

EXPONENT INC  
Form DEF 14A  
April 18, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**

<input checked="" type="checkbox"/>	Definitive Proxy Statement
<input type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material under §240.14a-12

Exponent, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2017 NOTICE OF  
**ANNUAL STOCKHOLDERS MEETING**  
**AND PROXY STATEMENT**

**Exponent, Inc.**

**149 Commonwealth Drive**

**Menlo Park, CA 94025**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on June 1, 2017**

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders (the “Annual Meeting”) of Exponent, Inc., a Delaware corporation (the “Company”), will be held on Thursday, June 1, 2017, at 8:00 a.m. Pacific time, at 149 Commonwealth Drive, Menlo Park, California 94025, for the following purposes:

· To elect six directors for a term of one year;

· To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as independent auditor for the Company for the fiscal year ending December 29, 2017;

· To approve, on an advisory basis, the fiscal 2016 compensation of the Company’s named executive officers;

· To determine, on an advisory basis, how frequently the Company’s stockholders should be provided with an advisory vote regarding the compensation of the Company’s named executive officers;

· To consider and approve an amendment of the Amended and Restated 2008 Equity Incentive Plan;

· To consider and approve an amendment of the 2008 Employee Stock Purchase Plan; and

· To attend to other matters that may properly come before the Annual Meeting.

Stockholders owning the Company's shares at the close of business on April 4, 2017 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting.

All stockholders of record as of the Record Date are cordially invited to attend the Annual Meeting in person.

Please note that if you plan to attend the Annual Meeting in person and hold your shares in "street name," that is, through a broker or other nominee, you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date. Check-in at the registration desk will be required.

FOR THE BOARD OF DIRECTORS

Richard L. Schlenker, *Corporate Secretary*

Menlo Park, California

April 18, 2017

TABLE OF CONTENTS

<u>About the Annual Meeting</u>	3
<u>Proposal No. 1—Election of Directors</u>	6
<u>Board Independence</u>	10
<u>Board Meetings, Committees, and Board Leadership</u>	11
<u>Report of the Audit Committee of the Board of Directors</u>	16
<u>Relationship with Independent Auditor</u>	18
<u>Proposal No. 2—Ratification of Appointment of Independent Auditor</u>	19
<u>Proposal No. 3—Advisory Vote on Named Executive Officer Compensation for Fiscal 2016</u>	20
<u>Proposal No. 4—Advisory Vote on Frequency of Stockholder Advisory Votes on Executive Compensation</u>	21
<u>Proposal No. 5—Approval of Amendment of the Amended and Restated 2008 Equity Incentive Plan</u>	22
<u>Proposal No. 6—Approval of Amendment of the 2008 Employee Stock Purchase Plan</u>	32
<u>Security Ownership of Certain Beneficial Owners and Management</u>	37
<u>Executive Officer Compensation</u>	39
<u>Compensation Discussion and Analysis</u>	39
<u>Summary Compensation Table</u>	46
<u>Grants of Plan-Based Awards in Fiscal 2016 Table</u>	48
<u>Outstanding Equity Awards At Fiscal 2016 Year-End Table</u>	50
<u>Option Exercises and Stock Vested in Fiscal 2016 Table</u>	51
<u>Nonqualified Deferred Compensation in Fiscal 2016 Table</u>	52
<u>Equity Compensation Plan Information in Fiscal 2016</u>	53
<u>Report of the Human Resources Committee of the Board of Directors</u>	54
<u>Certain Relationships and Related Transactions</u>	55
<u>Other Matters</u>	56
<u>Appendix A – 2008 Equity Incentive Plan</u>	A-1
<u>Appendix B – 2008 Employee Stock Purchase Plan</u>	B-1

**EXPONENT, INC.**

**PROXY STATEMENT**

**FOR THE**

**2017 ANNUAL MEETING OF STOCKHOLDERS**

**ABOUT THE ANNUAL MEETING**

**General**

The enclosed proxy is solicited on behalf of the Board of Directors of Exponent, Inc., a Delaware corporation. The Annual Meeting of Stockholders will be held at the Company's principal executive offices, 149 Commonwealth Drive, Menlo Park, California 94025, on Thursday, June 1, 2017 at 8:00 a.m. Pacific time. The telephone number for this location is (650) 326-9400.

**What is the Purpose of the Annual Meeting?**

At the Company's Annual Meeting, stockholders will act upon matters outlined in the accompanying notice of the Annual Meeting and transact such other business that may properly come before the Annual Meeting.

**Who is Entitled to Vote?**



Only stockholders of record at the close of business on the Record Date, April 4, 2017, will receive notice of the Annual Meeting and are entitled to vote at the Annual Meeting. Each outstanding share entitles its holder to cast one vote on each matter to be voted upon. There are no cumulative voting rights.

Please note that if you plan to attend the Annual Meeting in person and hold your shares in “street name,” that is, through a broker or other nominee, you will need to bring a copy of a brokerage statement reflecting your stock ownership on the Record Date. If you do not vote your proxy, your brokerage firm may either vote your shares on “routine” matters, or leave your shares without a vote (a “broker non-vote”). Proposal No. 2 is a “routine” matter. As a result, your brokerage firm is permitted to exercise discretionary voting authority to vote your shares for that proposal. Your brokerage firm may not exercise discretionary voting authority on “non-routine” matters and as such may not vote your shares with respect to Proposals No. 1, No. 3, No. 4, No. 5, and No. 6, unless you provide instructions to your brokerage firm with voting instructions. We encourage you to provide instructions to your brokerage firm by voting your proxy. This ensures your shares will be voted at the Annual Meeting.

We have provided our stockholders access to our proxy materials over the internet in accordance with rules and regulations adopted by the United States Securities and Exchange Commission (“SEC”). Therefore, a Notice of Internet Availability of Proxy Materials (the “Notice”) will be mailed on or about April 18, 2017 to all stockholders entitled to vote at the meeting. The Notice will have instructions for stockholders on how to access Exponent’s proxy materials via a website or how to request that a printed copy of the proxy materials be mailed to them. The Notice will also have instructions on how to elect to receive all future proxy materials electronically or in printed form. If you choose to receive future proxy materials electronically, you will receive an email each year with instructions on how to access the proxy materials and proxy voting site.

The SEC has adopted rules that allow companies and intermediaries, such as brokers, to deliver a single copy of certain proxy materials to certain stockholders who share the same address, a practice referred to as “householding.” Some banks, brokers and other nominees will be householding Exponent’s proxy materials, unless contrary instructions are received from the affected stockholders. Once you have received notice from your broker or other nominee holder of your Exponent common stock that the broker or other nominee holder will be householding the proxy materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive separate proxy materials, or if you are receiving multiple copies of the proxy materials and wish to receive only one copy, please notify your broker or other nominee holder of your Exponent common stock. We will deliver promptly, on written or oral request, a separate copy of our proxy materials, including our annual report to stockholders, to each stockholder participating in householding. To request that proxy materials be householded or to request separate copies of proxy materials, please contact us at: Corporate Secretary, 149 Commonwealth Drive, Menlo Park, CA 94025 or by telephone at (650) 326-9400.

## How Do I Vote?

You may vote by telephone, vote via the internet, or vote in person. To vote by telephone or via the internet, please follow the instructions provided in the Notice. If you elected to receive printed proxy materials, you may submit your proxy by mail. To vote by mail, you must sign your proxy card and send it in the enclosed prepaid, addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct. If you return a signed card but do not provide voting instructions, your shares will be voted as recommended by the Board of Directors:

- for the six named nominees to the Board of Directors;
- for the ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as the Company's auditor for the fiscal year ending December 29, 2017;
- to approve, on an advisory basis, the fiscal 2016 compensation of the Company's named executive officers;
- for a frequency of one year for the advisory vote on compensation of the Company's named executive officers;
- to approve an amendment of the 2008 Amended and Restated Equity Incentive Plan; and
- to approve an amendment of the 2008 Employee Stock Purchase Plan.

If you choose to vote in person, you will have an opportunity to do so at the Annual Meeting. You may either bring your Notice to the Annual Meeting, or if you do not bring your Notice, the Company will pass out written ballots to anyone who was a stockholder as of the Record Date.

## What if I Change My Mind After I Vote?

You may revoke your proxy and change your vote at any time before the polls close at the Annual Meeting. You may do so by voting by telephone or via the internet, by signing or delivering another proxy with a later date if you elected to receive printed proxy materials or by voting in person at the Annual Meeting. Your proxy with the latest date is counted.

## What Does it Mean if I Receive More than One Notice?

It means you have multiple accounts with the transfer agent and/or with brokers. Please provide voting instructions for all Notices you receive.

**What Constitutes a Quorum and What Vote is Required to Approve the Proposals?**

The presence of the holders of record of a majority in voting interest of the shares of stock of the Company, as of the Record Date, entitled to be voted at the meeting and present in person or by proxy at the meeting constitutes a quorum at the Annual Meeting.

Shares that are voted “For” or “Against” proposals, or that are voted for a frequency on Proposal No. 4, are treated as being present at the Annual Meeting for purposes of establishing a quorum and are deemed to be “votes cast” at the Annual Meeting with respect to the proposals. Abstentions and broker non-votes will also be included for purposes of determining whether a quorum of shares is present at the Annual Meeting.

Proposal No. 1 – Election of Directors requires that each director nominee receives a majority of votes cast "For" his or her election. Abstentions and broker non-votes are not counted as votes cast for or against a director nominee and as such will have no impact on Proposal No. 1 – Election of Directors.

Proposal No. 2 – Ratification of Appointment of Independent Auditor requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote thereon for approval. Abstentions will have the same effect as a vote against this proposal. Proposal No. 2 - Ratification of Appointment of Independent Auditor is considered to be a "routine" matter and, as such, the Company does not expect any broker non-votes on this proposal.

Proposal No. 3 – Advisory Vote on Named Executive Officer Compensation for Fiscal 2016 requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote thereon for approval. Abstentions will have the same effect as a vote against this proposal. Proposal No. 3—Advisory Vote on Named Executive Officer Compensation for Fiscal 2016 is considered to be a "non-routine" matter and as such, broker non-votes will have no impact on this proposal.

Proposal No. 4 – Advisory Vote on Frequency of Stockholder Advisory Votes on Named Executive Officer Compensation will be determined by a plurality of votes, which means that the choice of frequency that receives the highest number of “FOR” votes will be considered the advisory vote of our stockholders. Abstentions and broker non-votes will not count as votes cast “FOR” or “AGAINST” any frequency choice, and will have no impact on this proposal.

Proposal No. 5 – Approval of Amendment of the Amended and Restated 2008 Equity Incentive Plan requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote thereon for approval. Abstentions will have the same effect as a vote against this proposal. Proposal No. 5 – Approval of Amendment of the Amended and Restated 2008 Equity Incentive Plan is considered to be a “non-routine” matter and as such, broker non-votes will have no impact on this proposal.

