EXPONENT INC
Form 10-K
February 28, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 28, 2012.**
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 x

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 x

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 x 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 x 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 x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant based on the closing sales price of the Common Stock as reported on the NASDAQ National Market on June 29, 2012, the last business day of the registrant's most recently completed second quarter, was $585,921,945. 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 June 29, 2012 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 issuer's Common Stock outstanding as of February 15, 2013 was 13,130,717.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for the Registrant's 2013 Annual Meeting of Stockholders to be held on May 30, 2013, are incorporated by reference into Part III of this Form 10-K.

EXPONENT, INC.

FORM 10-K ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 28, 2012

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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,” “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, tort reform and liabilities resulting from claims made against us. Additional risks and uncertainties are discussed in this 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

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. Exponent, Inc. (together with its subsidiaries, “Exponent” or the “Company”) 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.

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 service. Our services in failure prevention and technology evaluation have grown as the technological complexity of products has increased over the years.

Pricing and Terms of Engagements

We provide our services on either a fixed-price basis or on a time and material basis, charging hourly rates for each staff member involved in a project, based on his or her skills and experience. Our standard rates for professionals range from $150 to $600 per hour. Our engagement agreements typically provide for monthly billing, require payment of our invoices within 30 days of receipt and permit clients to terminate engagements at any time. Clients normally agree to indemnify us and our personnel against liabilities arising out of the use or application of the results of our work or recommendations.

SERVICES

Exponent provides high quality engineering and scientific consulting services to clients around the world. Our service offerings are provided on a project-by-project basis. Many projects require support from multiple practices. We currently operate 23 practices and centers in two operating segments, Engineering and other scientific and Environmental and health:

ENGINEERING AND OTHER SCIENTIFIC

- Biomechanics
- Biomedical Engineering

- Buildings & Structures
- Civil Engineering
- Construction Consulting
- Defense Technology Development
- Electrical Engineering & Computer Science
- Engineering Management Consulting
- Human Factors
- Industrial Structures
- Materials & Corrosion Engineering
- Mechanical Engineering
- Polymer Science & Materials Chemistry
- Statistical & Data Sciences
- Thermal Sciences
- Vehicle Analysis

ENVIRONMENTAL AND HEALTH

- Chemical Regulation & Food Safety
- Ecological & Biological Sciences
- Environmental & Earth Sciences

- Epidemiology, Biostatistics & Computational Biology
- Exposure Assessment & Dose Reconstruction
- Occupational Medicine & Environmental Health
- Toxicology & Mechanistic Biology

ENGINEERING AND OTHER SCIENTIFIC

Biomechanics

Our biomechanics staff 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 and motor cars. They also looked at the implications of using protective devices (such as restraint systems and helmets) on reducing potential injuries and assessed injuries in the workplace, during recreational activities and in the home.

Biomedical Engineering

Our Biomedical Engineering Practice applies engineering principles to the medical field, including the evaluation of designs and performance of medical devices and biotechnology. Our engineers and scientists assist clients with characterization of biomaterials, biological tissues, and medical devices. As part of 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 included 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. Finally, we continue to pursue activities to address green/sustainable building issues from both construction as well as human health perspectives.

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, dam and levee failures and earthwork construction claims. We also provide peer review services for complicated structures including for large international projects. 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 landslides, retaining wall and foundation failures, large construction claims, flooding and sediment transport, and peer review of large retaining wall designs. 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, and financial damages services. During the past year, we expanded the practice by leveraging key client relationships in several construction sectors including energy 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 and are involved in a wide range of projects – from complex construction and capital projects to Department of Defense aerospace and defense procurements.

