticide and non-pesticide products including conventional chemicals, biochemicals, antimicrobials/biocides, and products of biotechnology, cosmetics and industrial chemicals. We provide practical, scientific and regulatory support to meet global business objectives at every stage of the product cycle, from research and development to retail and beyond.

During the past year our Chemical Regulation and Food Safety staff have conducted a wide array of work. The European and U.S. sides of the Center were jointly involved with the ongoing support of a new pesticide active ingredient and end-use product. The European side of our business was involved with many projects related to plant protection and biocidal product regulatory submissions, from new active substances and those under review to product-specific dossiers for individual European member states. In addition, we provided many specialist assessments relating to human and environmental exposure and product efficacy and national and international Maximum Residue Limit/import tolerance submissions. We continued to provide clients with regulatory compliance support for food contact materials, food additives and novel foods, as well as undertaking safety assessments for food and cosmetics products. For industrial chemicals we continued to provide full regulatory support for our clients who prepared and submitted registrations and risk assessments. In the U.S. we continued to provide services related to new pesticide active ingredient and end-use product development and registrations in the U.S. and Canada, registration review under EPA, import tolerances in the U.S. and Canada, due diligence, and data compensation, as well as the approval of new pesticide inert ingredients and new non-pesticide active ingredient approvals. Our food safety consultants continued to assist clients with food additives, food contact notifications, and nutrition-related analyses, as well as product safety proactive and reactive support services, recall and litigation support.

Ecological & Biological Sciences

Our ecological and biological scientists provide strategic support on issues related to natural resources damages associated with chemicals and forest fires, international environmental disputes, ecosystem service assessments for businesses, climate change, ecological risk assessment, ecotoxicology, novel remediation methods, restoration of wetlands and other natural resources, large development projects, resource utilization (mineral mining, oil and gas, wood pulp), genomic assessments, and the use of chemicals and other products in commerce. The practice specializes in assessing the effects of chemical, biological, and physical stressors on aquatic and terrestrial ecosystems. Many of these assessments utilize a causal analysis approach to systematically and transparently determine causation in complex and interrelated situations. The practice is comprised of nationally recognized experts that cover disciplines related to the ecological implications and risks associated with these projects.

Environmental & Earth Sciences

Our environmental scientists and engineers provide cost-effective, scientifically defensible and realistic assessments and solutions to complex environmental issues. We offer technical, regulatory and litigation support to industries that include oil and gas, mining and minerals, chemicals, forest products, railroads, aerospace, and trade associations, and to municipal and government clients. Our consultants specialize in the areas of environmental fate and transport, environmental chemistry and forensics, hydrogeology, air toxics, modeling and monitoring, water quality and water supply, data analytics, remediation consulting, environmental engineering and waste management, climate impacts, and evaluation of environmental and social risks. Our work often involves complex and high visibility environmental problems and issues, often the focus of environmental or toxic tort claims, where evaluation of contamination, historical reconstruction of events, releases, and doses, and water resource issues are central to problem resolution. We provide strategic and advisory consulting on risk mitigation, planning, and regulatory issues.

Epidemiology, Biostatistics & Computational Biology

Our health scientists apply epidemiology to examine and address complex health issues in a variety of settings. Through the principles of epidemiology, we analyze the interaction of host, agent, and environment to reach conclusions about the causes and occurrence of disease in human populations.

Our consultants combine the expertise of several medical specialties, exposure assessment professionals, and other scientists who have advanced degrees in statistics and public health. All of our physicians have graduate training in epidemiology and biostatistics. Our research work has included numerous community health assessments, disease cluster investigations, survey research, occupational cohort and case-control studies, exposure assessment studies, cancer modeling, meta-analyses, and state-of-the-art reviews.

Occupational & Environmental Health Risk Assessment

In our Occupational and Environmental Health Risk Assessment Center, we apply scientific processes to characterize and estimate health risks from exposures to chemical, physical, and biological agents in the workplace, home, and outdoor environment. Risk assessment is a systematic process for analyzing information on exposure and effects of toxic agents and other environmental hazards to assess the likelihood of adverse effects to health and safety of individuals and populations (i.e., health risks) potentially exposed to such agents. The risk assessment process integrates information regarding whether a particular agent is or is not casually linked to a particular health effect (hazard identification); the relation between the magnitude of exposure and the probability of occurrence of the health effect (dose-response or toxicity assessment); the route, duration and magnitude of exposure (exposure assessment);

and the characterization of the nature and magnitude of health risk (risk characterization). Risk assessments are used in a variety of contexts, including evaluating potential impacts of exposure to chemicals and other agents associated with consumer products, occupational settings, or specific contaminated sites, and in developing risk-based criteria to protect workers and the public. The risk assessment process is of necessity highly interdisciplinary to address complex health issues, and draws from diverse fields such as biology, chemistry, ecology, engineering, environmental sciences, industrial hygiene, mathematical modeling, medicine, public health, statistics and toxicology.

Exponent's Occupational and Environmental Health Risk Assessment Center is composed of an interdisciplinary team of scientists, physicians, and engineers who have decades of experience assisting clients address and evaluate complex workplace and environmental health and safety questions. Exponent scientists, physicians, and engineers are highly knowledgeable in risk assessment methodologies and related analyses that are critical components of many environmental regulatory decisions, workplace practices, and that are frequently used in litigation.

Our multidisciplinary team has extensive experience investigating a broad variety of health concerns such as claims of illnesses from exposures to ionizing radiation and electromagnetic fields, chemicals, dusts and other airborne particulates, smoke and fumes, nanoparticles, molds and other micro-organisms. Together, we develop strategies to aid in controlling such exposures, when needed. In addition, our staff has extensive experience in addressing health issues related to medical devices, consumer products, manufacturing processes, and sanitation. Our atmospheric scientists provide air quality and meteorological modeling, permitting, and licensing support services. Our environmental and health scientists investigate accidental releases of chemicals, evaluate transport and fate of chemical substances, simulate home and workplace exposures as well as develop measures of prevention and control exposure, and assist clients with emergency preparedness and response.

Toxicology & Mechanistic Biology

The members of our Toxicology & Mechanistic Biology Center have exceptional expertise and depth in toxicology and mechanistic biology. Our knowledge and experience contribute to the ability of our clients to make better informed decisions that affect the regulation of their substances in commerce. We work with our clients to resolve issues that affect the safe use of a wide variety of substances. By evaluating the mechanisms by which substances interact with complex biological systems, we provide perspectives on the potential for adverse effects at realistic human and environmental exposure levels, and develop strategies to manage human health and environmental risks. The members of our staff are recognized nationally and internationally for their outstanding credentials and decades of experience from government, academia and industry.

We have addressed issues for clients on industrial chemicals, pesticides, drugs, medical devices, nanotechnology, and other agents. We have developed and published various detailed reviews on toxicity mode of action assessments, specifically how substances cause harm and whether or not laboratory data are relevant to human risk. We have provided nonclinical toxicology support in nearly all phases of pharmaceutical and combination drug development from preclinical studies to post-marketing safety assessments. We have been active in developing study plans to assess potential endocrine toxicity of chemical substances and in reviewing data for the U.S. Environmental Protection Agency Endocrine Disruptor Screening Program.

COMPETITION

The marketplace for our services is fragmented and we face different sources of competition in providing various services. In addition, the services that we provide to some of our clients can be performed in-house by those clients. Clients that have the capability to perform such services themselves will retain Exponent or other independent consultants because of independence concerns.

In each of our practices and centers, we believe that the principal competitive factors are: technical capability and breadth of services, ability to deliver services on a timely basis, professional reputation and knowledge of litigation and regulatory processes. Although we believe that we generally compete favorably in each of these areas, some of our competitors may be able to provide services acceptable to our clients at lower prices.

We believe that the barriers to entry are low and that for many of our technical disciplines, competition is increasing. In response to competitive forces in the marketplace, we continue to look for new markets for our various technical disciplines.

BUSINESS SEGMENTS AND GEOGRAPHIC OPERATIONS OVERVIEW

We report two operating segments based on two primary areas of service: Engineering and Other Scientific, and Environmental and Health. Engineering and Other Scientific is a broad service group providing technical consulting in different practices primarily in engineering. Environmental and Health 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. For more information about the financial condition and results of operations of each segment, please see *Part II - "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations"* and *"Item 8: Financial Statements and Supplementary Data."* For information about the Company's operations in different geographical areas, please see *"Note 16: Segment Reporting"* of our *Notes to Consolidated Financial Statements*. For information about the Company's disclosures regarding foreign currency exchange rate risk, please see *"Item 7A. Quantitative and Qualitative Disclosures About Market Risk."*

EMPLOYEES

As of January 1, 2016, we employed 999 full-time, part-time and hourly employees, including 777 engineering and scientific staff, 61 technical support staff and 161 administrative and support staff. Our staff includes 694 employees with advanced degrees, of which 473 employees have achieved the level of Ph.D., Sc.D. or M.D.