Proposal No. 6 – Approval of Amendment of the 2008 Employee Stock Purchase Plan requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote thereon for approval. Abstentions will have the same effect as a vote against this proposal. Proposal No. 6 – Approval of Amendment of 2008 Employee Stock Purchase Plan is considered to be a “non-routine” matter and as such, broker non-votes will have no impact on this proposal.

Proposal No. 2 – Ratification of Appointment of Independent Auditor, Proposal No. 3 – Advisory Vote on Named Executive Officer Compensation for Fiscal 2016, and Proposal No. 4 – Advisory Vote on Frequency of Stockholder

Advisory Votes on Named Executive Officer Compensation are advisory votes and as such are not binding on the Company.

Signed, unmarked proxy cards are voted as recommended by the Board of Directors.

As of the Record Date, a total of 25,871,157 shares of the Company's common stock, \$.001 par value, were issued and outstanding. For information regarding security ownership by management and by the beneficial owners of more than 5% of the Company's common stock, see "Security Ownership of Certain Beneficial Owners and Management." The closing price of the Company's common stock on the NASDAQ Global Select Market on the Record Date was \$58.25 per share.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

#### **Nominees**

A Board of six directors is to be elected at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's six nominees named below. The term of office of each person elected as a director will continue until the next Annual Meeting or until a successor has been elected and qualified. The Board has determined that a majority of the members of the Board are independent directors within the meaning of applicable NASDAQ listing standards. The Board will reduce in size from seven directors to six directors at the Annual Meeting.

#### **Required Vote**

The Company's Bylaws require that each director be elected by the majority of votes cast with respect to such director in uncontested elections. Each current director has provided an irrevocable, conditional resignation which is effective only if (i) he or she fails to receive the required majority vote at any Annual Meeting at which he or she face re-election and (ii) the board accepts such resignation. If an incumbent director fails to receive the required majority vote for re-election, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board.

The election of directors pursuant to this Proposal is an uncontested election, and, therefore, the majority vote standard will apply. Abstentions and broker non-votes will not have any effect on the outcome of this Proposal. In tabulating the voting results for the election of directors, only "FOR" and "AGAINST" votes are counted.

#### **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES LISTED BELOW:**

**Michael R.  
Gaulke**

*Age:* 71

*Director Since:* 1994

*Principal Occupation:* Chairman of the Board of Directors of the Company

*Recent Business Experience:* Mr. Gaulke joined the Company in 1992, as Executive Vice President and Chief Financial Officer. He was named President in 1993, and he was appointed as a member of the Board of Directors of the Company in 1994. He served as Chief Executive Officer from 1996 to May 2009, and was appointed Chairman of the Board of Directors in May 2007. Mr. Gaulke served as Executive Chairman from May 2009 to June 2010. Prior to 1992, he held senior executive positions at Raynet Corporation and Spectra Physics, and was a consultant with McKinsey & Company. The Company believes that Mr. Gaulke's leadership role in the Company, and extensive and unique experience with the operations of the Company, qualifies him to serve as a director of the Company. The Company also considered Mr. Gaulke's prior senior leadership experience in technology companies, his prior service on other public company boards and his prior experience on and contributions to the Board in connection with his nomination.

*Other Directorships:* Chairman of the Board of Sutter Health, member of the Board of Sutter Health Bay Area, and a member of the Palo Alto Medical Foundation Community Board of Trustees.

**Paul R.  
Johnston,  
Ph.D.**

*Age:* 63

*Director  
Since:* 2009

*Principal  
Occupation:* Chief Executive Officer of the Company

*Recent  
Business  
Experience:* Dr. Johnston joined the Company in 1981 and has assumed increasingly responsible positions over time, most recently being named Chief Executive Officer in 2009. Dr. Johnston was elected to the Board of Directors in May, 2009. In his prior roles, Dr. Johnston was previously responsible for Exponent's Health and Environmental businesses before assuming management of all of the Company's consulting groups. He has also managed the Company's network of offices. He is a Registered Professional Civil Engineer in the State of California. The Company believes that Dr. Johnston's service as Chief Executive Officer of the Company, and extensive and unique experience with the operations of the Company, qualifies him to serve as a director of the Company. The Company also considered Dr. Johnston's prior experience on and contributions to the Board in connection with his nomination

**Carol  
Lindstrom**

*Age:* 63

*Director Since:* 2017

*Principal  
Occupation:* Former Vice Chairman – Deloitte LLP

*Recent Business  
Experience:* Ms. Lindstrom recently retired as vice chairman of Deloitte LLP, or Deloitte, a professional services firm, where she led strategic relationship management, and was also president of the Deloitte Foundation. She was a member of the Deloitte & Touche Tohmatsu Global Board of Directors for eight years. Ms. Lindstrom held many management and client leadership positions during her Deloitte career, including managing director of global strategic relationship clients in the United States; managing director of Deloitte's e-business unit, dc.com; managing director of the Americas technology practice; managing director of the San Francisco and Orange County practices; and lead advisory and client service partner for many significant clients. Ms. Lindstrom joined Deloitte in 1995 after having served as a partner at Andersen Consulting for many years. The Company believes that Ms. Lindstrom's record of success in senior leadership positions with large professional service organizations qualifies her to serve as a director of the Company.

*Other  
Directorships:* Genpact Limited.





**Karen A.  
Richardson**

*Age:* 54

*Director Since:* 2013

*Principal Occupation:* Former Chief Executive Officer of E.piphany

*Recent Business Experience:* Ms. Richardson has over 25 years of experience in the technology industry. She served as Chief Executive Officer of E.piphany, a customer relationship management software company, from 2003 to 2005. Ms. Richardson held several senior executive positions at E.piphany from 1998 to 2003. Prior to joining E.piphany, Ms. Richardson served as Vice President of Sales at Netscape Communications Corporation, an internet software company, from 1995 to 1998. The Company believes that Ms. Richardson's record of success in senior leadership positions at technology companies qualifies her to serve as a director of the Company. The Company also considered Ms. Richardson's prior experience on and contributions to the Board in connection with her nomination.

*Other Directorships:* Member of the Boards of BT Group plc. and Worldplay Group plc.

**John B.  
Shoven, Ph.D.**

*Age:* 69

*Director Since:* 2007

*Principal Occupation:* Professor of Economics, Stanford University

*Recent Business Experience:* Dr. Shoven is currently the Charles R. Schwab Professor of Economics at Stanford University, where he has taught since 1973. He was the Director of the Stanford Institute for Economic Policy Research from 1989 to 1993 and from 1999 to 2015. He served as Chairman of the Economics Department at Stanford University from 1986 to 1989 and as Dean of the School of Humanities and Sciences from 1993 to 1998. Dr. Shoven earned his Ph.D. in economics from Yale University and his bachelor's degree in physics from University of California, San Diego. Dr. Shoven is a Fellow of the American Academy of Arts and Sciences, a recipient of the Paul A. Samuelson Award for Outstanding Scholarly Writing on Lifelong Financial Security, an award winning teacher at Stanford, and has published more than one hundred professional articles and twenty books. The Company believes that Dr. Shoven's extensive academic experience and service as director of other public companies qualifies him to serve as a director of the Company. The Company also considered Dr. Shoven's prior experience on and contributions to the Board in connection with his nomination.

*Other* Chairman of the Board of Cadence Design Systems, Inc. and a member of the Boards of American  
*Directorships:* Century Funds and Financial Engines, Inc.

**Debra L.  
Zumwalt**

*Age:* 61

*Director Since:* 2014

*Principal Occupation:* Vice President and General Counsel, Stanford University

*Recent Business Experience:* Ms. Zumwalt is currently the Vice President and General Counsel for Stanford University and its affiliated entities, including two hospitals. She has held this position since 2001. She is also a member of the University Cabinet. Ms. Zumwalt was a Partner with Pillsbury Winthrop Shaw Pittman LLP from 1993 to 2001 where she served on the executive board and as Managing Partner of the Silicon Valley office. The Company believes that Ms. Zumwalt's senior leadership positions and her extensive legal background qualifies her to serve as a director of the Company. The Company also considered Ms. Zumwalt's prior experience on and contributions to the Board in connection with her nomination.

*Other Directorships* Huron Consulting Group, Inc.

## BOARD INDEPENDENCE

The Board has determined that the following current members of the Board are independent directors within the meaning of applicable NASDAQ listing standards: Michael R. Gaulke, Carol Lindstrom, Karen A. Richardson, Stephen C. Riggins, John B. Shoven, Ph.D. and Debra L. Zumwalt. Under applicable Securities and Exchange Commission and NASDAQ rules, the existence of certain “related party” transactions above certain thresholds between a director and the Company are required to be disclosed and preclude a finding by the Board that the director is independent. Except as discussed below regarding Ms. Zumwalt and transactions between Stanford University and the Company, no transactions required to be disclosed under SEC rules, and no other transactions, arrangements or relationships, existed or were considered by the Board in making its independence determinations.

In making its determination that Ms. Zumwalt is an independent director within the meaning of applicable NASDAQ listing standards, the Board considered transactions between the Company and Stanford University (“Stanford”), of which Ms. Zumwalt is the Vice President and General Counsel. During the past three fiscal years and during the current fiscal year to date, the Company performed consulting services for Stanford. The total amount paid for these consulting services was significantly less than 1% of either organization’s revenues. Given the relatively small amounts involved as compared to the revenues of each of the Company and Stanford, the Board concluded that the transactions at issue and Ms. Zumwalt’s relationship with Stanford did not affect Ms. Zumwalt’s status as an independent director.

## BOARD MEETINGS, COMMITTEES, AND BOARD LEADERSHIP

The Board held four meetings in fiscal 2016. Each director attended at least 75% of applicable Board meetings and committee meetings during fiscal 2016. The following table describes the Board's committees including their current composition. The members of each committee are all independent directors within the meaning of applicable NASDAQ listing standards.

Committee Name/Number of Members	Function of Committee	Meetings in Fiscal 2016
<p>AUDIT COMMITTEE</p> <p>Stephen C. Riggins—Chairperson Carol Lindstrom Karen A. Richardson John B. Shoven, Ph.D. Debra L. Zumwalt</p>	<ul style="list-style-type: none"> <li>· Monitors the preparation of quarterly and annual financial reports by the Company's management</li> <li>· Appoints and removes the Company's independent auditor, approves the scope of their audit services and related fees, as well as any other services being provided to the Company, supervises their work (including resolution of any disagreements between management and the independent auditor regarding financial reporting) and oversees the independence of the Company's auditor</li> <li>· In consultation with management and the independent auditor considers the integrity of the Company's financial reporting process and controls regarding finance and accounting</li> <li>· Oversees the general compensation and benefit policies for all employees and the specific compensation plan for officers of the Company</li> </ul>	8 meetings
<p>HUMAN RESOURCES COMMITTEE</p> <p>Debra L. Zumwalt—Chairperson Carol Lindstrom Karen A. Richardson Stephen C. Riggins John B. Shoven, Ph.D.</p>	<ul style="list-style-type: none"> <li>· Oversees the succession plan for the position of Chief Executive Officer</li> <li>· Oversees the employee development and management succession programs at the Company</li> <li>· Approves awards under the Company's stock-based employee incentive plans</li> </ul>	5 meetings
<p>NOMINATING AND GOVERNANCE COMMITTEE</p>	<ul style="list-style-type: none"> <li>· Identifies individuals qualified to become Board members</li> <li>· Makes recommendations to the Board regarding nominations for the Board</li> <li>· Oversees the Board's annual evaluation of its performance</li> </ul>	4 meetings

Edgar Filing: EXPONENT INC - Form DEF 14A

John B. Shoven, Ph.D.—Chairperson	· Reviews and recommends to the Board compensation for
Carol Lindstrom	non-employee directors
Karen A. Richardson	
Stephen C. Riggins	· Oversees corporate governance
Debra L. Zumwalt	

The responsibilities of the Audit Committee, the Human Resources Committee and the Nominating and Governance Committee are set forth in written charters for each committee, which are available on the Company's website at: <http://www.exponent.com/corporate-governance/>.