Our projects include many sectors of the construction industry as well as facilities and systems which include power plants, transmission and distribution facilities, petrochemical facilities, water/wastewater treatment plants, bridges and roads, marine structures, rail systems, tunnels, airports, detention facilities, commercial buildings, institutional buildings, industrial and manufacturing facilities, sporting arenas, resorts and gaming facilities, rotary and fixed-wing aircraft, shipbuilding, missiles, missile defense systems, simulators and space launch vehicles. We provide services to most construction, aerospace and defense industry participants: owners, lending agencies, prime contractors, subcontractors, designers, attorneys and insurance carriers.

Defense Technology Development

Drawing on our multidisciplinary science, engineering, testing, failure analysis, and failure prevention expertise, our Defense Technology Development Practice specializes in harnessing advanced technologies and practices from the commercial world to deliver innovation to our defense clients. We identify and leverage the best in commercial off-the-shelf technologies combined with custom development to deliver solutions ranging from fully integrated systems to mission support modules. Our focus is on cost effectiveness, ease of use, reliability, high quality and speed of engineering design and execution. Our engineers and scientists continue to work in Afghanistan war zone laboratories embedded with U.S. and NATO military personnel to ensure we understand their problems and can rapidly deliver solutions to high priority military technology capability gaps.

During the past year we continued to refine our subsurface threat detection system to provide a real-time Improvised Explosive Device (IED) and mine detection capability for a range of ground vehicles. Internationally, additional IED detection system deliveries were made to the U.K. Ministry of Defence for their operationally deployed route clearance capability. With the U.S. military, we completed a major development program to deliver next-generation Ground Penetrating Radar (GPR) capability and performance. Our sales in the area of ISR (Intelligence, Surveillance and Reconnaissance) have continued with both the Rapid Deployment Integrated Surveillance Systems and the Mid-Range Thermal Imager System for soldiers in Afghanistan. We have increased our deployed engineer presence by operating the U.S. Army Rapid Equipping Force mobile expeditionary laboratories – or Ex-Labs. Also over the past year, we have expanded our mission support and technology evaluation services in the areas of personnel

identification, radio-frequency identification, physical and logical access control, biometrics, smart credentials, and data analytics for cyber security.

Electrical Engineering & Computer Science

Our team of electrical engineers and computer scientists performs a wide array of investigations ranging from electric power systems and equipment to integrated circuits, and contributes to safer, more reliable designs in new products. We operate laboratories for testing both heavy equipment and electronics. In addition we have a broad capability in analyzing computer software.

Our computer science expertise 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. Our team of electrical engineers performs a wide array of investigations ranging from electric power systems to semiconductor devices. We operate laboratories for testing both software and light electronic equipment.

Engineering Management Consulting

This practice provides multi-disciplinary expertise and rapid response to assist clients with technical and management consulting services, often in extremely short time frames. Our consultants provide services in the areas of asset strategy and planning, project management, engineering, construction, maintenance, operations, environmental, and risk analysis. This practice primarily services the electric and gas utility industries, focusing on transmission and distribution as well as fossil fuel and nuclear generation.

We provide unique and advanced services in performing risk and reliability assessments. Our scientists and engineers assist our clients in minimizing losses in their business or 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 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 staff 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 of regulatory guidelines related to products and worked 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.

During the past year our consultants published results of a study which reviewed the effects of low illumination on drivers and their ability to gauge the relative speed of, and distance to, visible objects. This paper, based on years of research in automotive human factors determined the difference between when a hazard can be detected and when the hazard must be detected to avoid collision. The magnitude of the difference can play a critical role in determining whether a collision may have been avoided in specific situations of low illuminance driving.

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 Düsseldorf office 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 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, close-to-reality assessment of a wide variety of structures such as cracked reinforced concrete structures, multi-layer refractories or masonry towers is provided. Beyond industrial structures, more and more commercial property projects are becoming part of this practice.