ADDITIONAL INFORMATION

The address of our Internet website is www.exponent.com. We make available, free of charge through our website, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other periodic and current Securities and Exchange Commission (SEC) reports, along with amendments to all of those reports, as soon as reasonably practicable after we file or furnish the reports with the SEC. Additionally, copies of materials filed or furnished by us with the SEC may be accessed at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. or at the SEC's website at <http://www.sec.gov>. For information about the SEC's Public Reference Room, the public may contact 1-800-SEC-0330. Copies of material filed or furnished by us with the SEC may also be obtained by writing to us at our corporate headquarters, Exponent, Inc., Attention: Investor Relations, 149 Commonwealth Drive, Menlo Park, CA 94025, or by calling (650) 326-9400. The content of our Internet website is not incorporated into and is not part of this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Exponent and their ages as of February 26, 2016 are as follows:

Name	Age	Position
Paul R. Johnston, Ph.D.	62	President, Chief Executive Officer and Director
Paul D. Boehm, Ph.D.	67	Group Vice President
Robert D. Caligiuri, Ph.D.	64	Group Vice President
Catherine Ford Corrigan, Ph.D.	47	Group Vice President
Steven J. Murray, Ph.D.	41	Group Vice President
John D. Osteraas, Ph.D.	61	Group Vice President
Richard Reiss, Sc.D.	49	Group Vice President
Richard L. Schlenker, Jr.	50	Executive Vice President, Chief Financial Officer and Corporate Secretary
Sally B. Shepard	55	Vice President – Human Resources

Executive officers of Exponent are appointed by the Board of Directors and serve at the discretion of the Board or until the appointment of their successors. There is no family relationship between any of the directors and officers of the Company.

Paul R. Johnston, Ph.D., joined the Company in 1981, was promoted to Principal Engineer in 1987, and to Vice President in 1996. In 1997, he assumed responsibility for the firm's network of offices. In July 2003, he was appointed Chief Operating Officer and added responsibility for the Health and Environmental Groups. In 2006, he assumed line responsibility for all of the firm's consulting groups. Dr. Johnston was named President in May 2007. He was named Chief Executive Officer and elected to the Board of Directors in May 2009. Dr. Johnston received his Ph.D. (1981) in Civil Engineering and M.S. (1977) in Structural Engineering from Stanford University. He received his B.A.I. (1976) in Civil Engineering with First Class Honors from Trinity College, University of Dublin, Ireland where he was elected a Foundation Scholar in 1975. Dr. Johnston is a Registered Professional Civil Engineer in the State of California and a Chartered Engineer in Ireland.

Paul D. Boehm, Ph.D., joined the Company in April 2004 as a Group Vice President and Principal Scientist. Prior to joining the Company, Dr. Boehm was Vice President and Market Manager, Oil and Gas Sector, at Battelle Memorial Institute from 2001 to 2004. From 1999 to 2001, Dr. Boehm was Vice President and Managing Director, Environmental Health and Safety Consulting at Arthur D. Little, Inc. Dr. Boehm received his Ph.D. (1977) and M.S. (1973) in Oceanography from the University of Rhode Island and B.S. (1970) in Chemical Engineering from the University of Rochester. Dr. Boehm has published more than 100 articles in peer-reviewed journals and authored numerous reports on environmental forensics and impact assessments. Dr. Boehm has been chosen to serve on several National Research Council panels.

Robert D. Caligiuri, Ph.D., joined the Company in 1987. He was promoted to Principal Engineer in 1990 and Group Vice President in 1999. Dr. Caligiuri received his Ph.D. (1977) and M.S. (1974) in Materials Science and Engineering from Stanford University and B.S. (1973) in Mechanical Engineering from the University of California, Davis. Prior to joining the Company he was a Program Manager and Materials Scientist for SRI International. He is a Registered Professional Metallurgical Engineer in the States of Arkansas, California, Utah, Michigan, North Carolina, Texas and Washington and a Fellow of ASM International.

Catherine Ford Corrigan, Ph.D., joined the Company in 1996. She was promoted to Principal in the Biomechanics practice in 2002, and was appointed Group Vice President in May 2012. Dr. Corrigan earned her Ph.D. (1996) in Medical Engineering and Medical Physics and M.S. (1992) in Mechanical Engineering from the Massachusetts Institute of Technology and her B.S. in Bioengineering from the University of Pennsylvania. Prior to joining Exponent, Dr. Corrigan was a researcher in the Orthopaedic Biomechanics Laboratory at Beth Israel Hospital and Harvard Medical School.

Steven J. Murray, Ph.D., joined the Company in 2001. He was promoted to Principal Engineer in 2008. Dr. Murray was promoted to Corporate Vice President in May 2014 and Group Vice President in January 2015. Dr. Murray received his Ph.D. (2000) in Materials Science and Engineering (Electronic Materials Panel) from the Massachusetts Institute of Technology, B.S. (1996) in Materials Science and Mineral Engineering and B.S. (1996) in Mechanical Engineering from the University of California, Berkeley. He is a Registered Professional Electrical Engineer in the State of Oregon and Registered Professional Mechanical Engineer in the State of California.

John D. Oстераas, Ph.D., worked for the Company from 1982 to 1985 as a Senior Engineer. He rejoined the Company in 1990 as a Managing Engineer. He was promoted to Principal Engineer in 1992 and Group Vice President in 2006. Dr. Oстераas received his Ph.D. (1990) in Civil Engineering, M.S. (1977) in Civil Engineering: Structural Engineering from Stanford University and B.S. (1976) in Civil and Environmental Engineering from the University of Wisconsin. Dr. Oстераas is a Registered Professional Engineer in 17 states and is a Fellow of the American Society of Civil Engineers.

Richard Reiss, Sc.D., joined the Company in 2006 as a Principal Scientist. He was promoted to Group Vice President in January 2015. Dr. Reiss earned his Sc.D. (1994) in Environmental Health from the Harvard University School of Public Health, M.S. (1991) in Environmental Engineering from Northwestern University and B.S. (1989) in Chemical Engineering from the University of California, Santa Barbara. Prior to joining Exponent he was a Vice President with Sciences International. Dr. Reiss is a Fellow of the Society of Risk Analysis.

Richard L. Schlenker, Jr. joined the Company in 1990. Mr. Schlenker is the Executive Vice President, Chief Financial Officer and Corporate Secretary of the Company. He was appointed Executive Vice President in April 2010, Chief Financial Officer in July 1999 and Secretary of the Company in November 1997. Mr. Schlenker was the Director of Human Resources from 1998 until his appointment as Chief Financial Officer. He was the Manager of Corporate Development from 1996 until 1998. From 1993 to 1996, Mr. Schlenker was a Business Manager, where he managed the business activities for multiple consulting practices within the Company. Prior to 1993, he held several different positions in finance and accounting within the Company. Mr. Schlenker holds a B.S. in Finance from the University of Southern California.

Sally B. Shepard, rejoined the Company in 2014 as Vice President-Human Resources. From 2012 to 2014 she served as Vice President Human Resources at 41st Parameter. From 2002 to 2009 she served as Vice President Human Resources at CoWare, Inc., which was acquired by Synopsys. From 2000 to 2001 Ms. Shepard served as Vice President Human Resources at Lutris Technologies. She also provided Human Resources consulting services for a variety of companies between roles. From 1981 to 1999 Ms. Shepard held a variety of roles at Exponent including Managing Engineer, Business Manager, Director of Human Resources and Information Technology, and Vice President of Corporate Human Resources. Ms. Shepard holds a B.S. (1982) in Mechanical Engineering from Stanford University.

Item 1A. Risk Factors

Exponent operates in a rapidly changing environment that involves a number of uncertainties, some of which are beyond our control and may have a material adverse effect on our financial condition and results of operations. These uncertainties include, but are not limited to, those mentioned elsewhere in this report and those set forth below.

The unpredictable and reactive nature of our business can create uneven performance in any given quarter or fiscal year.

Revenues are primarily derived from services provided in response to client requests or events that occur without notice, and engagements, generally billed as services are performed, are terminable or subject to postponement or delay at any time by clients. As a result, backlog at any particular time is small in relation to our quarterly or annual revenues and is not a reliable indicator of revenues for any future periods. Revenues and operating margins for any particular quarter are generally affected by staffing mix, resource requirements and timing and size of engagements.