### **Board Leadership Structure and Risk Oversight**

The Company currently separates the positions of Chief Executive Officer and Chairman of the Board. At this time the Board believes that having an independent director serve as Chairman of the Board is the appropriate leadership structure for the Company. However, our Corporate Governance Guidelines permit the roles of the Chairman of the Board and the Chief Executive Officer to be filled by the same or different individuals. In the event that the Chairman of the Board is not an independent director, the independent members of the Board may designate a "Lead Independent Director."

The Board has delegated oversight for matters involving certain specific areas of risk exposure to its committees. Each committee reports to the Board of Directors at regularly scheduled Board meetings, and more frequently if appropriate, with respect to the matters and risks for which the committee provides oversight. The Audit Committee oversees the integrity of the Company's financial statements, risks related to the Company's financial reporting process and internal controls, and the independent auditors' qualifications, independence and performance. The Human Resources Committee is responsible primarily for the design and oversight of the Company's executive compensation policies, plans and practices. A key objective of the Human Resources Committee is to ensure that the Company's overall executive compensation program appropriately links pay to performance and aligns the interests of the Company's executives with its stockholders, while seeking to encourage an appropriate level of risk-taking behavior consistent with the Company's long-term strategy. The Human Resources Committee also monitors the design and administration of the Company's compensation programs to ensure that they include appropriate safeguards to avoid encouraging unnecessary or excessive risk taking by Company employees. Another important element of risk mitigation is ensuring a balanced, engaged and independent board. The Nominating and Governance Committee is primarily responsible for identifying and recommending nominees for director and overseeing the annual board evaluation of its performance.

### **Nominating and Governance Committee**

As described in the previous table, the Nominating and Governance Committee of the Board identifies individuals qualified to become Board members, recommends that the Board select the director nominees for the next annual meeting of stockholders, oversees the Board's annual evaluation of its performance and reviews and recommends to the Board compensation for non-employee directors. The committee is also responsible for developing and recommending to the Board a set of corporate governance guidelines applicable to the Company and for periodically reviewing such guidelines. The members of the Nominating and Governance Committee are all independent directors



within the meaning of applicable NASDAQ listing standards. The responsibilities of this committee are set forth in the Nominating and Governance Committee Charter, which is available on the Company's website at: <http://www.exponent.com/corporate-governance/>.

The information below describes the criteria and process that the Nominating and Governance Committee use to evaluate candidates to the Board of Directors.

*Criteria for Nomination to the Board of Directors.* The Nominating and Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors, and seeks to insure that at least a majority of the directors are independent under the rules of the NASDAQ Global Select Market, that members of the Audit Committee meet the financial literacy requirements under the rules of the NASDAQ Global Select Market and at least one of them qualifies as an "audit committee financial expert" under the rules of the SEC. Nominees for director are recommended to the Board on the basis of the appropriate size, function and needs of the Board, taking into account that the Board as a whole should have competency in the following areas: (i) industry knowledge; (ii) accounting and finance; (iii) business judgment; (iv) management; (v) leadership; (vi) business strategy; and (vii) corporate governance.

*Stockholders' Proposals for Nominees.* The Nominating and Governance Committee will consider written proposals from stockholders for nominees for director. Any such nominations should be submitted to the Nominating and Governance Committee c/o the Secretary of the Company, 149 Commonwealth Drive, Menlo Park, CA 94025, and should include, in addition to the other information required under our Bylaws, the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company's common stock which are owned beneficially and of record by such stockholder(s); and (c) appropriate biographical information and a statement as to the qualifications of the nominee. The nomination should be submitted in the time frame described in the Bylaws of the Company and under the caption, "Stockholder Proposals and Nominations for the 2018 Annual Meeting."

*Process for Identifying and Evaluating Nominees.* The Nominating and Governance Committee believes the Company is well served by its current directors, and in the ordinary course re-nominates incumbent directors who continue to be qualified for Board service, have performed well and are willing to continue as directors. If an incumbent director is not standing for re-election, or if a vacancy on the Board occurs between annual stockholder meetings, the Nominating and Governance Committee may seek out potential candidates for Board appointment who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. Director candidates are selected based on input from members of the Board, senior management of the Company and, if the Nominating and Governance Committee deems appropriate, a third-party search firm. The Nominating and Governance Committee will evaluate each candidate's qualifications and check relevant references. In addition, such candidates will be interviewed by at least one member of the Nominating and Governance Committee. Candidates meriting serious consideration will meet with the majority of the members of the Board. Based on this input, the Nominating and Governance Committee will evaluate which of the prospective candidates is qualified to serve as a director and whether the Committee should recommend to the Board that this candidate be appointed to fill a current vacancy on the Board, or presented for approval of the stockholders, as appropriate.

The Company has not adopted a formal policy with respect to stockholder nominees. The Company expects that the evaluation process for a stockholder nominee would be similar to the process outlined above.

*Board Nominees for the 2017 Annual Meeting.* Mr. Gaulke, Dr. Johnston, Ms. Richardson, Dr. Shoven, and Ms. Zumwalt are current directors standing for re-election. Ms. Lindstrom has been a director of the Company since February of 2017 but has not previously been subject to stockholder election. Ms. Lindstrom was initially identified by the Nominating and Governance Committee as a candidate for director.

*How to Contact the Board of Directors.* Interested parties wishing to contact the non-management directors of the Company may do so by writing to them at the following address: Corporate Secretary, 149 Commonwealth Drive, Menlo Park, CA 94025. All letters received will be categorized by the Company's Corporate Secretary, and then forwarded to the Company's non-management directors.

The Company does not have a policy requiring the directors to attend the annual stockholders' meeting. However, all of the Company's directors in office at the time of our last annual stockholders' meeting attended that meeting.

### **Code of Business Conduct and Corporate Governance**

The Board of Directors has adopted a Code of Business Conduct and Ethics, which applies to all of the Company's employees, officers and members of the Board of Directors. The Company has also adopted a Code of Ethics applicable to its senior financial officers, including its Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Vice President, Corporate Controller and Treasurer. Copies of both documents are available on the Company's website at: <http://www.exponent.com/corporate-governance/>. The Company intends to disclose any waivers from these codes in a report on Form 8-K filed with the SEC.

## Risk Management

The Company takes a comprehensive approach to risk management and seeks to employ risk management principles in all of its management processes. This comprehensive approach is reflected in the reporting processes pursuant to which management provides information to the Board to support the Board's role in oversight, approval and decision-making. The Board maintains oversight responsibility for the management of the Company's risks, and closely monitors the information it receives from management to provide oversight and guidance to our management team concerning the assessment and management of risk. The Board approves the Company's high level goals, strategies and policies to set the tone and direction for appropriate levels of risk taking within the business.

Our Board also reviews the Company's enterprise risk management (ERM) program to ensure that an appropriate ERM process is in place. This review includes a discussion of the major risk exposures identified by senior management and steps implemented to monitor and mitigate such exposures on an ongoing basis. In addition to these reviews, our senior executives with responsibility for various business functions provide the Board and its committees with periodic updates regarding the Company's strategies and objectives, and the risks inherent thereto. Members of management most knowledgeable of relevant issues attend Board meetings to provide additional insight into items being discussed, including risk exposures. In addition, our directors have access to Company management at all times and at all levels to discuss any matters of interest, including those related to risk.

## Compensation of Directors

Members of our Board of Directors who are employees of the Company do not receive additional compensation for their services as directors of the Company. Non-employee members of the Board of Directors receive:

- An annual cash retainer of \$65,000;
- An annual restricted stock unit grant valued at \$112,500 that cliff vests on the day prior to the Company's next Annual Stockholder Meeting following the grant date;
  - \$12,000 for service on the Audit Committee;
  - \$40,000 for serving as Chairman of the Board of Directors;
  - \$15,000 for serving as Chairperson of the Audit Committee;
  - \$10,000 for serving as Chairperson of the Nominating and Governance Committee; and
  - \$10,000 for serving as Chairperson of the Human Resources Committee.

## Director Stock Ownership Guidelines

We believe that the financial interests of our directors should be aligned with those of our stockholders. On June 3, 2010 our Nominating and Governance Committee adopted stock ownership guidelines for all non-employee directors. The stock ownership guideline for non-employee directors is equal to two times the director's annual cash retainer for board service. Stock that counts towards satisfaction of our stock ownership guidelines includes shares owned outright by the non-employee director or his or her immediate family members residing in the same household or in trust and restricted stock units, whether or not vested. The value of shares owned outright is calculated as Exponent's prior 365-day average closing common stock price. The value of restricted stock units is the grant date fair value. The calculation is done at the beginning of each year. Non-employee directors are required to achieve their stock ownership guideline within five years of the date the guidelines were adopted or the start of their service, whichever is later. If a person's stock ownership guideline increases, that person has a five-year period to achieve the new guideline. Until the guideline is achieved, the person is required to retain at least 50% of net shares delivered through our Restricted Stock Unit Program or the exercise of stock options. Net shares refer to those that remain after shares are sold or netted to pay the exercise price of stock options and withholding taxes. As of April 4, 2017, all non-employee directors met the stock ownership guidelines or are expected to meet the applicable ownership guidelines within the specified time period.

**DIRECTOR COMPENSATION IN FISCAL 2016**

The following table sets forth information regarding outside director compensation during fiscal 2016:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (1)(2)(\$)	Total (\$)
Michael R. Gaulke	105,000	112,500	217,500
Karen A. Richardson	77,000	112,500	189,500
Stephen C. Riggins	92,000	112,500	204,500
John B. Shoven, Ph.D.	87,000	112,500	199,500
Debra L. Zumwalt	87,000	112,500	199,500

The amounts shown in this column represent the value of unvested restricted stock unit awards granted during fiscal 2016 in accordance with ASC 718. All equity-based awards have dividend equivalent rights ("DER"), which entitle the holder of the award to the same dividend value per share as holders of common stock. DER are subject (1) to the same vesting and other terms and conditions as the corresponding stock award. DER are accumulated and paid when the underlying stock awards vest and are forfeited if the underlying stock awards are forfeited. See the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 30, 2016 regarding assumptions underlying the valuation of equity awards.