Materials & Corrosion Engineering

Our in-depth knowledge of materials and electrochemistry, combined with the breadth of collective expertise in many areas of engineering and science, is used to understand how and why materials fail, as well as to prevent future failures. Our engineers and scientists use their broad background in field investigations, root-cause assessments, and materials engineering to solve complex problems for both industrial and legal clients. During the past year we conducted failure analysis, failure prevention, and integrity assessment investigations for a wide variety of clients including medical, aerospace, chemical processing, pipeline, automotive, construction, consumer electronics, recreational, and other industries.

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 for a variety of industries, including transportation, heavy industry, energy, and consumer products. 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 valuable 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. A recent area of study for the practice is an interdisciplinary evaluation of the effect of hydraulic fracturing operations on equipment as well as the environment and health of workers and people in the surrounding area.

Polymer Science & Materials Chemistry

Our polymer science and materials chemistry staff consults with industrial, government, and insurance clients, as well as their outside counsels, regarding polymers and textiles used in diverse applications and 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 power systems when challenged by physical, chemical, thermal and other operational stresses.

Our consultants participate in product development programs, perform failure analyses and provide support to clients involved in regulatory and legal proceedings. During the past year, significant program activities addressed combination drug devices, consumer electronics, medical devices, numerous battery-related applications, materials science aspects of health risk, industrial and high-performance textiles, coatings, plastics performance, sustainability, and polymer-related intellectual property, including trade secrets.

Statistical & Data Sciences

Our Statistical & Data Sciences staff 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, investigated data mining methods to improve classification tools, examined the field reliability of electronic networks and computer equipment, and analyzed the extent of environmental pollution and its effects on natural resources and human health.

Thermal Sciences

We have investigated and analyzed thousands of fires and explosions ranging from high loss disasters at manufacturing facilities to small insurance claims. Information gained from these analyses has helped us assist clients in assessing preventive measures related to the design of their products. Based on our investigation experience, we also assist industry to minimize their risk of fires and explosions, provide regulatory consulting for permitting new industrial facilities, and assist manufacturers in addressing allegations of the risk of fires associated with consumer

products. Our engineers use fire modeling and other computational fire 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.

During the past year, a multi-disciplinary team of thermal science, mechanical engineering and materials and polymer scientists reviewed the impact of the use of lithium-ion batteries in a variety of consumer products. We also have expanded our work in the Liquefied Natural Gas (LNG) area assessing the potential impact of the risks posed by a LNG or flammable refrigerant release at a LNG facility to populations. We also perform hazard and risk analyses to identify and mitigate the likelihood and consequences of these potential releases.

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 add insight and proficiency to every project.

ENVIRONMENTAL AND HEALTH

Chemical Regulation & Food Safety

Our Center for Chemical Regulation and Food Safety includes experienced staff of 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, products of biotechnology, cosmetics and industrial chemicals. We provide practical, creative, 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 & food safety staff have conducted a wide array of work. The European and U.S. sides of the Center were jointly involved with the submission of a new pesticide active ingredient and end-use product under Global Joint Review. The European side of our business was involved with many projects related to plant protection product regulatory submissions, from new active substances to product-specific dossiers for individual member states. In addition, we provided many specialist assessments relating to human and environmental exposure and product efficacy. The REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) team is working extensively on submissions for the May 2013 submission deadline. We continue to support safety assessments for food and cosmetics products. In the U.S. we continued to provide services related to pesticide active ingredient and end-use product development and registrations in the U.S. and Canada, registration review, 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 chemical approvals. Our food safety consultants assisted 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, novel remediation methods, restoration of wetlands and other natural resources, large development projects, resource utilization (mineral mining, oil and gas, wood pulp), and the use of chemicals and other products in commerce. The practice specializes in assessing the fate and effects of chemical, biological, and physical stressors on aquatic and terrestrial ecosystems. The practice is comprised of nationally recognized experts that cover disciplines related to the ecological implications and risks associated with these projects. The practice recently expanded to include services related to sustainability.