Our financial results could suffer if our clients' needs change more rapidly than we are able to secure the appropriate mix of trained, skilled and experienced personnel.

As our clients' needs change, new technologies develop, and legal and regulatory processes change, we may be unable to timely hire or train personnel with the appropriate new set of skills and experience which could negatively impact our growth and profitability.

Failure to attract and retain key employees may adversely affect our business.

Exponent's business involves the delivery of professional services and is labor-intensive. Our success depends in large part upon our ability to attract, retain and motivate highly qualified technical and managerial personnel. Qualified personnel are in great demand and are likely to remain a limited resource for the foreseeable future. We cannot provide any assurance that we can continue to attract sufficient numbers of highly qualified technical and managerial personnel and to retain existing employees. The loss of key managerial employees, business generators or any significant number of employees could have a material adverse impact on our business, including our ability to secure and complete engagements.

Competition could reduce our pricing and adversely affect our business.

The markets for our services are highly competitive. In addition, there are relatively low barriers to entry into our markets and we have faced, and expect to continue to face, additional competition from new entrants into our markets. Competitive pressure could reduce the market acceptance of our services and result in price reductions that could have a material adverse effect on our business, financial condition or results of operations.

The loss of a large client could adversely affect our business.

We currently derive a significant portion of our revenues from clients in the consumer electronics, energy, insurance, transportation and utilities industries and the government sector. The loss of any large client, organization or insurer could have a material adverse effect on our business, financial condition or results of operations.

Our clients may be unable to pay for our services.

If a client's financial difficulties become severe, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with substantial accounts receivable could have a material adverse effect on our financial condition and results of operations.

We hold substantial investments that could present liquidity risks.

Our cash equivalent and short-term investment portfolio as of January 1, 2016, consisted primarily of obligations of U.S. agencies, state and local government agencies and the U.S. Treasury. We follow an established investment policy to monitor, manage and limit our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes.

Investments in some financial instruments may pose risks arising from liquidity and credit concerns. As of January 1, 2016, we had no impairment charge associated with our investment portfolio relating to such adverse financial market conditions. Although we believe our current investment portfolio has a low risk of impairment, we cannot predict future market conditions or market liquidity and can provide no assurance that our investment portfolio will remain unimpaired.

Our business is dependent on our professional reputation.

The professional reputation of Exponent and its consultants is critical to our ability to successfully compete for new client engagements and attract or retain professionals. Proven or unproven allegations against us may damage our professional reputation. Any factors that damage our professional reputation could have a material adverse effect on our business.

Our business can be adversely impacted by deregulation or reduced regulatory enforcement.

Public concern over health, safety and preservation of the environment has resulted in the enactment of a broad range of environmental and/or other laws and regulations by local, state and federal lawmakers and agencies. These laws and the implementation of new regulations affect nearly every industry, as well as the agencies of federal, state and local governments charged with their enforcement. To the extent changes in such laws, regulations and enforcement or other factors significantly reduce the exposures of manufacturers, owners, service providers and others to liability, the demand for our services may be significantly reduced.

Tort reform can reduce demand for our services.

Several of our practices have a significant concentration in litigation support consulting services. To the extent tort reform reduces the exposure of manufacturers, owners, service providers and others to liability, the demand for our litigation support consulting services may be significantly reduced.

Our engagements may result in professional or other liability.

Our services typically involve difficult engineering and scientific assignments and carry risks of professional and other liability. Many of our engagements involve matters that could have a severe impact on a client's business, cause a client to lose significant amounts of money, or prevent a client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently, disclosed client confidential information, lost or damaged evidence, infringed on patents, were forced to withdraw from a legal matter due to a conflict or otherwise breached our obligations to a client could expose us to significant liabilities to our clients or other third parties or tarnish our reputation.

Potential conflicts of interest may preclude us from accepting some engagements.

We provide litigation support consulting and other services primarily in connection with significant disputes, or other matters that are usually adversarial or that involve sensitive client information. The nature of our consulting services may preclude us from accepting engagements with other potential clients because of conflicts. Accordingly, the nature of our business limits the number of both potential clients and potential engagements.

We are subject to unpredictable risks of litigation.

Although we seek to avoid litigation whenever possible, from time to time we are party to various lawsuits and claims. Disputes may arise, for example, from employment issues, regulatory actions, business acquisitions and real estate and other commercial transactions. There can be no assurances that any lawsuits or claims will be immaterial in the future. Any material lawsuits or claims could adversely affect our business and reputation.

We may experience security breaches that could lead to the inability to protect confidential information.

Despite the implementation of security measures, our operating systems are vulnerable to electronic breaches of security. Such breaches could lead to disruptions of our operations and potential unauthorized disclosure of confidential information, which could result in legal claims or proceedings. While we have taken reasonable steps to prevent and mitigate the damage of a security breach by continuously improving our design and coordination of security controls across our business, those steps may not be effective and there can be no assurance that any such steps can be effective against all possible risks.

Impairment of goodwill may require us to record a significant charge to earnings.

On our balance sheet, we have \$8,607,000 of goodwill subject to periodic evaluation for impairment. Failure to achieve sufficient levels of cash flow at reporting units, the loss of key employees, changes to the scope of operations of our business or a significant and sustained decline in our stock price could result in goodwill impairment charges. During times of financial market volatility, significant judgment is required to determine the underlying cause of the decline and whether stock price declines are short-term in nature or indicative of an event or change in circumstances.

Impairment of long-lived assets or restructuring activities may require us to record a significant charge to earnings.

Our long-lived assets, including our office and laboratory space in Menlo Park, California and our test and engineering center in Phoenix, Arizona, are subject to periodic testing for impairment. Failure to achieve sufficient levels of cash flow at the asset group level could result in impairment of our long-lived assets. In addition, we have operating lease commitments for office, warehouse and laboratory space of \$20,597,000 as of January 1, 2016. Changes in the business environment could lead to changes in the scope of operations of our business. These changes, including the closure of one or more offices, could result in restructuring and/or asset impairment charges.

Our international operations create special risks that could adversely affect our business.

In addition to our offices in the United States, we have physical offices in the United Kingdom, Germany, Switzerland, Hong Kong and China and conduct business in several other countries. We expect to continue to expand globally and our international revenues may account for an increasing portion of our revenues in the future. Our international operations carry special financial, business and legal risks, including cultural and language differences; employment laws and related factors that could result in lower utilization, higher staffing costs, and cyclical fluctuations of utilization and revenues; currency fluctuations that adversely affect our financial position and operating results; burdensome regulatory requirements and other barriers to conducting business; managing the risks associated with engagements with foreign officials and governmental agencies, including the risks arising from the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act of 2010; greater difficulties in managing and staffing foreign operations; successful entry and execution in new markets; restrictions on the repatriation of earnings; and potentially adverse tax consequences.

Inherent risks related to government contracts may adversely affect our business.

We work for various United States and foreign governmental entities and agencies. Government entities reserve the right to audit our contracts and conduct inquiries and investigations of our business practices with respect to government contracts. Findings from an audit may result in fees being refunded to the government or prospective adjustment to previously agreed upon rates that will affect future margins. If a government client discovers improper or illegal activities in the course of audits or investigations, we may become subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of the government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities, regardless of the adequacy of such controls. Government contracts, and the proceedings surrounding them, are often subject to more extensive scrutiny and publicity than other commercial contracts. Negative publicity related to our government contracts, regardless of whether it is accurate, may further damage our business by affecting our ability to compete for new contracts.

A decline in the U.S. Government defense budget, changes in budgetary priorities or timing of contract awards may adversely affect our business.

Our operating results could be adversely affected by spending caps or changes in the budgetary priorities of the U.S. Government or the Department of Defense (DoD), as well as delays in program starts or the award of contracts or task orders under contracts. Current U.S. Government spending levels for defense-related programs may not be sustained and future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations

and budgetary priorities may occur as a result of the rapid growth of the federal budget deficit, increasing political pressure and legislation. The U.S. Government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoD budgetary priorities, reduce overall U.S. Government spending or delay contract or task order awards for defense-related programs. In addition, changes to the DoD acquisition system and contracting models could affect whether and how we pursue certain opportunities and the terms under which we are able to do so. A significant decline in overall U.S. Government spending, the substantial reduction or elimination of particular defense-related programs or significant delays in contract or task order awards could adversely affect our business.

Governments may terminate, cancel, modify or curtail our contracts at any time prior to their completion.