(2) Each of our outside directors was granted 2,146 restricted stock units during 2016 with a grant date fair value of \$112,500. The following director restricted stock unit awards were outstanding as of December 30, 2016: Mr. Gaulke - 2,146, Ms. Richardson - 2,146, Mr. Riggins - 2,146, Dr. Shoven - 2,146 and Ms. Zumwalt - 2,146.

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following Report of the Audit Committee of the Board of Directors does not constitute soliciting material and should not be considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Audit Committee of the Board of Directors is responsible for general oversight of the Company's financial accounting and reporting process. The Committee's primary responsibilities fall into three broad categories:

first, the Committee is charged with monitoring the preparation of quarterly and annual financial reports by the Company's management, including discussions with management and the Company's independent auditor about quarterly and annual financial statements and key accounting and reporting matters;

second, the Committee is responsible for matters concerning the relationship between the Company and its independent auditor, including their appointment or removal; approving the scope of their audit services and related fees, as well as any other services being provided to the Company; and overseeing the independence of the Company's auditor; and

third, the Committee in consultation with management and the independent auditor considers the integrity of the Company's financial reporting processes and controls regarding finance and accounting.

The Committee's responsibilities are presented in detail in the complete charter of the Committee, which is available on the Company's website at: <http://www.exponent.com/corporate-governance/>. The charter reflects standards set forth in the applicable SEC regulations and the NASDAQ Global Select Market rules. Audit Committee members are independent as defined by these regulations and rules. The Board of Directors has determined that Mr. Riggins is an "audit committee financial expert" as such term is defined by these rules and regulations.

The Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention it considers necessary or appropriate to each of the matters assigned to it under the Committee's charter.

In overseeing the preparation of the Company's financial statements, the Committee met with both management and the Company's independent auditor to review and discuss all quarterly and annual financial statements prior to their issuance and to discuss significant accounting issues. Management advised the Committee that all financial statements

were prepared in accordance with accounting principles generally accepted in the United States, and the Committee discussed the statements with both management and the independent auditor. The Committee discussed with KPMG LLP the matters required to be discussed pursuant to applicable auditing standards adopted by the Public Company Accounting Oversight Board together with the guidelines established by the SEC and the Sarbanes-Oxley Act, including, among other items, matters related to the conduct of the audit of the consolidated financial statements by the independent registered public accounting firm and its audit of the effectiveness of internal control over financial reporting pursuant to Section 404.

The Audit Committee has received from KPMG LLP the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's communications with the Audit Committee concerning independence. We have discussed with KPMG matters relating to its independence, including a review of both audit and non-audit services, and considered the compatibility of non-audit services with KPMG's independence.



On the basis of these reviews and discussions, the Committee recommended to the Board of Directors that the Board approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2016, for filing with the SEC.

Members of the Audit Committee

Stephen C. Riggins, Chairperson  
Carol Lindstrom  
Karen A. Richardson  
John B. Shoven, Ph.D.  
Debra L. Zumwalt

**RELATIONSHIP WITH INDEPENDENT AUDITOR**

KPMG LLP has been the independent auditor that audits the financial statements of the Company since 1987. In accordance with standing policy, KPMG LLP periodically changes the personnel who work on the audit. In addition to performing the audit of the Company's consolidated financial statements, KPMG LLP provided various other services during fiscal 2016. The aggregate fees incurred during fiscal 2016 and fiscal 2015 for each of the following categories of services are set forth below:

	Fiscal 2016 Fees	Fiscal 2015 Fees
Audit Fees	\$ 716,000	\$ 706,000
Audit-Related Fees	-	-
Tax Fees	99,000	111,000
All Other Fees	-	-
Total Fees	\$ 815,000	\$ 817,000

*Audit Fees.* Consists of fees incurred for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports. This includes fees for review of the tax provision and fees for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by statute or regulation (foreign or domestic) such as comfort letters, consents, reviews of SEC filings, statutory audits in non-U.S. locations and reports on issuers' internal controls required under the Sarbanes-Oxley Act.

*Audit-Related Fees.* Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees."

*Tax Fees.* Consists of fees billed or expected to be billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, tax audit defense, customs and duties, mergers and acquisitions, and international tax planning.

*All Other Fees.* No other fees were incurred during fiscal years 2016 or 2015.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditor and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

PROPOSAL NO. 2

**RATIFICATION OF APPOINTMENT OF  
INDEPENDENT AUDITOR**

The Audit Committee of the Board of Directors has appointed KPMG LLP, an independent registered public accounting firm, to audit the financial statements of the Company for the year ending December 29, 2017. KPMG LLP has audited the Company's financial statements since 1987. A representative of KPMG LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she so desires, and is expected to be available to respond to appropriate questions.

**Required Vote**

The ratification of the appointment of KPMG LLP will require the affirmative vote of a majority of shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal.

In the event that the stockholders do not approve the selection of KPMG LLP, the Audit Committee of the Board of Directors will reconsider the appointment of the independent auditor.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITOR FOR FISCAL 2017.**

**PROPOSAL NO. 3**

**ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION FOR FISCAL 2016**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables the Company's stockholders to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers, as disclosed in this proxy statement in accordance with SEC rules. Although the vote is advisory and is not binding on us or on our Board of Directors, our Human Resources Committee will take into account the outcome of the vote when considering future executive compensation decisions and will evaluate whether any actions are necessary to address stockholder concerns.

We believe that our compensation philosophy has allowed us to attract, retain, and motivate qualified executive officers who have contributed to our success. For more information regarding the compensation of our named executive officers and our compensation philosophy, we encourage you to read the section of this proxy entitled "Executive Officer Compensation – Compensation Discussion and Analysis," the compensation tables and the narrative discussion following the compensation tables for a more detailed discussion of our compensation policies and practices.

We are asking for stockholder approval of the compensation of our named executive officers in accordance with SEC rules (including without limitation, Section 14A of the Securities Exchange Act of 1934, as amended). This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

**Required Vote**

The affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is required for advisory approval of this proposal.

**The Board of Directors unanimously recommends a vote FOR the approval of the compensation of our named executive officers as disclosed in this proxy statement on an advisory basis pursuant to the compensation disclosure rules of the SEC.**



**PROPOSAL NO. 4**

**ADVISORY VOTE ON FREQUENCY OF STOCKHOLDER ADVISORY VOTES  
ON NAMED EXECUTIVE OFFICER COMPENSATION**

The Dodd-Frank Act also enables the Company's stockholders to vote, on an advisory or non-binding basis, on how frequently they would like to cast an advisory vote on the compensation of our named executive officers. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two, or three years. This "say on frequency" vote is required to be held at least once every six years.

After consideration of the frequency alternatives, our Board of Directors believes that conducting an advisory vote on named executive officer compensation on an annual basis is appropriate for the Company and its stockholders at this time.

**Required Vote**

Stockholders are asked to specify one of four votes on this proposal: one year, two years, three years or abstain. Stockholders are not voting to approve or disapprove of the Board of Directors' recommendation. The proxy holders will vote all proxies received for an advisory vote to approve named executive officer compensation every year unless instructed otherwise. Approval of the frequency of an advisory vote to approve named executive officer compensation will be determined by a plurality of votes, which means that the choice of frequency that receives the highest number of "FOR" votes will be considered the advisory vote of the stockholders. Abstentions and broker non-votes will not count as votes cast "for" or "against" any frequency choice, and will have no direct effect on the outcome of this proposal.

**the Board of Directors recommends a vote for A FREQUENCY OF ONE YEAR FOR THE advisory vote on the compensation of our named executive officers.**

## **PROPOSAL NO. 5**

### **APPROVAL OF AMENDMENT OF THE AMENDED AND RESTATED**

#### **2008 EQUITY INCENTIVE PLAN**

In 2008, we adopted the 2008 Equity Incentive Plan (the “2008 Plan” or the “Plan”), which replaced our prior equity-based compensation plans. The 2008 Plan was approved by stockholders on May 29, 2008 and currently has up to 4,828,150 shares of our common stock authorized for grants of stock awards and stock options to selected employees, directors and independent contractors. As of April 4, 2017, we have granted restricted stock units and stock options covering 4,417,708 shares of our common stock and, as a result, have 410,442 shares of common stock remaining available for grant under the 2008 Plan.

On April 3, 2017, the Board of Directors adopted an amendment to the 2008 Plan to increase the number of shares available for grant by 1,100,000 shares (bringing the remaining total number of shares currently available for issuance under the 2008 Plan to 1,510,442 and the aggregate number of shares under the 2008 Plan to 5,928,150), subject to stockholder approval of the amendment. Based on our current plans and growth expectations, we believe that the shares requested in this proposal will be sufficient for the Company’s needs for four years but could last for a shorter period of time if actual practice does not match historic rates or our Share price or headcount change materially.

An affirmative vote for Proposal No. 5 is a vote to (a) approve an increase in the number of shares available for grant under the 2008 Plan by 1,100,000 shares, which under the terms of the Plan will extend the Plan term for 10 years from the date of such approval, (b) reapprove the material terms of the performance goals and grant limits under the 2008 Plan to enable the Company to continue to have a stockholder-approved arrangement under which compensation awarded to certain senior management may qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, (c) further limitations on the re-use of shares under the Plan, including the prevention of re-issuance of shares not issued under net-settled stock appreciation rights and the prevention of re-issuance of shares re-purchased from the proceeds of the exercise of stock options and (d) a prohibition on the payment of dividends and dividend equivalents until the vesting of the awards under the Plan.

Section 162(m) imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to the company’s CEO or any of the company’s three other most highly compensated executive officers (other than the CFO). This limitation does not apply to compensation that meets the requirements under Section 162(m) for “qualifying performance-based” compensation (i.e., compensation paid only if the individual’s performance meets pre-established objective goals based on performance criteria approved by stockholders). One of the requirements for compensation to qualify as performance-based under Section 162(m) is that the material terms of the performance goals for such compensation be disclosed to and approved by stockholders every five years. In accordance with



Section 162(m), the material terms that the stockholders approve constitute the framework to establish programs and awards under which compensation provided by the company can qualify as performance-based compensation for purposes of Section 162(m); however, there can be no guarantee that amounts payable under these programs and awards will be treated as qualified performance-based compensation under Section 162(m).

Equity compensation is a critical part of the Company's total compensation program which is essential to the Company's long-term success. The Company believes that its current equity compensation program is an important element in the retention of employees who are its key revenue generators.

#### **Why we believe you should vote for Proposal No. 5**

The Company believes that as a high-end consulting firm its people are its key asset and this requires a unique approach to equity compensation. The Company seeks to balance the need to attract, motivate and retain top talent in a highly competitive business with the need to manage its annual use of equity. Almost all of its competitors are privately held organizations owned by their key revenue generators. To remain competitive the use of equity is necessary to attract, motivate and retain the highest caliber principal consultants and senior management. Equity awards continue to represent a significant portion of the compensation package for most of its key revenue generators, not just senior management. During fiscal 2016, the Company granted equity awards to approximately 150 employees. The Company strongly believes that granting equity awards encourages employees to think and behave like owners, rewarding them when value is created for stockholders.