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 manufacturing, mining and minerals, oil and gas, chemicals, forest products, railroads, aerospace, and trade associations. Our consultants specialize in the areas of environmental chemistry and forensics, hydrogeology, air toxics, modeling and monitoring, remediation consulting, environmental engineering and waste management, and evaluation of environmental and social risks for large international capital projects. Our work often involves complex and high visibility environmental scenarios, claims, or toxic tort matters, where evaluation of contamination and historical reconstruction of events, releases, and doses are central to problem resolution.

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.

Our health economics and outcomes research scientists determine the value of new medical technologies. We specialize in evaluating the impact of pharmaceuticals, medical devices, biotechnology products, and diagnostics on treatment patterns, medical care resource utilization, and health care costs; we assess the changes in health outcomes that result from new medical technologies, including decreased mortality, reduced disease cases or symptoms, improved quality of life, and increased patient satisfaction; and we quantify changes in health outcomes relative to their costs and to the costs of competing health care interventions, allowing assessment of the appropriate value for these new medical technologies.

Exposure Assessment & Dose Reconstruction

Exposure assessment is the science of estimating human exposure to chemical, physical, and biological agents, accounting for the frequency, magnitude, and duration of the exposure events. Exposure estimates can be compared to toxicity benchmarks or guidelines to assess potential risks to human health, and provide critical inputs to human epidemiology studies, risk assessment, and regulatory compliance.

Our staff characterize potential exposures to evaluate health risks posed by chemical or physical agents. We are skilled in estimating multiple routes of exposure from consumer products, indoor air releases, and environmental releases of chemicals. We apply these skills in support of evaluations of a variety of potential sources of exposure including consumer products, indoor air releases, ambient air releases, and contaminated soil and water. We apply these evaluations to help companies evaluate product safety questions and evaluate compliance with the growing number of product safety regulations.

Our atmospheric scientists provide air quality and meteorological modeling, permitting, and licensing support services. Scientists in our Center investigate potential and accidental releases of chemicals to the atmosphere, simulate transport and fate of chemical substances, and develop measures of prevention and control, such as emergency preparedness and response. We also apply our skills to helping clients evaluate health risks associated with contaminated soil and groundwater.

Occupational Medicine & Environmental Health

This Center is composed of industrial hygienists, safety professionals, physicians, and other scientists, with specialized training in the anticipation, recognition, evaluation, risk assessment and control of human health hazards in occupational and other environmental settings.

Our staff assists and responds to clients facing health-related exposure issues or allegations of past exposures. Exposures may involve workers or the public, take place at industrial or office environments, at single family residences or multi-tenant buildings, involve consumer products or manufacturing processes. We help to investigate a broad variety of health concerns such as evaluating claims of illnesses from exposures to chemicals, dusts, molds and micro-organisms. We can assist in developing 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 and sanitation. We have also been called to assist companies with their preventive health and safety program needs in the workplace and we can provide external verification of health services performance.

Toxicology & Mechanistic Biology

We have exceptional expertise and depth in toxicology and mechanistic biology. We provide knowledge and experience that improves decisions affecting the regulation of important substances in commerce. We work with our clients to resolve important issues that affect the safe use of a wide variety of substances. We evaluate the mechanisms by which substances can affect complex biological systems, provide perspectives on potential effects at realistic human and environmental exposure levels, and develop strategies to manage human health and environmental risks. We are recognized for our outstanding credentials and decades of experience from government, academia and industry.

During the past year we continued to provide toxicology and clinical toxicology support in nearly all phases of pharmaceutical and combination drug development from preclinical studies to post-marketing safety assessments. We reviewed existing data and developed new studies on potential endocrine toxicity of chemical substances. We continue to be very active in developing and reviewing data for the U.S. Environmental Protection Agency Endocrine Disruptor Screening Program. We are also extremely active in the research related to the identification, assessment, and prioritization of risks (the probability of adverse effects) associated with engineered nanomaterial development and manufacturing processes.