Under our government contracts, the client generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decision by the client not to exercise contract options or to terminate, cancel, modify or curtail our programs or contracts would adversely affect our revenues, revenue growth and profitability.

We could incur significant liabilities and suffer negative publicity if people or properties are harmed by the products and systems we sell or the services we offer.

We design, develop, manufacture, sell, service and maintain various products and systems. In some instances, we also train operators of such products and systems. Many of these products and systems utilize software algorithms that are probabilistic in nature and subject to significant technical limitations. There are many factors, some of which are beyond our control, which could result in the failure of our products or systems. The failure of our products or systems could lead to injury, death, or extensive property damage and may lead to product liability, professional liability, or other claims against us. Further, if our products or systems fail, or are perceived to have failed, the negative publicity from such incident could have a material adverse effect on our business.

Changes in, or interpretations of, accounting principles could have a significant impact on our financial position and results of operations.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Additionally, the adoption of new or revised accounting principles may require that we make significant changes to our systems, processes and controls.

Our business can be adversely affected by downturns in the overall economy.

The markets that we serve are cyclical and subject to general economic conditions. The direction and relative strength of the global economy continues to be uncertain. If economic growth in the United States, where we primarily operate, slows, our clients may consolidate or go out of business and thus demand for our services could be reduced significantly.

Our quarterly results may vary.

Variations in our revenues and operating results occur from time to time, as a result of a number of factors, such as the significance of client engagements commenced and completed during a quarter, the timing of engagements, the number of working days in a quarter, employee hiring and utilization rates, and integration of companies acquired.

Because a high percentage of our expenses, particularly personnel and facilities related expenses, are relatively fixed in advance of any particular quarter, a variation in the timing of the initiation or the completion of our client assignments can cause significant variations in operating results from quarter to quarter.

The market price of our common stock may be volatile.

Many factors could cause the market price of our common stock to rise and fall. These include the risk factors listed above and below; changes in estimates of our performance or recommendations by securities analysts; future sales of shares of common stock in the public market; market conditions in the industry and economy as a whole; acquisitions or strategic alliances involving us or our competitors; restatement of financial results; and changes in accounting principles or methods. In addition, the stock market often experiences significant price fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, shareholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

There can be no assurance that we will continue to declare cash dividends or repurchase our shares at all or in any particular amounts.

Our Board of Directors has declared quarterly dividends since March 2013. Our intent to continue to pay quarterly dividends and to repurchase our shares is subject to capital availability and, in the case of dividends, periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all laws and agreements applicable to the declaration and payment of cash dividends by us. Future dividends and share repurchases may also be affected by, among other factors: our views on potential future capital requirements for investments, including acquisitions; legal risks; stock repurchase programs; changes in federal and state income tax laws or corporate laws; contractual restrictions; and changes to our business model. Our dividend payments and share repurchases may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares at all or in any particular amounts. A reduction or suspension in our dividend payments or share repurchase activity could have a negative effect on our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Silicon Valley office facilities consist of a 153,738 square foot building, with office and laboratory space located on a 6.3-acre tract of land we own in Menlo Park, California and an adjacent 27,000 square feet of leased warehouse storage space.

Our Test and Engineering Center (TEC) occupies 147 acres in Phoenix, Arizona. We lease this land from the state of Arizona under a 30-year lease agreement that expires in January 2028 and have options to renew for two fifteen-year periods. We constructed an indoor test facility as well as an engineering and test preparation building at the TEC.

In addition, we lease office, warehouse and laboratory space in 18 other locations in 13 states and the District of Columbia, as well as in Germany, China, Hong Kong, Switzerland and the United Kingdom. Leases for these offices, warehouse and laboratory facilities have terms generally ranging between one and ten years. Aggregate lease expense in fiscal 2015 for all leased properties was \$6,202,000.

Item 3. Legal Proceedings

Exponent is not engaged in any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Exponent's common stock is traded on the NASDAQ Global Select Market, under the symbol "EXPO." The following table sets forth for the fiscal periods indicated the high and low sales prices for our common stock. The share prices have been adjusted to give effect to the two-for-one stock split on May 28, 2015.

Stock prices by quarter	High	Low
Fiscal Year Ended January 2, 2015:		
First Quarter	\$38.95	\$32.86
Second Quarter	\$38.16	\$32.41
Third Quarter	\$38.82	\$34.92
Fourth Quarter	\$42.01	\$35.31
Fiscal Year Ended January 1, 2016:		
First Quarter	\$45.95	\$39.20
Second Quarter	\$48.50	\$41.50
Third Quarter	\$46.74	\$40.58
Fourth Quarter	\$54.73	\$45.66

As of February 19, 2016, there were 198 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe that there are considerably more beneficial holders of our common stock than record holders.

We paid \$15.5 million, \$13.0 million and \$7.9 million of dividends during fiscal 2015, 2014 and 2013, respectively. Total dividends paid per share were \$0.60, \$0.50 and \$0.30 during fiscal 2015, 2014 and 2013, respectively. On February 3, 2016, our Board of Directors announced a quarterly cash dividend of \$0.18 per share of the Company's common stock, payable March 25, 2016, to stockholders of record as of March 4, 2016. We anticipate paying quarterly dividends each year in March, June, September and December, subject to declaration by our Board of Directors. See Part II, "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

The following table provides information on the Company's share repurchases (of Company common stock) for the quarter ended January 1, 2016 (in thousands, except price per share):

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program
October 3 to October 30	-	\$ -	-	\$ 15,265
Additional funds authorized for share repurchases				\$ 35,000
October 31 to November 27	-	-	-	\$ 50,265
November 28 to January 1	67	\$ 52.32	67	\$ 46,765
Total	67	\$ 52.32	67	

The foregoing repurchases of the Company's common stock were effected pursuant to a repurchase program authorized by the Company's Board of Directors. On February 15, 2013, the Board of Directors authorized \$35,000,000 for the repurchase of the Company's common stock. On May 29, 2014, the Company's Board of Directors authorized an additional \$35,000,000 for the repurchase of the Company's common stock. On October 20, 2015, the Company's Board of Directors authorized an additional \$35,000,000 for the repurchase of the Company's common stock. These repurchase programs have no expiration dates. As of January 1, 2016, there remained \$46,765,000 available for repurchases under these authorizations.

COMPANY STOCK PRICE PERFORMANCE GRAPH

The graph compares the Company's cumulative total stockholder return calculated on a dividend-reinvested basis from 2010 through 2015 with those of the Standard & Poor's ("S&P") 500 Index and the S&P SmallCap 600 Index. The Company does not have a comparable peer group and thus has selected the S&P Small Cap 600 Index. The graph assumes that \$100 was invested on the last day of 2010. Note that the historic stock price performance is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

The following selected consolidated financial data are derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto, and with *Part II - "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations."*

(In thousands, except per share data)	Fiscal Year				
	2015	2014	2013	2012	2011
Consolidated Statements of Income Data:					
Revenues before reimbursements	\$295,705	\$289,209	\$280,043	\$266,562	\$246,667
Revenues	\$312,832	\$304,704	\$296,168	\$292,653	\$272,446
Operating income	\$68,933	\$63,549	\$55,946	\$57,620	\$53,460
Net income	\$43,599	\$40,701	\$38,640	\$37,225	\$32,695
Net income per share:					
Basic	\$1.64	\$1.51	\$1.42	\$1.35	\$1.16
Diluted	\$1.60	\$1.47	\$1.38	\$1.30	\$1.11
Cash dividends declared per share	\$0.60	\$0.50	\$0.30	\$-	\$-
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$125,751	\$129,490	\$122,948	\$113,268	\$84,439
Short-term investments	\$45,842	\$24,913	\$33,171	\$20,881	\$25,260
Working capital	\$192,312	\$176,153	\$171,402	\$156,016	\$130,510
Total assets	\$387,507	\$365,299	\$344,166	\$315,417	\$268,788
Long-term liabilities	\$44,229	\$41,666	\$36,960	\$27,217	\$21,298
Total stockholders' equity	\$262,804	\$244,288	\$235,059	\$216,429	\$186,715

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**OVERVIEW**

Exponent, Inc. is a science and engineering consulting firm that provides solutions to complex problems. Our multidisciplinary team of scientists, physicians, engineers, business and regulatory consultants brings together more than 90 different technical disciplines to solve complicated issues facing industry and government today. Our services

include analysis of products, people, property, processes and finances related to litigation, product recall, regulatory compliance, research, development and design.