Equity needs to be distributed more broadly than to senior management alone to ensure key revenue producers are focused on growing the business and incentivized to maximize stockholder value. The Company believes its current equity compensation program has had a significant positive impact on its financial results and overall business strategy. The Company started its current program in 2004. Net revenues have increased 138% from \$125.9 million in fiscal 2003 to \$299.2 million in fiscal 2016 and operating income has increased 266% from \$16.9 million to \$61.9 million over the same period of time. The Company's market capitalization increased from \$155.4 million at the end of fiscal 2003 to \$1.5 billion at the end of fiscal 2016 reflecting a total stockholder return of approximately 865% since 2003. In deciding whether to approve this proposal, stockholders should also consider the following key factors;

*Use of restricted stock units to pay a portion of bonuses.* The Company's bonus pool is based on the profitability of the Company and is distributed based on each individual's relative contribution to the overall performance of the Company. In 2004, the Company started to pay a portion of its key revenue producers and senior management's earned annual bonuses in restricted stock units as a way to further align the interests of its employees with that of its stockholders and to further retain top talent. At the discretion of the Company, 20% to 40% of this group's annual bonus is paid with fully vested restricted stock unit awards which are settled with shares of common stock four years from the grant date. This strategy uses equity as a substitute for cash in delivering performance based pay to its employees. Each individual who has part of their bonus settled with a fully vested restricted stock unit award is also granted a matching number of unvested restricted stock unit awards that cliff vest four years from the date of grant. This program has resulted in an increase in stock ownership for the top performing consultants by tying up a portion of their annual bonus with restricted stock units, which are matched by the Company with unvested restricted stock units. By tying this program to individual bonuses, the Company ensures that the top performing consultants receive the highest portion of equity compensation. This program has been well received by the Company's employees and stockholders, has improved retention and we believe has contributed to the Company's strong results over the past several years. While the fully vested units issued in lieu of cash do not have the retention power of the unvested units, the Company believes that they are an important part of aligning its key revenue producers' and stockholders' interests, although this increases the number of shares issued annually and as a result it also increases the Company's burn rate.

*Impact of stock repurchase.* Between January 1, 2014 and December 30, 2016 the Company utilized excess cash to re-purchase 1,872,000 shares of its common stock for a total of \$78.7 million. These repurchases are equal to 7% of the shares outstanding at April 4, 2017. The share repurchase program has been well received by stockholders and accretive to earnings although it has negatively impacted the calculation of total potential dilution. Had the Company not made these repurchases, its total potential dilution, assuming the amendment to the 2008 Plan is adopted, would be 8.2% at April 4, 2017.

We believe that we have demonstrated a commitment to sound equity compensation practices in recent years. We recognize that equity compensation awards dilute stockholder equity, so we have carefully managed our equity incentive compensation. Our equity compensation practices are intended to be competitive and consistent with market practices, and we believe our historical share usage has been responsible and mindful of stockholder interests. Total potential dilution is equal to the total number of unvested equity awards outstanding plus the pool of shares remaining for future awards, divided by the total number of common shares outstanding, the number of unvested equity awards outstanding, and the pool of shares remaining for future awards. Our total potential dilution, assuming the amendment to the 2008 Plan is adopted, was 8.7% as of April 4, 2017:



Fiscal Year (1)	Stock Options			Total Unvested Stock Awards Outstanding	Shares Available (2)	Common Shares Outstanding	Total Equity Dilution		
	Number Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Term (yrs.)						
2014	395,000	19.21	5.85	886,780	1,435,342	25,741,948	9.5	%	
2015	285,000	26.42	6.59	779,977	1,077,325	25,720,598	7.7	%	
2016	319,000	31.58	6.47	695,314	709,918	25,597,038	6.3	%	
Current (3)	375,000	35.54	6.98	592,663	410,442	25,871,157	5.1	%	
New Shares					1,100,000				
Total equity dilution including new shares							8.7	%	

(1) As reported in the Company's Form 10-K filing at the end of each fiscal year.

(2) Excludes the 2008 Employee Stock Purchase Plan.

(3) As of April 4, 2017.

Burn rate is equal to total awards granted divided by the basic weighted average shares outstanding. The Company's three-year average burn rate for fiscal 2014 through fiscal 2016 was 1.5%:

Fiscal Year (1)	Stock Option Grants	Restricted Stock Unit Award Grants	Basic Weighted Average Shares	Burn Rate	
2014	45,000	378,348	26,910,000	1.6	%
2015	40,000	331,191	26,606,000	1.4	%
2016	64,000	302,672	26,488,000	1.4	%
3-yr average				1.5	%

(1) As reported in the Company's Form 10-K filing at the end of each fiscal year.

## 2008 Plan Highlights

The 2008 Plan includes provisions designed to serve stockholders' interests and promote effective corporate governance, including the following:

*No "Evergreen" Provision.* The 2008 Plan fixes the number of shares available for future grants and does not provide for any increase based on an increase in the number of outstanding shares of common stock.

*No Discounted Stock Options.* The 2008 Plan prohibits the granting of stock options at an exercise price that is less than the fair market value of the common stock on the date the stock option is granted.

*Limitation on Reuse of Shares.* The 2008 Plan contains limits on the re-use of Shares including: (i) Shares tendered or withheld to satisfy any Company withholding obligation will not become available for re-issuance under the Plan, (ii) Shares not issued under net-settled stock appreciation rights will not become available for re-issuance under the Plan, and (iii) Shares re-purchased from the proceeds of the exercise of stock options will not become available for re-issuance under the Plan.

*No Stock Option Re-pricings.* The 2008 Plan explicitly prohibits re-pricing of awards.

*No Payment of Dividends and Dividend Equivalents on Unvested Awards.* The 2008 Plan explicitly prohibits payment of dividends and dividend equivalents until the vesting of the awards.

*Limitations on Material Amendments.* Neither the 2008 Plan nor any award may be materially amended unless stockholder approval is obtained.

*Administered by Independent Directors.* An independent Committee of the Board of Directors will administer the 2008 Plan (although it may delegate certain responsibilities to others, as described below).

The following is a summary of the material terms of the 2008 Plan, as amended. It is qualified by reference to the full text of the Plan, as amended. A copy of the 2008 Plan, as amended, is filed as an exhibit to our Form 10-K for the fiscal year-ended December 30, 2016. A copy of the proposed amendment and the 2008 Plan, as amended, is attached as Appendix A to this proxy statement. Stockholders are encouraged to review the 2008 Plan and proposed amendment carefully.

**Types of Awards.** The Plan permits the Company to issue stock options (both incentive stock options designed to comply with Section 422 of the Internal Revenue Code (the Code) and nonstatutory stock options which will not so comply), stock awards (including stock appreciation rights, stock units, stock grants and other similar equity awards), and cash awards.

**Stock Subject to the Plan.** As of April 4, 2017, we have granted restricted stock units and stock options covering 4,417,708 shares of our common stock. As a result, we have 410,442 shares of common stock remaining available for grant under the 2008 Plan. If this proposal is approved, an additional 1,100,000 shares of our common stock will be available for issuance under the 2008 Plan.

**Administration.** The Company anticipates that the Plan will be administered by the Human Resources Committee of its Board (generally referred to as the “Administrator” of the Plan); however, with respect to grants to certain non-officer employees, the Administrator may from time to time delegate its authority to one or more officers of the Company. In any event, the Company will administer the Plan in accordance with applicable law including with applicable NASDAQ listing standards.

**Eligibility.** Awards may be granted under the Plan to Exponent (and its affiliates’) employees (including officers), independent contractors and members of the Company’s Board of Directors (including non-employee or outside board members). Incentive stock options may be granted only to employees of Exponent or its subsidiaries. The Administrator, in its discretion, selects the employees to whom stock options and other stock awards, as well as cash awards, may be granted, the time or times at which such awards are granted, and the terms of such awards.

As of April 4, 2017, approximately ten officers (as defined in Rule 16a-1(f) under the Exchange Act), six non-employee directors, and 1,013 employees of the Company would have been eligible to receive grants under the 2008 Plan had the Plan amendment been effective as of such date. The Company has historically not granted equity awards to independent contractors. As of April 4, 2017, approximately 155 employees participate in the 2008 Plan.

Because benefits under the Plan will depend on the Administrator's actions and the fair market value of common stock at various future dates, it is not possible to determine the benefits that will be received by employees, officers (including named executive officers), directors, and independent contractors if the amendment is approved by the stockholders. No grants have been made and no shares issued, with regard to the share increase for which stockholder approval is sought under the Plan. Additional information about our equity award grants during fiscal 2016 to our named executive officers is set forth in the Grant of Plan-Based Awards table.

For certain additional information concerning securities authorized for issuance under the Company's equity compensation plans as of December 30, 2016, see "Equity Compensation Plan Information" elsewhere in this proxy statement.

**Section 162(m) Limitations.** Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to the company's Chief Executive Officer or any of the three other most highly compensated officers. Certain performance-based compensation is specifically exempt from this deduction limit if it otherwise meets the requirements of Section 162(m). Stock options and other equity awards pursuant to which the recipient's compensation is based solely on the appreciation of the value of the underlying shares from the date of grant (i.e. with the exercise prices equal to the fair market value at grant) until the date of the income recognition event may qualify as performance-based compensation if the company satisfies certain requirements in connection with the Plan under which the awards are granted. Specifically, the Plan must be stockholder-approved and must contain a limit on the number of shares that may be granted to any one individual under the Plan during a specified period. Accordingly, the Plan has provided that no employee may be granted options and other stock awards covering more than 400,000 shares in any calendar year, except that an employee may be granted equity awards covering up to an additional 800,000 shares during the year in which the employee's service to Exponent commences.

The Plan also provides that Exponent may grant cash awards designed to qualify as performance-based compensation and specifies that the maximum amount payable under a cash award to any employee during a single calendar year is \$1,000,000.

Additional requirements apply to certain forms of compensation, such as stock units and cash awards, in order for them to qualify as performance-based compensation, including a requirement that payment of the value of such awards be contingent upon achievement of performance goals that are established in a manner specified under Section 162(m) of the Code. The Plan permits Exponent to issue awards incorporating such performance objectives and provides that these performance objectives ("Qualifying Performance Criteria") may be based upon either achievement in terms of absolute targets or increase (or in appropriate cases, decrease) in: cash flow; earnings (including gross margin, earnings before interest, taxes, depreciation, amortization and stock-based compensation, earnings before taxes, and net earnings); earnings per share; stock price; return on equity or average stockholders' equity; total stockholder return; return on assets or net assets; return on investment; revenue before reimbursements; income or net income; operating income or net operating income, in aggregate or per share; operating profit or net operating profit; operating margin; return on operating revenue; contract awards or backlog; overhead or other expense reduction; growth in stockholder value relative to the moving average of the S&P 500 Index or S&P SmallCap 600 Index; objective strategic plan development and implementation (including individual objective performance goals that relate to achievement of the Company's or any business unit's strategic plan). The Human Resources Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; and (E) any gains or losses classified as extraordinary or as discontinued operations in the Company's financial statements.