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 the 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 OVERVIEW

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

EMPLOYEES

As of December 28, 2012, we employed 960 full-time and part-time employees, including 713 engineering and scientific staff, 80 technical support staff and 167 administrative and support staff. Our staff includes 635 employees with advanced degrees, of which 415 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 Securities and Exchange Commission (SEC) reports, along with amendments to all of those reports, as soon as reasonably practicable after we file the reports with the SEC. Additionally, copies of materials filed 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 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

The executive officers of Exponent and their ages as of February 27, 2013 are as follows:

Name	Age	Position
Paul R. Johnston, Ph.D.	59	President, Chief Executive Officer and Director
Elizabeth L. Anderson, Ph.D.	72	Group Vice President
Paul D. Boehm, Ph.D.	64	Group Vice President
Robert D. Caligiuri, Ph.D.	61	Group Vice President
Catherine Ford Corrigan, Ph.D.	44	Group Vice President
Subbaiah V. Malladi, Ph.D.	66	Chief Technical Officer
John E. Moalli, Sc.D.	48	Group Vice President
John D. Osteraas, Ph.D.	58	Group Vice President
Richard L. Schlenker, Jr.	47	Executive Vice President, Chief Financial Officer and Corporate Secretary

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.

Elizabeth L. Anderson, Ph.D., joined the Company in June 2006 as a Group Vice President and Principal Scientist. Prior to joining Exponent, Dr. Anderson was President and CEO of Sciences International, a health and environmental consulting firm. Dr. Anderson received her Ph.D. (1970) in Organic Chemistry from The American University, M.S. (1964) in Organic Chemistry from the University of Virginia and B.S. (1962) in Chemistry from the College of William and Mary. Dr. Anderson is a Fellow of the Academy of Toxicological Sciences, a founder and past-President of the Society for Risk Analysis and Editor-in-Chief of the journal, *Risk Analysis: An International Journal*.

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 California, Utah, Michigan and North Carolina and a Fellow of the American Society for Materials.

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. in Medical Engineering and Medical Physics from the Massachusetts Institute of Technology in 1996. Prior to joining Exponent, Dr. Corrigan was a researcher in the Orthopaedic Biomechanics Laboratory at Beth Israel Hospital and Harvard Medical School.

Subbaiah V. Malladi, Ph.D., joined the Company in 1982 as a Senior Engineer, becoming a Senior Vice President in January 1988 and a Corporate Vice President in September 1993. In October 1998, Dr. Malladi was appointed Chief Technical Officer of the Company. Dr. Malladi also served as a Director of the Company from March 1991 through September 1993. He was re-appointed as a Director in April 1996 and served on the Board until May 2005. He received a Ph.D. (1980) in Mechanical Engineering from the California Institute of Technology, M.Tech (1972) in Mechanical Engineering from the Indian Institute of Technology, B.E. (1970) in Mechanical Engineering from SRI Venkateswara University, India and B.S. (1966) in Physics, Chemistry and Mathematics from Osmania University, India. Dr. Malladi is a Registered Professional Mechanical Engineer in the State of California.

John E. Moalli, Sc.D., joined the Company in 1992. He was promoted to Principal in 1997, served as an Office and Practice Director and became Group Vice President in 2002. Dr. Moalli received his Sc.D. (1992) in Polymers from the Massachusetts Institute of Technology and B.S. (1987) in Civil Engineering from Northeastern University. Dr. Moalli is a nationally recognized expert in polymetric materials and has an academic appointment at Stanford University.

John D. Osteraas, 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. Osteraas 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. Osteraas is a Registered Professional Engineer in 16 states and is a Fellow of the American Society of Civil Engineers.

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.

Item 1A. Risk Factors

Exponent operates in a rapidly changing environment that involves a number of uncertainties, some of which are beyond our control. These uncertainties include, but are not limited to, those mentioned elsewhere in this report and those set forth below.

Lack of sizable backlog may lead to less predictable, and perhaps lower, future revenues.

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.