CRITICAL ACCOUNTING ESTIMATES

In preparing our 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 accounting for revenue recognition and estimating the allowance for doubtful accounts and contract losses have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. We discuss below the assumptions, judgments and estimates associated with these policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. For further information on our critical accounting policies, see *“Note 1: Summary of Significant Accounting Policies”* of our *Notes to Consolidated Financial Statements*.

Revenue recognition. We derive our revenues primarily from professional fees earned on consulting engagements, fees earned for the use of our equipment and facilities, as well as reimbursements for outside direct expenses associated with the services that are billed to our clients.

Substantially all of our engagements are service contracts performed under time and material or fixed-price billing arrangements. For time and material and fixed-price service projects, revenue is generally recognized as the services are performed. For substantially all of our fixed-price service engagements, we recognize revenue based on the relationship of incurred labor hours at standard rates to our estimate of the total labor hours at standard rates we expect to incur over the term of the contract. Our estimate of total labor hours we expect to incur over the term of the contract is based on the nature of the project and our past experience on similar projects. We believe this methodology achieves a reliable measure of the revenue from the consulting services we provide to our customers under fixed-price contracts.

Significant management judgments and estimates must be made and used in connection with the revenues 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 we made different judgments or utilized different estimates, the amount and timing of our revenue for any period could be materially different.

All 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, we determine that collection of revenue is not reasonably assured, we do not recognize the revenue until its collection becomes reasonably assured, which in those situations would generally be upon receipt of cash. We assess collectability based on a number of factors, including past transaction history with the client, as well as the credit-worthiness 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.

Estimating the allowance for doubtful accounts and contract losses. We make estimates of our ability to collect accounts receivable and our unbilled but recognized work-in-process. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us or for disputes with customers that affect our ability to fully collect our accounts receivable and unbilled work-in-process, we record a specific allowance to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers we recognize allowances for doubtful accounts and contract losses taking into consideration factors such as historical write-offs, customer concentration, customer credit-worthiness, current economic conditions, and aging of amounts due.

The following table sets forth, for the periods indicated, the percentage of revenues of certain items in our consolidated statements of income and the percentage increase (decrease) in the dollar amount of such items year to year:

	PERCENTAGE OF REVENUES FOR FISCAL YEARS			PERIOD TO PERIOD CHANGE	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Revenues	100.0 %	100.0 %	100.0 %	2.7 %	2.9 %
Operating expenses:					
Compensation and related expenses	59.0	60.2	62.2	0.5	(0.3)
Other operating expenses	8.6	8.6	8.5	2.6	3.9
Reimbursable expenses	5.5	5.1	5.4	10.5	(3.9)
General and administrative expenses	4.9	5.2	5.0	(3.5)	7.7
	78.0	79.1	81.1	1.1	0.4
Operating income	22.0	20.9	18.9	8.5	13.6
Other income, net	0.7	1.4	2.7	(50.2)	(44.8)
Income before income taxes	22.7	22.3	21.6	4.7	6.3
Provision for income taxes	8.8	8.9	8.5	1.0	7.7
Net income	13.9 %	13.4 %	13.0 %	7.1 %	5.3 %

EXECUTIVE SUMMARY

Revenues for fiscal 2015 increased 3% and revenues before reimbursements increased 2% as compared to the prior year. The increase in revenues before reimbursements was due to an increase in billable hours and an increase in billing rates. We experienced demand for our consulting services from a diverse set of clients for both reactive and proactive projects.

During fiscal 2015, we experienced demand for our reactive services performing high profile accident and failure investigations and evaluating potentially significant product recalls.

We also experienced demand for our proactive consulting services, performing design evaluations of consumer electronics and medical devices in addition to regulatory consulting for the chemical and food industries.

During fiscal 2015, we had notable performances in several practices including our materials & corrosion engineering, biomedical engineering, and polymer science & materials chemistry practices, as well as our infrastructure group. We experienced strong demand from the consumer electronics industry, as our clients broadened their product offerings and needed assistance with the use of new materials. We also continued to assist clients in the biomedical industry with regulatory approvals and assessing the field performance of their products. Our infrastructure group benefited from increased commercial construction and infrastructure spending.

The low growth rate in revenues was due to one of our major investigations in our Environmental and Health segment ending in July of 2015 and a continued step down in the level of activity in our technology development practice due to constraints on defense spending and the withdrawal of United States and United Kingdom combat troops from Afghanistan.

The increase in revenues before reimbursements and low expense growth resulted in a 7% increase in net income to \$43,599,000 during fiscal 2015 as compared to \$40,701,000 during the prior year. Diluted earnings per share increased to \$1.60 per share as compared to \$1.47 during the prior year due to the increase in net income and the decrease to our share count from our ongoing share repurchase program.

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 emerging growth areas, managing other operating expenses, generating cash from operations, maintaining a strong balance sheet and undertaking activities such as share repurchases and dividends to enhance shareholder value.

OVERVIEW OF THE YEAR ENDED JANUARY 1, 2016

Our revenues consist of professional fees earned on consulting engagements, fees for use of our equipment and facilities, and reimbursements for outside direct expenses associated with the services performed that are billed to our clients.

We operate on a 52-53 week fiscal year with each year ending on the Friday closest to December 31st. The fiscal years ended January 1, 2016 and January 2, 2015 included 52 weeks of activity. The fiscal year ended January 3, 2014 included 53 weeks of activity. Fiscal 2016 will end on Friday, December 30, 2016.

During fiscal 2015, billable hours increased 1.6% to 1,125,000 as compared to 1,107,000 during fiscal 2014. The increase in billable hours was due to continued demand for our proactive and reactive consulting services.

Our utilization was 72% for fiscal 2015 and 2014. Technical full-time equivalent employees increased 1.3% to 751 during fiscal 2015 as compared to 741 during fiscal 2014 due to our recruiting and retention efforts. We continue to selectively hire key talent to expand our capabilities.

FISCAL YEARS ENDED JANUARY 1, 2016, AND JANUARY 2, 2015

Revenues

(In thousands except percentages)	Fiscal Years		Percent Change
	2015	2014	
Engineering and Other Scientific	\$237,959	\$223,384	6.5 %

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Percentage of total revenues	76.1	%	73.3	%
Environmental and Health	74,873		81,320	(7.9)%
Percentage of total revenues	23.9	%	26.7	%
Total revenues	\$312,832		\$304,704	2.7 %

The increase in revenues for our Engineering and Other Scientific segment was due to an increase in billable hours and an increase in billing rates. During fiscal 2015, billable hours for this segment increased by 5.2% to 835,000 as compared to 794,000 during fiscal 2014. The increase was due to demand for services in our materials & corrosion engineering, biomedical engineering, polymer science & materials chemistry practices, as well as our infrastructure group. Utilization increased to 75% for fiscal 2015 as compared to 74% for fiscal 2014. Technical full-time equivalents increased 3.5% to 537 for fiscal 2015 from 519 for fiscal 2014 due to our recruiting and retention efforts.

The decrease in revenues from our Environmental and Health segment was due to a decrease in billable hours. During fiscal 2015, billable hours for this segment decreased by 7.3% to 290,000 as compared to 313,000 during fiscal 2014. Utilization decreased to 65% for fiscal 2015 as compared to 68% for fiscal 2014. The decrease in billable hours and utilization was due to one of our major investigations ending in July of 2015 and weaker demand for our services in our health centers. Technical full-time equivalents decreased 3.6% to 214 during fiscal 2015 as compared to 222 for fiscal 2014 due to our efforts to align resources with anticipated demand.

Revenues are primarily derived from services provided in response to client requests or events that occur without notice and engagements are generally terminable or subject to postponement or delay at any time by our clients. As a result, backlog at any particular time is small in relation to our quarterly or annual revenues and is not a reliable indicator of revenues for any future periods.

Compensation and Related Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2015	2014	
Compensation and related expenses	\$184,502	\$183,533	0.5 %
Percentage of total revenues	59.0 %	60.2 %	

The increase in compensation and related expenses during fiscal 2015 was due to an increase in payroll, fringe benefits, and bonus expense partially offset by a change in the value of assets associated with our deferred compensation plan. During fiscal 2015 payroll and fringe benefits increased \$1,683,000 and \$971,000, respectively, due to the increase in technical full-time equivalent employees, our annual salary increase and, an increase in health insurance rates. Bonuses increased \$1,204,000 due to a corresponding increase in income before income taxes, before bonus expense, and before stock-based compensation expense. During fiscal 2015, deferred compensation expense decreased \$2,850,000 with a corresponding decrease to other income (expense), net, as compared with the prior year due to the change in value of assets associated with our deferred compensation plan. This decrease consisted of a decrease in the value of the plan assets of \$325,000 during fiscal 2015 as compared to an increase in the value of the plan assets of \$2,525,000 during fiscal 2014. We expect our compensation expense, excluding the change in value of deferred compensation plan assets, to increase as we selectively add new talent.