To the extent that the Administrator determines that an award will be granted subject to Qualifying Performance Criteria, such criteria will be specified with respect to a particular award by the Board's Human Resources Committee or the independent members of the Board in a manner designed to comply with Section 162(m). These criteria may be applied to Exponent as a whole or to a business unit, affiliate or business segment, either individually, alternatively or in any combination, and may be measured either annually or cumulatively over a period of years, on an absolute basis, or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Administrator in the award agreement.

The Company will be required under Section 162(m) to generally seek stockholder approval of the Plan's Qualifying Performance Criteria at least every five years. The Plan also allows the Board or Human Resources Committee to grant Plan awards that do not comply with the Section 162(m) requirements at any time, as well as to grant awards outside of the Plan (to the extent otherwise permitted under applicable law).

**Plan Characterization.** The Plan is not subject to the provisions of the Employment Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code.



**Adjustments upon Changes in Capitalization, Merger or Sale of Assets.** Subject to any required action by Exponent's stockholders, (1) the number of shares covered by each outstanding award, (2) the price per share subject to each outstanding award and (3) the share limitations as set forth in the Plan (including those established under Section 162(m)), will each be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of Exponent's stock, payment of dividend or distribution in a form other than stock (excepting normal cash dividends) that has a material effect on the fair market value of the shares of common stock or any other increase or decrease in the number of issued shares of Exponent's stock effected without receipt of consideration by Exponent.

In the event of a liquidation or dissolution and unless otherwise determined by the Administrator, any unexercised options or other stock awards pursuant to which shares have not yet been issued will terminate.

In the event of a change in control of Exponent, as defined in the Plan and determined by the Administrator, and under the proposal upon the consummation of such event, the Administrator, in its discretion, may provide for the assumption, substitution or adjustment of each outstanding award, accelerate the vesting of options and terminate any restrictions on stock awards or cash awards, or cancel awards including for a cash payment to the awardee.

**Nontransferability of Awards.** Unless otherwise determined by the Administrator, awards granted under the Plan are not transferable other than by will or the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee. The Administrator will have the sole discretion to permit the transfer of an award to family members and other persons and entities permitted under the rules applicable to the Form S-8 registration statement (as now or hereafter in effect, or to any successor form); however, the transferability of incentive stock options is restricted under the Code.

**Amendment and Termination of the Stock Plan.** The Board may amend, alter or suspend the Plan, or any part thereof, at any time and for any reason. However, Exponent will obtain stockholder approval for any amendment to the Plan to the extent required by applicable laws or stock exchange rules. In addition, unless approved by Exponent stockholders, no such amendment will be made that would: (1) increase the maximum number of shares for which awards may be granted under the Plan, other than an increase pursuant to a change in capitalization, dissolution or change in control, (2) increase the share or cash limit described above, (3) reprice or otherwise reduce the exercise price of outstanding options other than an adjustment pursuant to a change in capitalization, dissolution or change in control, or (4) expand the class of persons eligible to receive awards under the Plan. No such action by the Board or stockholders may alter or impair any award previously granted under the Plan without the written consent of the participant (except for certain changes specified in the Plan). Unless terminated earlier, the Plan will terminate ten years from the date of its last approval by the stockholders to add shares under the Plan.

### **Summary of Options, Stock Awards and Cash Awards**

**Options.** Each option is evidenced by a stock option agreement between Exponent and the optionee and is subject to the following additional terms and conditions. The Plan allows the Administrator broad discretion to determine the terms of individual options.

**Exercise Price.** The Administrator determines the exercise price of options at the time the options are granted. The exercise price of options granted under the Plan may not be less than 100% of the fair market value of the common stock on the date such option is granted (incentive stock options granted to employees who are also 10% stockholders must have an exercise price equal to 110% of the fair market value of the stock on the date of grant). Exponent may grant options with exercise prices equal to less than 100% of the fair market value of the underlying option shares on the date of grant in connection with an acquisition by Exponent of another company. The fair market value means, as of any date, the value of a share of Common Stock or other property as determined by the Administrator, in its

discretion, or by the Company, subject to the Plan's requirement that if the Company's common stock is trading on a national or regional securities exchange or market system, the fair market value will generally be the closing price for that day as quoted on that exchange or system.

As of April 4, 2017, the closing price of our common stock was \$58.25 per share. No option may be repriced to reduce the exercise price of such option without stockholder approval (except in connection with a change in Exponent's capitalization, such as a stock split or a recapitalization).

***Exercise of Option; Form of Consideration.*** The Administrator determines when options become vested and exercisable, and in its discretion may accelerate the vesting and/or exercisability of any outstanding option. Exponent's standard employee option vesting schedule is twenty-five percent per year. The means of payment for shares issued upon exercise of an option are specified in each option agreement. The Plan permits payment to be made by cash, check, wire transfer, other shares of common stock of Exponent (with some restrictions), broker assisted same-day sales, cashless net-exercise arrangements, any other form of consideration permitted by applicable law, or any combination of these methods.

**Term of Option.** The term of an option may be no more than ten years from the date of grant (or up to ten and one-half years in certain jurisdictions outside of the United States). No option may be exercised after the expiration of its term.

**Termination of Employment.** If an optionee's employment terminates for any reason (other than as described below), then all options held by the optionee under the Plan generally will be exercisable until the earlier of three months following the optionee's termination or the expiration of the term of the option; provided that the Administrator may in the stock option agreement specify a period of time (but not beyond the expiration date of the option) following the optionee's termination during which the optionee may exercise the option as to shares that were vested and exercisable as of the optionee's termination date. The term of an option may also be extended automatically for specified periods following termination of the optionee's employment under certain circumstances.

**Death or Disability.** Generally, if an optionee's employment terminates as a result of optionee's death or disability, then all options that are vested and exercisable as of the date of termination may be exercised for one year following the date of termination due to optionee's death or disability, provided that no option may be exercised after the expiration of its term.

**Other Provisions.** The stock option agreement may contain other terms, provisions and conditions not inconsistent with the Plan, as may be determined by the Administrator.

**Stock Awards.** Each stock award is evidenced by an award agreement between Exponent and the participant. The Plan allows the Administrator broad discretion to determine the terms of individual stock awards.

**General Terms.** Each stock award agreement will contain provisions regarding (1) the number of shares subject to such stock award or a formula for determining such number, (2) the purchase price of the shares, if any, and the means of payment for the shares, (3) the performance criteria (including the Qualifying Performance Criteria), if any, and level of achievement versus these criteria that will determine the number of shares granted, issued, retainable and vested, as applicable, (4) such terms and conditions on the grant, issuance, vesting and forfeiture of the shares, as applicable, as may be determined from time to time by the Administrator, (5) restrictions on the transferability of the stock award, and (6) such further terms and conditions, in each case not inconsistent with the Plan, as may be determined from time to time by the Administrator.

**Vesting.** The vesting of a stock award may (but need not) be subject to performance criteria (including Qualifying Performance Criteria), continued service of the participant, other market conditions or a combination of these conditions. The Administrator has the authority to accelerate vesting of an outstanding stock award. Exponent's

restricted stock unit grant program is discussed in more detail below.

***Termination of Employment.*** In the case of stock awards, including stock units, unless the Administrator determines otherwise, the award agreement will generally provide that the unvested stock or stock units will be forfeited upon the participant's termination of employment. Unvested stock or stock units will continue to vest in the case of retirement at 59 ½ years or older, provided that the award holder does all consulting work through the Company and does not become an employee for a past or previous client (direct or indirect) or competitor of the Company.

**Cash Awards.** Cash awards granted under the Plan will generally be made to individuals who are, or who the Company anticipates may be, among its most highly compensated officers (such individuals being those employees whose compensation may not be fully deductible by Exponent under Code Section 162(m) if it exceeds with respect to a given year the limits imposed by that section). Each cash award granted under the Plan will be subject to Qualifying Performance Criteria and will be reflected in an agreement containing provisions regarding (1) the target and maximum amount payable to the participant as a cash award, (2) the Qualifying Performance Criteria and level of achievement versus the criteria that will determine the amount of such payment, (3) the period as to which performance will be measured for establishing the amount of any payment, (4) the timing of any payment earned by virtue of performance, (5) restrictions on the alienation or transfer of the cash award prior to actual payment, (6) forfeiture provisions, and (7) such further terms and conditions, in each case not inconsistent with the Plan, as may be determined from time to time by the Administrator. The maximum amount payable as a cash award that is settled for cash may be a multiple of the target amount payable. The maximum amount payable pursuant to a cash award granted under the Plan for any fiscal year may not exceed U.S. \$1,000,000. Nothing in the Plan prevents the Company from granting cash awards outside of the Plan to any individual.

## **Federal Income Tax Consequences of Options, Stock Awards and Cash Awards under the Plan**

**The following is only a summary of the effect of U.S. federal income taxation upon awardees and Exponent with respect to the grant, vesting and exercise of awards under the Plan. It does not purport to be complete and does not discuss the tax consequences arising in the context of the employee's death or the income tax laws of any municipality, state or foreign country in which the employee's income or gain may be taxable.**

**Incentive Stock Options.** An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise is an adjustment item for alternative minimum tax purposes and may subject the optionee to the alternative minimum tax. Alternative minimum tax is an alternative method of calculating the income tax you must pay each year, which includes certain additional items of income and tax preferences and disallows or limits certain deductions otherwise allowable for regular tax purposes. Alternative minimum tax is payable only to the extent that alternative minimum tax income exceeds "regular" federal income tax for the year (computed without regard to certain credits and special taxes).

Upon a disposition of the shares acquired on exercise of an incentive stock option more than two years after grant of the option and one year after exercise of the option, the optionee will recognize long-term capital gain or loss equal to the difference between the sale price and the exercise price. If the holding periods are not satisfied, then: (1) if the sale price exceeds the exercise price, the optionee will recognize capital gain equal to the excess, if any, of the sale price over the fair market value of the shares on the date of exercise and will recognize ordinary income equal to the difference, if any, between the lesser of the sale price or the fair market value of the shares on the exercise date and the exercise price; or (2) if the sale price is less than the exercise price, the optionee will recognize a capital loss equal to the difference between the exercise price and the sale price. Unless limited by Section 162(m) of the Code, Exponent is entitled to a deduction in the same amount as and at the time the optionee recognizes ordinary income.

**Nonstatutory Stock Options.** An optionee does not recognize any taxable income at the time a nonstatutory stock option is granted. Upon exercise of vested shares, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Any taxable income recognized in connection with an option exercise by an employee of Exponent is subject to tax withholding by Exponent. Unless limited by Section 162(m) of the Code, Exponent is generally entitled to a deduction in the same amount as and at the time the optionee recognizes ordinary income. Upon a disposition of such shares by the optionee, any difference between the sale price and the exercise price, to the extent not recognized as taxable income as provided above, is treated as long-term or short-term capital gain or loss, depending on the length of the holding period.

**Stock Awards.** Stock awards will generally be taxed in the same manner as nonstatutory stock options, meaning that the employee will generally recognize income in an amount equal to the excess of the fair market value of the shares (typically measured as of the vesting date) over any amount the employee paid for the shares. Except with respect to

Restricted Stock Units, an employee who receives unvested shares of stock under a stock award may generally make an election at the time of grant to recognize income based upon the fair market value of the stock on the grant date. Certain of the Company's restricted stock unit awards incorporate income recognition deferral features, which delay the date on which the employee recognizes income for certain purposes. Ordinary income recognized by an employee with respect to a stock award will be subject to tax withholding by Exponent. Unless limited by Section 162(m) of the Code, Exponent is generally entitled to a deduction in the same amount as and at the time the employee recognizes ordinary income.

**Cash Awards.** Upon receipt of cash, the recipient will have taxable ordinary income, in the year of receipt, equal to the amount of cash received. Any cash received will be subject to tax withholding by Exponent. Unless limited by Section 162(m) of the Code, Exponent will be entitled to a tax deduction in the amount and at the time the recipient recognizes compensation income.

## Accounting Treatment

Exponent will recognize compensation expense in connection with awards granted under the Plan as required under applicable accounting standards. Exponent currently amortizes compensation expense associated with equity awards over an award's requisite service period and establishes fair value of equity awards in accordance with applicable accounting standards.

## New 2008 Plan Benefits

No awards have been granted, and no shares of common stock have been issued, on the basis of the proposed 1,100,000 share increase under the Plan amendment. It is not possible to determine the specific amounts and types of awards that may be awarded in the future under the Plan amendment because the grant and actual pay-out of awards under the 2008 Plan are subject to the discretion of the Administrator.

## Aggregate Past Grants Under the 2008 Plan

In accordance with SEC rules, the following table sets forth summary information with respect to the number of shares of our common stock subject to stock options made under the 2008 Plan to our named executive officers, all current executive officers as a group, directors, associates of such executive officer, directors and nominees, each other person who received or is to receive 5% of such options, warrants or rights and all employees (other than executive officers) as a group as of April 4, 2017. This table does not include restricted stock units.

Individual or Group	Number of Shares Underlying Awards
Paul R. Johnston, Ph.D. Chief Executive Officer	277,000
Richard L. Schlenker Executive Vice President, Chief Financial Officer and Corporate Secretary	198,000
Catherine Ford Corrigan, Ph.D. President	40,000



Steven J. Murray, Ph.D. Group Vice President	-
Harri K. Kytomaa, Ph.D. Group Vice President	-
All current executive officers as a group	515,000
All current directors who are not executive officers as a group	-
Each nominee for election as a director	-
Each associate of any such director, executive officer or nominees	-
Each other person who received or is to receive 5% of such awards	-
All employees, other than executive officers	-

**Registration with the SEC**

We intend to file a Registration Statement on Form S-8 relating to the issuance of shares of common stock under the Plan amendment with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the Plan amendment by our stockholders.

In considering the recommendation of our Board of Directors with respect to the approval of the amendment and the material terms of the 2008 Plan, as amended, stockholders should be aware that the members of our Board of Directors have certain interests, which may present them with conflicts of interest in connection with this proposal. As discussed above, directors are eligible to receive awards under the 2008 Plan. For more information about equity grants to our directors, see “*Compensation of Directors*” above. Our Board of Directors recognizes that approval of this proposal may benefit our directors and their successors.

### **Required Vote**

Approval of the amendment of the Amended and Restated 2008 Equity Incentive Plan will require the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF AMENDMENT OF THE AMENDED AND RESTATED 2008 EQUITY INCENTIVE PLAN.**

## PROPOSAL NO. 6

### APPROVAL OF AMENDMENT OF THE 2008 EMPLOYEE STOCK PURCHASE PLAN

In 2008, we adopted the 2008 Employee Stock Purchase Plan (ESPP), which replaced our prior Employee Stock Purchase Plan established in 1992. The ESPP was approved by stockholders on May 29, 2008 and currently has 38,056 shares of our common stock authorized for issuance. On April 3, 2017, the Board of Directors adopted an amendment to the ESPP to increase the number of shares authorized for issuance by 200,000 shares (bringing the remaining total number of shares currently available for issuance under the ESPP to 238,056 and the aggregate number of shares under the ESPP to 600,000), subject to stockholder approval of the amendment. Based on our current plans and growth expectations, we believe that the shares requested in this proposal will be sufficient for the Company's needs for the next six years.

The ESPP is designed to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. It allows employees to purchase stock through regular payroll deductions at a 5% discount to the market value of Exponent common stock on the last date of each offering period (Purchase Date). Management and the Board of Directors believe that it is important for employees to have the ability to participate in ownership of the Company. This benefit is an integral, long-standing, and valued aspect of the Company's benefit plan; to lose this benefit would be a loss both to the Company and its employees.

Exponent expects that, based upon the structure of the ESPP, the Company will not be required to record compensation expenses for financial statement purposes in connection with the rights to purchase stock granted to employees under the ESPP.

The following is a summary of the material terms of the ESPP. It is qualified by reference to the full text of the plan, which is attached as Appendix B to this proxy statement. Stockholders are encouraged to review the ESPP carefully.

**Administration.** The ESPP may be administered by the Board or by a committee appointed by the Board (the Administrator). Currently, the ESPP is being administered by the Human Resources Committee of the Board. In any event, Exponent will administer the ESPP in accordance with applicable law including with applicable Nasdaq listing standards.

**Eligibility.** Any person who is customarily employed by Exponent (or any of its majority-owned subsidiaries designated by the Board of Directors) for at least 20 hours per week and more than five months in any calendar year and is not deemed to own stock or options to purchase stock constituting 5% or more of the total voting power of stock of Exponent is eligible to participate in the ESPP, provided that the employee is employed prior to the commencement of an Offering Period (as defined below) and is not an individual providing services to Exponent or its subsidiaries as an independent contractor and is reclassified as a common law employee for any reason except federal income and employment tax purposes.

As of April 4, 2017, approximately ten officers (as defined in Rule 16a-1(f) under the Exchange Act), and 1,013 employees of the Company would have been eligible to participate in the ESPP had the Plan amendment been effective as of such date. As of April 4, 2017, approximately 164 employees participate in the ESPP.

**Plan Characterization.** The ESPP is not subject to the provisions of the Employment Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code.

**Adjustments upon Changes in Capitalization, Merger or Sale of Assets.** Subject to any required action by Exponent's stockholders, (1) the number of shares covered by each outstanding option, (2) the price per share subject to each outstanding option and (3) the maximum number of shares that may be purchased by a participant on any purchase date will each be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a stock split or the payment of stock dividend or any other increase or decrease in the number of issued shares of Exponent's stock effected without receipt of consideration by Exponent.

In the event of a dissolution or liquidation of Exponent, each Offering Period under the ESPP then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Administrator.

In the event of a change in control transaction of Exponent, each outstanding right to purchase shares under the ESPP will be assumed or an equivalent right will be substituted by Exponent's successor corporation or a parent or subsidiary of such successor corporation unless Exponent's Board determines in lieu of such assumption or substitution that a participant will have the right to exercise the option as to all the optioned stock. Each Offering Period then in progress will be shortened and a new Purchase Date will be set (the "New Purchase Date"), as of which date any Offering Period then in progress will terminate. The New Purchase Date will be on or before the date of consummation of the change in control and the Administrator will notify each participant in writing prior to the New Purchase Date, that the Purchase Date for his or her purchase right has been changed to the New Purchase Date and that his or her purchase right will be fully exercisable on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period.

**Nontransferability of Awards.** Unless otherwise determined by the Administrator, purchase rights granted under the ESPP are not transferable other than by will or the laws of descent and distribution.

**Offering Dates.** The ESPP currently consists of a series of three-month offering periods ("Offering Periods") commencing on the first business day of each fiscal quarter of each year and ending on the last business day of the fiscal quarter, with the last day of each Offering Period being designated a "Purchase Date." The Company has the ability to change the timing, duration and structure of the Offering Periods without seeking stockholder approval.

**Purchase Price.** The purchase price per share at which shares are sold under the ESPP is ninety-five per cent (95%) of the fair market value of the common stock on the applicable Purchase Date. The fair market value on a given date will be the closing price on the Purchase Date of a share of Exponent's common stock (or, in the event that the common stock is not traded on such date, on the immediately preceding trading date). The Board may not provide for a discount greater than 5% from the Purchase Date fair market value. As of April 4, 2017, the closing price of our common stock was \$58.25 per share.

**Participation in the ESPP; Payment of Purchase Price.** Eligible employees may participate in the ESPP by completing a subscription agreement in the form provided by Exponent and filing it with Exponent on a date prescribed by the Administrator prior to the first business day of the applicable Offering Period. The subscription agreement currently authorizes payroll deductions of up to fifteen per cent of the participant's eligible compensation. The purchase price of the shares is accumulated by payroll deductions during the applicable Offering Period. Eligible compensation is defined in the ESPP to include base salary, wages, commissions, overtime, and paid time off but exclusive of payments for shift premiums, incentive compensation, incentive payments, bonuses, equity compensation

amounts and other compensation. A participant may discontinue his or her participation in the ESPP at any time during the Offering Period prior to a Purchase Date, and may decrease the rate of his or her payroll deductions to zero percent once during an ongoing Offering Period by completing and filing a new subscription agreement. Payroll deductions will commence on the first payroll following the Offering Date and will end on the last payroll paid on or prior to the Purchase Date of the Offering Period. No interest accrues on the payroll deductions of a participant in the ESPP.

**Purchase of Stock; Exercise of Option.** By executing a subscription agreement to participate in the ESPP, the participant accepts the grant of an ESPP option to purchase shares during an Offering Period. The number of shares purchased by a participant will be determined by dividing the amount of the participant's total payroll deductions for such offering accumulated prior to the Purchase Date by the purchase price applicable for the Offering Period. Unless the participant's participation is discontinued, each participant's option for the purchase of shares will be exercised automatically on each Purchase Date at the applicable price. Notwithstanding the foregoing, no participant will be permitted to purchase shares under the ESPP which (with all rights to purchase stock under all similar stock plans of Exponent or of a parent or of any of Exponent's subsidiaries) exceed \$25,000 in fair market value, determined as of the Offering Date of the Offering Period in which the participant is participating during each calendar year in which an option to purchase stock under the ESPP is outstanding. In addition, no participant will be permitted to purchase more than a specified number of shares on any Purchase Date. The maximum number is currently set at 5,000 shares although the Company can change this limit at its discretion and the per-period share limit will adjust upon a stock split or similar transaction. Furthermore, if the number of shares which would otherwise be placed under option at the beginning of an Offering Period exceeds the number of shares then available under the ESPP, a pro rata allocation of the available shares will be made in as equitable a manner as is practicable.

**Withdrawal.** A participant's interest may be terminated in whole, but not in part, by signing and delivering to Exponent a notice of withdrawal from the ESPP. Such withdrawal may be elected prior to a Purchase Date under the ESPP under procedures established by the Company.

Any withdrawal by the participant of accumulated payroll deductions for a given Offering Period automatically terminates the participant's interest in that Offering Period. All of the participant's contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal. A participant's withdrawal from an Offering Period does not have an effect upon such participant's eligibility to participate in subsequent Offering Periods under the ESPP; however, the participant may not re-enroll in the same Offering Period after withdrawal.