Other Operating Expenses

(In thousands except percentages)	Fiscal Years		Percent Change	
	2015	2014		
Other operating expenses	\$26,975	\$26,285	2.6	%
Percentage of total revenues	8.6	% 8.6	%	

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 computer expense of \$274,000, an increase in office expense of \$167,000, an increase in technical materials of \$150,000, and several individually insignificant increases, which were associated with the increase in technical full-time equivalent employees and investments in our corporate infrastructure. We expect other operating expense to grow as we selectively add new talent and make investments in our corporate infrastructure.

Reimbursable Expenses

(In thousands except percentages)	Fiscal Years		Percent Change	
	2015	2014		
Reimbursable expenses	\$17,127	\$15,495	10.5	%
Percentage of total revenues	5.5	% 5.1	%	

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The increase in reimbursable expenses was primarily due to an increase in project-related costs in our materials & corrosion engineering practice within our Engineering and Other Scientific segment. The amount of reimbursable expenses will vary from year to year depending on the nature of our projects.

General and Administrative Expenses

(In thousands except percentages)	Fiscal Years		Percent
	2015	2014	Change
General and administrative expenses	\$ 15,295	\$ 15,842	(3.5)%
Percentage of total revenues	4.9 %	5.2 %	

The decrease in general and administrative expenses during fiscal 2015 was primarily due to a decrease in legal fees of \$566,000 and a decrease in charitable contributions of \$507,000, partially offset by an increase in outside consulting services of \$218,000 and an increase in accounting fees of \$164,000. The decrease in legal fees was due to a decrease in costs associated with legal claims during fiscal 2015 as compared to fiscal 2014. The increase in outside consulting services was due to investments in our corporate infrastructure. We expect general and administrative expenses to increase as we selectively add new talent, expand our business development efforts, and pursue staff development initiatives.

Other Income (Expense), Net

(In thousands except percentages)	Fiscal Years		Percent
	2015	2014	Change
Other income and expense, net	\$ 2,200	\$ 4,416	(50.2)%
Percentage of total revenues	0.7 %	1.4 %	

Other income (expense), 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 excess space in our Silicon Valley facility. The decrease in other income (expense), net, was primarily due to the change in value of assets associated with our deferred compensation plan. During fiscal 2015, other income, net decreased \$2,850,000 with a corresponding decrease to deferred compensation expense as compared to fiscal 2014. This change consisted of a decrease in the value of the plan assets of \$325,000 during fiscal 2015 as compared to an increase in the value of the plan assets of \$2,525,000 during fiscal 2014.

Income Taxes

(In thousands except percentages)	Fiscal Years		Percent	
	2015	2014	Change	
Income taxes	\$27,534	\$27,264	1.0	%
Percentage of total revenues	8.8 %	8.9 %		
Effective tax rate	38.7 %	40.1 %		

The decrease in our effective tax rate was due to an increase in foreign earnings in jurisdictions with lower income tax rates and a decrease in state income taxes.

FISCAL YEARS ENDED JANUARY 2, 2015, AND JANUARY 3, 2014**Revenues**

(In thousands except percentages)	Fiscal Years		Percent	
	2014	2013	Change	
Engineering and Other Scientific	\$223,384	\$215,972	3.4	%
Percentage of total revenues	73.3 %	72.9 %		
Environmental and Health	81,320	80,196	1.4	%
Percentage of total revenues	26.7 %	27.1 %		
Total revenues	\$304,704	\$296,168	2.9	%

The increase in revenues for our Engineering and Other Scientific segment was due to an increase in billable hours and an increase in billing rates partially offset by fiscal 2014 having one less week of activity than fiscal 2013. During fiscal 2014, billable hours for this segment increased by 2.1% to 794,000 as compared to 778,000 during fiscal 2013. The increase was due to demand for services in our materials & corrosion engineering, biomedical engineering, polymer science & materials chemistry, human factors, and construction consulting practices. Utilization was 74% for both fiscal 2014 and fiscal 2013. Technical full-time equivalents increased 4.6% to 519 for fiscal 2014 from 496 for fiscal 2013 due to our recruiting and retention efforts.

The increase in revenues from our Environmental and Health segment was due to an increase in billable hours and an increase in billing rates partially offset by fiscal 2014 having one less week of activity than fiscal 2013. During fiscal

2014, billable hours for this segment increased by 1.3% to 313,000 as compared to 309,000 during fiscal 2013. Utilization increased to 68% for fiscal 2014 as compared to 65% for fiscal 2013. The increase in billable hours and utilization was due to demand for our services in our environmental sciences and ecological sciences practices. Technical full-time equivalents were 222 during fiscal 2014 as compared to 223 for fiscal 2013.

Compensation and Related Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2014	2013	
Compensation and related expenses	\$183,533	\$184,084	(0.3)%
Percentage of total revenues	60.2 %	62.2 %	

The decrease in compensation and related expenses during fiscal 2014 was due to a change in the value of assets associated with our deferred compensation plan partially offset by an increase in payroll and bonus expense. During fiscal 2014, deferred compensation expense decreased \$3,519,000 with a corresponding decrease to other income (expense), net, as compared with the prior year due to the change in value of assets associated with our deferred compensation plan. This decrease consisted of an increase in the value of the plan assets of \$2,525,000 during fiscal 2014 as compared to an increase in the value of the plan assets of \$6,044,000 during fiscal 2013. Payroll increased \$1,657,000 due to a 3.1% increase in technical full-time equivalent employees and the impact of our annual salary increases partially offset by fiscal 2014 having one less week of activity than fiscal 2013. Bonuses increased \$1,503,000 due to a corresponding increase in profitability.

Other Operating Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2014	2013	
Other operating expenses	\$26,285	\$25,299	3.9 %
Percentage of total revenues	8.6 %	8.5 %	

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 \$514,000 and an increase in depreciation and amortization of \$454,000. The increases in occupancy expense and depreciation and amortization were due to the continued expansion of our facilities to accommodate the increase in technical full-time equivalent employees.

Reimbursable Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2014	2013	
Reimbursable expenses	\$15,495	\$16,125	(3.9)%
Percentage of total revenues	5.1 %	5.4 %	

The decrease in reimbursable expenses was primarily due to a decrease in project-related costs in our technology development practice in our Engineering and Other Scientific segment. The amount of reimbursable expenses will vary from year to year depending on the nature of our projects.

General and Administrative Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2014	2013	
General and administrative expenses	\$15,842	\$14,714	7.7 %
Percentage of total revenues	5.2 %	5.0 %	

The increase in general and administrative expenses during fiscal 2014 was primarily due to an increase in travel and meals of \$561,000 and an increase in contributions of \$506,000. The increase in travel and meals was due to a firm-wide managers' meeting held during the third quarter of 2014.

Other Income (Expense), Net

(In thousands except percentages)	Fiscal Years		Percent Change
	2014	2013	
Other income and expense, net	\$4,416	\$7,999	(44.8)%
Percentage of total revenues	1.4 %	2.7 %	

Other income (expense), 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 excess space in our Silicon Valley facility. The decrease in other income (expense), net, was primarily due to the change in value of assets associated with our deferred compensation plan. This change consisted of an increase in the value of the plan assets of \$2,525,000 during fiscal 2014 as compared to an increase in the value of the plan assets of \$6,044,000 during fiscal 2013.

Income Taxes

(In thousands except percentages)	Fiscal Years		Percent	
	2014	2013	Change	
Income taxes	\$27,264	\$25,305	7.7	%
Percentage of total revenues	8.9 %	8.5 %		
Effective tax rate	40.1 %	39.6 %		

The increase in income taxes was due to a corresponding increase in pre-tax income. The increase in our effective tax rate was due to manufacturing deductions claimed in fiscal 2013. These manufacturing deductions were non-recurring.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands)	Fiscal Years		
	2015	2014	2013
Net cash provided by (used in):			
Operating activities	\$60,489	\$48,252	\$61,792
Investing activities	\$(27,035)	\$2,435	\$(18,880)
Financing activities	\$(36,916)	\$(43,128)	\$(33,769)

We financed our business in fiscal 2015 through available cash and cash flows from operating activities. We invest our excess cash in cash equivalents and short-term investments. As of January 1, 2016, our cash, cash equivalents and short-term investments were \$171,593,000 compared to \$154,403,000 at January 2, 2015. We believe our existing balances of cash, cash equivalents and short-term investments will be sufficient to satisfy our working capital needs, capital expenditures, outstanding commitments, stock repurchases, dividends and other liquidity requirements over at least the next 12 months.

Generally, our net cash provided by operating activities is used to fund our day-to-day operating activities. First quarter operating cash requirements are generally higher due to payment of our annual bonuses accrued during the prior year. Our largest source of operating cash flows is cash collections from our clients. Our primary uses of cash from operating activities are for employee-related expenditures, leased facilities, taxes, and general operating expenses including marketing and travel.

Net cash provided by operating activities was \$60.5 million for fiscal 2015 as compared to \$48.3 million and \$61.8 million in fiscal 2014 and 2013, respectively. The increase in net cash provided by operating activities during fiscal 2015 as compared to fiscal 2014 was primarily due to an increase in cash receipts from clients. The decrease in net cash provided by operating activities during fiscal 2014, as compared to fiscal 2013, was due to a decrease in cash receipts from clients. Accounts receivable increased during fiscal 2014 as compared to a decrease during fiscal 2013.

During fiscal 2015, 2014 and 2013, net cash provided by (used in) investing activities was primarily related to the purchase and sale or maturity of short-term investments.

The decrease in net cash used in financing activities during fiscal 2015, as compared to fiscal 2014, was due to a decrease in repurchases of our common stock partially offset by an increase in our quarterly dividend payments. The increase in net cash used in financing activities during fiscal 2014, as compared to fiscal 2013, was due to an increase in our quarterly dividend payments and an increase in repurchases of our common stock.

We expect to continue our investing activities, including capital expenditures. Furthermore, cash reserves may be used to repurchase common stock under our stock repurchase programs, pay dividends, procure facilities and equipment or strategically acquire professional service firms that are complementary to our business.

The following schedule summarizes our principal contractual commitments as of January 1, 2016 (in thousands):

Fiscal year	Operating lease commitments	Purchase Obligations	Total
2016	\$ 7,919	\$ 432	\$8,351
2017	5,780	-	5,780
2018	3,221	-	3,221
2019	2,062	-	2,062
2020	1,151	-	1,151
Thereafter	1,444	-	1,444
	\$ 21,577	\$ 432	\$22,009

The above table does not reflect unrecognized tax benefits of \$1,878,000, the timing of which is uncertain. Refer to "Note 7: Income Taxes" of the *Notes to Consolidated Financial Statements* for additional discussion on unrecognized tax benefits.

On December 14, 2015, we entered into an agreement to purchase a 1.1 acre parcel of land with 27,000 square feet of warehouse storage space in Menlo Park, California adjacent to our owned office and lab facilities. We have leased this warehouse storage space for the past 25 years. The total purchase price is \$8,250,000. On February 18, 2016 all of the purchase contingencies were released and we expect the sale to close in the next year.

We maintain nonqualified deferred compensation plans for the benefit of a select group of highly compensated employees. Vested amounts due under the plans of \$40,322,000 were recorded as a long-term liability on our consolidated balance sheet at January 1, 2016. Company assets that are earmarked to pay benefits under the plans are held in a rabbi trust and are subject to the claims of our creditors. As of January 1, 2016, invested amounts under the plans of \$36,522,000 were recorded as a long-term asset on our 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 the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

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. We regard 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 fiscal years 2015, 2014 and 2013:

(in thousands, except percentages)

	Fiscal Years		
	2015	2014	2013
Revenues before reimbursements	\$295,705	\$289,209	\$280,043
EBITDA	\$76,405	\$73,219	\$68,769
EBITDA as a % of revenues before reimbursements	25.8 %	25.3 %	24.6 %

The increase in EBITDA as a percentage of revenues before reimbursements for fiscal 2015 as compared to fiscal 2014 was primarily due to the increase in revenues before reimbursements and low expense growth.

The increase in EBITDA as a percentage of revenues before reimbursements for fiscal 2014 as compared to fiscal 2013 was primarily due to an increase in utilization. Utilization for fiscal 2014 increased to 72% as compared to 71% during fiscal 2013 due to strong demand for our consulting services from a diverse set of clients for both reactive and proactive projects and our management of headcount to align resources with anticipated demand.

The following table is a reconciliation of EBITDA and EBITDAS to the most comparable GAAP measure, net income, for fiscal 2015, 2014 and 2013:

(in thousands)

	Fiscal Years		
	2015	2014	2013
Net Income	\$43,599	\$40,701	\$38,640
Add back (subtract):			
Income taxes	27,534	27,264	25,305
Interest income, net	(207)	(150)	(127)
Depreciation and amortization	5,479	5,404	4,951
EBITDA	76,405	73,219	68,769
Stock-based compensation	12,959	13,079	13,168
EBITDAS	\$89,364	\$86,298	\$81,937

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Exponent is 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 of cash equivalents and short-term investments 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 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 investment portfolio. 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.

We have foreign currency risk related to our revenues and expenses denominated in currencies other than the U.S. dollar, primarily the British Pound, the Euro, and the Chinese Yuan. Accordingly, changes in exchange rates may negatively affect the revenues and net income of our foreign subsidiaries as expressed in U.S. dollars. Our foreign currency risk is primarily in our Environmental and Health operating segment.

At January 1, 2016, we had net assets of approximately \$5.9 million with a functional currency of the British Pound, net assets of approximately \$2.5 million with a functional currency of the Euro, and net assets of approximately \$2.5 million with a functional currency of the Chinese Yuan associated with our operations in the United Kingdom, Germany, and China, respectively.

We also have foreign currency risk related to foreign currency transactions and monetary assets and liabilities denominated in currencies that are not the functional currency. We have experienced and will continue to experience fluctuations in our net income as a result of gains (losses) on these foreign currency transactions and the re-measurement of monetary assets and liabilities. At January 1, 2016, we had net assets denominated in the non-functional currency of approximately \$3.0 million. As such, a ten percent change in the value of the local currency would result in \$0.3 million foreign currency gain or loss in our results of operations.

We do not use foreign exchange contracts to hedge any foreign currency exposures. To date, the impacts of foreign currency exchange rate changes on our consolidated revenues and consolidated net income have not been material. However, our continued international expansion increases our exposure to exchange rate fluctuations and as a result such fluctuations could have a significant impact on our future results of operations.

Item 8. Financial Statements and Supplementary Data

See Item 15 of this Form 10-K for required financial statements and supplementary data.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

KPMG LLP, an independent registered public accounting firm, has audited the internal control over financial reporting of Exponent, Inc., as stated in their report which is included in Part IV, Item 15 of this Form 10-K.

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13(a)-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

(b) Management’s Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance, but not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that

controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of January 1, 2016.

(c) **Changes in Internal Control Over Financial Reporting.**

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K. We intend to file a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information included therein is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for its 2016 Annual Meeting of Stockholders (the "Proxy Statement"). See Item 1 for information regarding the executive officers of the Company.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the Proxy Statement. See also the table on the Company's share repurchases in Part II, Item 5 above.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. Financial Statements

The following consolidated financial statements of Exponent, Inc. and subsidiaries and the Report of Independent Registered Public Accounting Firm are included herewith:

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	33
<u>Consolidated Statements of Income for the years ended January 1, 2016, January 2, 2015 and January 3, 2014</u>	34
<u>Consolidated Statements of Comprehensive Income for the years ended January 1, 2016, January 2, 2015 and January 3, 2014</u>	35
<u>Consolidated Balance Sheets as of January 1, 2016 and January 2, 2015</u>	36
<u>Consolidated Statements of Stockholders' Equity for the years ended January 1, 2016, January 2, 2015 and January 3, 2014</u>	37
<u>Consolidated Statements of Cash Flows for the years ended January 1, 2016, January 2, 2015 and January 3, 2014</u>	39
<u>Notes to Consolidated Financial Statements</u>	40

2. Financial Statement Schedules

The following financial statement schedule of Exponent, Inc. for the years ended January 1, 2016, January 2, 2015 and January 3, 2014 is filed as part of this Report and should be read in conjunction with the consolidated financial statements of Exponent, Inc. and subsidiaries:

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Schedule II - Valuation and Qualifying Accounts 59

Schedules other than those listed above have been omitted since they are either not required, not applicable, or the information is otherwise included elsewhere in the report.

3. Exhibits

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(a) Exhibit Index 61

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Exponent, Inc.:

We have audited the accompanying consolidated balance sheets of Exponent, Inc. and subsidiaries as of January 1, 2016 and January 2, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 1, 2016. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedule II. We also have audited the internal control over financial reporting of Exponent, Inc. as of January 1, 2016, based on *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The management of Exponent, Inc. is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting, appearing under Item 9A(b). Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule II, and an opinion on the internal control over financial reporting of Exponent, Inc. based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding

prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Exponent, Inc. and subsidiaries as of January 1, 2016 and January 2, 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended January 1, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein. Also in our opinion, Exponent, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 1, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP
San Francisco, California
February 26, 2016

Exponent, Inc. and Subsidiaries

Consolidated Statements of Income

(In thousands, except per share data)	Fiscal Years		
	2015	2014	2013
Revenues:			
Revenues before reimbursements	\$295,705	\$289,209	\$280,043
Reimbursements	17,127	15,495	16,125
Revenues	312,832	304,704	296,168
Operating expenses:			
Compensation and related expenses	184,502	183,533	184,084
Other operating expenses	26,975	26,285	25,299
Reimbursable expenses	17,127	15,495	16,125
General and administrative expenses	15,295	15,842	14,714
	243,899	241,155	240,222
Operating income	68,933	63,549	55,946
Other income:			
Interest income	207	150	127
Miscellaneous income, net	1,993	4,266	7,872
Income before income taxes	71,133	67,965	63,945
Provision for income taxes	27,534	27,264	25,305
Net income	\$43,599	\$40,701	\$38,640
Net income per share:			
Basic	\$1.64	\$1.51	\$1.42
Diluted	\$1.60	\$1.47	\$1.38
Shares used in per share computations:			
Basic	26,606	26,910	27,232
Diluted	27,298	27,666	28,050
Cash dividends declared per common share	\$0.60	\$0.50	\$0.30

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries**Consolidated Statements of Comprehensive Income**

(In thousands)	Fiscal Years		
	2015	2014	2013
Net income	\$43,599	\$40,701	\$38,640
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax of \$(38), \$304, and \$(187), respectively	(822)	(1,017)	373
Unrealized gain (loss) arising during the period on investments, net of tax of \$53, \$(3), and \$10, respectively	(79)	4	(14)
Comprehensive income	\$42,698	\$39,688	\$38,999

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries**Consolidated Balance Sheets**

(In thousands, except par value)	January 1, 2016	January 2, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 125,751	\$ 129,490
Short-term investments	45,842	24,913
Accounts receivable, net of allowance for contract losses and doubtful accounts of \$2,792 and \$3,386, respectively	88,577	86,368
Prepaid expenses and other assets	12,616	14,727
Total current assets	272,786	255,498
Property, equipment and leasehold improvements, net	28,485	28,264
Goodwill	8,607	8,607
Deferred income taxes	39,456	35,614
Deferred compensation plan assets	36,522	36,195
Other assets	1,651	1,121
	\$ 387,507	\$ 365,299
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,580	\$ 8,935
Accrued payroll and employee benefits	62,092	62,184
Deferred revenues	7,802	8,226
Total current liabilities	80,474	79,345
Other liabilities	1,913	1,862
Deferred compensation	40,322	37,745
Deferred rent	1,994	2,059
Total liabilities	124,703	121,011
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.001 par value; 2,000 shares authorized; no shares outstanding	-	-
Common stock, \$.001 par value; 80,000 shares authorized; 32,853 shares issued	33	33
Additional paid-in capital	179,816	160,208
Accumulated other comprehensive income (loss)		
Investment securities, available for sale	(65) 14

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Foreign currency translation adjustments	(1,740)	(918)
	(1,805)	(904)
Retained earnings	269,259	246,961
Treasury stock, at cost: 7,133 and 7,111 shares held, respectively	(184,499)	(162,010)
Total stockholders' equity	262,804	244,288
	\$387,507	\$365,299

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 28, 2012	32,853	\$ 33	\$ 123,676	\$ (250)	\$ 206,057	6,442	\$(113,087)	\$ 216,429
Employee stock purchase plan	-	-	648	-	-	(38)	518	1,166
Exercise of stock options, net of swaps	-	-	(302)	-	(1,031)	(122)	1,627	294
Excess tax benefit for equity incentive plans	-	-	4,267	-	-	-	-	4,267
Amortization of unrecognized stock-based compensation	-	-	7,107	-	-	-	-	7,107
Purchase of treasury shares	-	-	-	-	-	876	(25,011)	(25,011)
Foreign currency translation adjustments	-	-	-	373	-	-	-	373
Grant of restricted stock units to settle accrued bonus	-	-	5,807	-	-	-	-	5,807
Settlement of restricted stock units	-	-	(273)	-	(9,352)	(431)	3,597	(6,028)
Unrealized loss on investments	-	-	-	(14)	-	-	-	(14)
Dividends and dividend equivalent rights	-	-	303	-	(8,274)	-	-	(7,971)
Net income	-	-	-	-	38,640	-	-	38,640
Balance at January 3, 2014	32,853	\$ 33	\$ 141,233	\$ 109	\$ 226,040	6,727	\$(132,356)	\$ 235,059
Employee stock purchase plan	-	-	810	-	-	(32)	337	1,147
Exercise of stock options, net of swaps	-	-	67	-	-	(84)	893	960
Excess tax benefit for equity incentive plans	-	-	5,100	-	-	-	-	5,100
Amortization of unrecognized stock-based compensation	-	-	6,792	-	-	-	-	6,792
Purchase of treasury shares	-	-	-	-	-	850	(30,921)	(30,921)

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Foreign currency translation adjustments	-	-	-	(1,017)	-	-	-	(1,017)
Grant of restricted stock units to settle accrued bonus	-	-	6,008	-	-	-	-	6,008
Settlement of restricted stock units	-	-	(343)	-	(6,050)	(350)	37	(6,356)
Unrealized gain on investments	-	-	-	4	-	-	-	4
Dividends and dividend equivalent rights	-	-	541	-	(13,730)	-	-	(13,189)
Net income	-	-	-	-	40,701	-	-	40,701
Balance at January 2, 2015	32,853	\$ 33	\$ 160,208	\$ (904)	\$ 246,961	7,111	\$(162,010)	\$ 244,288

See accompanying notes to the Consolidated Financial Statements.

(In thousands)	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at January 2, 2015	32,853	\$ 33	\$ 160,208	\$ (904)	\$ 246,961	7,111	\$(162,010)	\$ 244,288
Employee stock purchase plan	-	-	836	-	-	(27)	350	1,186
Exercise of stock options, net of swaps	-	-	(94)	-	-	(150)	1,922	1,828
Excess tax benefit for equity incentive plans	-	-	6,396	-	-	-	-	6,396
Amortization of unrecognized stock-based compensation	-	-	6,618	-	-	-	-	6,618
Purchase of treasury shares	-	-	-	-	-	530	(23,314)	(23,314)
Foreign currency translation adjustments	-	-	-	(822)	-	-	-	(822)
Grant of restricted stock units to settle accrued bonus	-	-	6,169	-	-	-	-	6,169
Settlement of restricted stock units	-	-	(975)	-	(4,943)	(331)	(1,447)	(7,365)
Unrealized loss on investments	-	-	-	(79)	-	-	-	(79)
Dividends and dividend equivalent rights	-	-	658	-	(16,358)	-	-	(15,700)
Net income	-	-	-	-	43,599	-	-	43,599
Balance at January 1, 2016	32,853	\$ 33	\$ 179,816	\$ (1,805)	\$ 269,259	7,133	\$(184,499)	\$ 262,804

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)	Fiscal Years		
	2015	2014	2013
Cash flows from operating activities:			
Net income	\$43,599	\$40,701	\$38,640
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, equipment and leasehold improvements	5,479	5,404	4,951
Amortization of premiums and accretion of discounts on short-term investments	595	885	340
Deferred rent expense	(65)	(273)	800
Provision for doubtful accounts and contract losses	929	1,718	1,705
Stock-based compensation	12,959	13,079	13,168
Deferred income tax provision	(3,827)	(6,077)	(3,398)
Excess tax benefit for equity incentive plans	(6,396)	(5,100)	(4,267)
Changes in operating assets and liabilities:			
Accounts receivable	(3,138)	(11,106)	6,676
Prepaid expenses and other assets	421	(5,320)	(4,596)
Accounts payable and accrued liabilities	7,718	6,142	3,002
Accrued payroll and employee benefits	2,639	6,744	4,665
Deferred revenues	(424)	1,455	106
Net cash provided by operating activities	60,489	48,252	61,792
Cash flows from investing activities:			
Capital expenditures	(5,379)	(4,947)	(6,226)
Purchase of short-term investments	(43,946)	(5,260)	(33,422)
Maturity of short-term investments	22,290		