**Termination of Employment.** Upon termination of the participant's continuous status as an employee prior to a Purchase Date of an Offering Period for any reason, including retirement or death, the contributions credited to his or her account will be returned to him or her, without interest, or, in the case of his or her death, to the person or persons entitled thereto, and his or her option will be automatically terminated.

**Amendment and Termination of the ESPP.** The Plan shall continue until the earlier to occur of termination by the Board, issuance of all of the shares of common stock reserved for issuance under the Plan, or June 1, 2027. The Administrator may amend, alter or discontinue the ESPP, but Exponent will obtain stockholder approval for any amendment to the ESPP to the extent required by applicable laws or stock exchange rules. In addition, unless approved by the stockholders of the Company, no such amendment will be made that would increase the maximum number of shares for which a purchase right may be granted under the ESPP or expand the class of persons eligible to receive purchase rights under the ESPP. No such action by the Administrator or the stockholders may impair any option without the written consent of the participant except as described below.

An Offering Period, or the ESPP, may be terminated by the Administrator on a Purchase Date or by the Administrator's setting a new Purchase Date with respect to an Offering Period then in progress if the Administrator determines that termination of the ESPP and/or the Offering Period is in the best interests of Exponent and its stockholders, or if continuation of the ESPP and/or the Offering Period would cause Exponent to incur accounting charges in connection with the ESPP that the Administrator determines to be contrary to the best interests of the Company and its stockholders. Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Administrator or a committee may change the Offering Periods, limit the frequency and/or number of changes in the amount of contributions withheld from a participant's compensation during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in Exponent's processing of properly completed withholding elections, change the amount of the discount from the fair market value of a share for purposes of establishing the purchase price for a future Offering Period, (but subject to the limitation described above) establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of common stock for each participant properly correspond with amounts withheld from the participant's compensation, and

establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the ESPP.

**Federal Income Tax Consequences of the ESPP.**

The ESPP, and the right of participants to make purchases thereunder, is intended to qualify for the federal income tax treatment provided to employee stock purchase plans and their participants under the provisions of Sections 421 and 423 of the Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. Upon sale or other disposition of the shares, the participant will generally be subject to tax in a manner that depends upon the holding period of the shares. If the shares are sold or otherwise disposed of (including by gift) more than two years from the grant date for (typically the first day of the offering period) and more than one year from the date the shares are purchased, the participant will recognize ordinary income measured as the lesser of (a) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or (b) an amount equal to five percent (5%) of the fair market value of the shares as of the first day of the Offering Period. Any additional gain or loss will be treated as long-term capital gain or loss. If the shares are sold or otherwise disposed of (including by gift) before the expiration of either of these holding periods, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on whether or not the disposition occurs more than one year after the date the shares are purchased. Exponent is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income recognized by a participant upon a sale or disposition of shares prior to the expiration of the holding periods described above.



**New ESPP Benefits**

The benefits that will be received by or allocated to eligible employees under the ESPP cannot be determined at this time because the amount of contributions set aside to purchase the Shares under the ESPP (subject to the limitations discussed above) is entirely within the discretion of each participant. If the proposed amendment of the ESPP had been in effect for the prior fiscal year, the Company does not expect that the number of shares purchased by participants in the ESPP during that year would have been materially different than the number of shares purchased as set forth in the table below.

**Aggregate Past Grants Under the ESPP**

In accordance with SEC rules, the following table sets forth summary information with respect to the number of shares of our common stock purchased under the ESPP by our named executive officers, all current executive officers as a group, directors, associates of such executive officer, directors and nominees, each other person who received or is to receive 5% of such options, warrants or rights and all employees (other than executive officers) as a group as of March 31, 2017 for the most recent completed offering period ended March 31, 2017 and under the ESPP for all completed offering periods.

Individual or Group	Most Recent Offering Period	<b>All Offering Periods</b>
Paul R. Johnston, Ph.D. Chief Executive Officer	-	-
Richard L. Schlenker Executive Vice President, Chief Financial Officer and Corporate Secretary	125	9,152
Catherine Ford Corrigan, Ph.D. President	-	-
Steven J. Murray, Ph.D. Group Vice President	-	-
Harri K. Kytomaa, Ph.D. Group Vice President	17	1,264
All current executive officers as a group	166	18,055

Edgar Filing: EXPONENT INC - Form DEF 14A

All current directors who are not executive officers as a group	-	-
Each nominee for election as a director	-	-
Each associate of any such director, executive officer or nominees	-	-
Each other person who received or is to receive 5% of such awards	-	-
All employees, other than executive officers	4,901	343,889

### **Registration with the SEC**

We intend to file a Registration Statement on Form S-8 relating to the issuance of shares of common stock under the ESPP amendment with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the Plan amendment by our stockholders.

### **Required Vote**

Approval of the amendment of the 2008 Employee Stock Purchase Plan will require the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF THE AMENDMENT OF THE 2008 EMPLOYEE STOCK PURCHASE PLAN.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table indicates beneficial ownership of the Company's common stock as of April 4, 2017. It includes stockholders known by the Company to beneficially own more than 5% of the Company's common stock, the Company's directors, the executive officers of the Company named in the Summary Compensation Table, and the directors and executive officers of the Company as a group. A total of 25,871,157 shares of the Company's common stock were issued and outstanding as of April 4, 2017.

Name and Address of Beneficial Owners	Number of Shares Beneficially Owned (1)	Percent of Total (1)	
BlackRock, Inc. (2) 55 East 52 <sup>nd</sup> Street New York, NY 10055	2,867,989	11.1	%
Neuberger Berman Group LLC (2) 1290 Avenue of the Americas New York, NY 10104	2,429,641	9.4	%
The Vanguard Group (2) 100 Vanguard Blvd. Malvern, PA 19355	2,094,330	8.1	%
Richard L. Schlenker (3)	321,276	1.2	%
Paul R. Johnston, Ph.D. (4)	167,585		*
Michael R. Gaulke (5)	91,622		*
John B. Shoven, Ph.D. (5)	29,692		*
Catherine Ford Corrigan Ph.D.	26,232		*
Steven J. Murray, Ph.D.	19,880		*
Harri K. Kytomaa, Ph.D.	17,307		*
Karen A. Richardson (5)	8,484		*
Debra L. Zumwalt (5)	7,412		*
Stephen C. Riggins (5)	3,296		*
Carol Lindstrom	-		*
All Directors & Executive Officers (16 persons) (6)	726,679	2.8	%

\*Represents less than one percent of the outstanding common stock of the Company.

(1) The number and percentage of shares beneficially owned is determined under rules of the Securities and Exchange Commission ("SEC"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares that the individual has the right to acquire within sixty days

of April 4, 2017, through the exercise of any stock option or other right. The denominator of the calculation consists of shares the director's and executive officer's have the right to acquire through the exercise of any stock option or other right within sixty days of April 4, 2017, plus the Company's total shares outstanding as of April 4, 2017. Unless otherwise indicated in the footnotes, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.

- Based on information contained in a report on Schedule 13G/A filed on January 12, 2017 for BlackRock, Inc., who has sole voting power over 2,813,031 and sole dispositive power over 2,867,989 shares, a report on Schedule 13G/A filed with the SEC on February 14, 2017 for Neuberger Berman Group LLC, who has shared voting and dispositive power over all of these shares, a report on Schedule 13G/A filed on February 10, 2017 for The Vanguard Group, who has sole voting power over 50,711 shares, shared voting power over 4,077 shares, sole dispositive power over 2,040,849 shares and shared dispositive power over 53,481 shares.
- (2) Includes 127,500 shares of common stock subject to options exercisable within sixty days of April 4, 2017.
  - (3) Includes 106,250 shares of common stock subject to options exercisable within sixty days of April 4, 2017.
  - (4) Includes 2,146 shares of common stock to be issued upon the conversion of restricted stock units within sixty days of April 4, 2017.
  - (5)

Includes 233,750 shares of common stock subject to options exercisable within sixty days of April 4, 2017 and (6) 10,730 shares of common stock to be issued upon the conversion of restricted stock units within sixty days of April 4, 2017.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

The Company believes that during fiscal 2016, all filings with the SEC, by its executive officers, directors and 10% stockholders complied with requirements for reporting ownership or changes in ownership of Company common stock pursuant to Section 16(a) of the Securities Exchange Act of 1934.

### **Compensation Committee Interlocks and Insider Participation**

During fiscal 2016, Mr. Riggins, Ms. Richardson, Dr. Shoven, and Ms. Zumwalt served as members of the Human Resources Committee. No member of the Human Resources Committee is or was formerly an officer or an employee of the Company or any of its subsidiaries.

No interlocking relationship exists between the Company's Board of Directors or Human Resources Committee and the Board of Directors or Compensation Committee of any other company, nor has any such interlocking relationship existed in the past.

## EXECUTIVE OFFICER COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis explains our compensation philosophy, objectives, policies and practices with respect to our Chief Executive Officer, our Executive Vice President and Chief Financial Officer and our other three most highly-compensated executive officers, as determined in accordance with applicable SEC rules and as set out in the “Summary Compensation Table”. We collectively refer to these five individuals as our “named executive officers.”

**General Philosophy.** Our fundamental compensation philosophy is to align management’s incentives with the long-term interests of our stockholders, create a sense of partnership and to provide a retention vehicle. We strive to compensate our named executive officers competitively with executives and consulting professionals throughout the industry and geographies in which we operate. Executive officer compensation is based on the performance of the Company, individual achievements and the competitive environment. Individual performance assessments are based on appraisals of financial performance, professional accomplishments and leadership that meet the level of excellence demanded. We use a total compensation approach for our named executive officers, in which each element of compensation is reviewed individually and considered collectively with the other elements of our compensation program to ensure that it is consistent with the objectives of both that particular element of compensation and our overall compensation program. During our Board and Committee Meetings on September 29, 2016, we considered the results of the “say on pay” proposal from our 2016 proxy, on which 98.1% of votes cast by our stockholders were in support of our executive compensation policies and decisions for fiscal 2015. Our approach for fiscal 2016 on compensation policies and decisions remained consistent with our 2015 approach and no substantial changes were made during fiscal 2016. Our compensation program consists of the following elements: base salary, bonus, equity compensation and other benefits.

**Board Process.** The responsibility for determining the compensation of our named executive officers has been delegated by the Board of Directors to the Human Resources Committee (which is hereinafter referred to as the “Committee”). As described in more detail below, the Committee’s responsibilities include establishing the general compensation policies for all employees and overseeing the specific compensation for officers of the Company. The Committee regularly reviews these compensation programs and makes adjustments as appropriate to accomplish its objectives. The Committee met five times during fiscal 2016.

In the case of the Chief Executive Officer, the Committee reviews the Chief Executive Officer’s written assessment of his performance, evaluates the performance of the Chief Executive Officer relative to his objectives and determines the appropriate compensation. For the other executive officers, the Chief Executive Officer evaluates their performance and presents his evaluation and compensation recommendations to the Committee for review and

approval. The Committee also approves all equity compensation grants. The Charter of the Committee is available on our website at: <http://www.exponent.com/corporate-governance/>.

The Charter of the Committee provides for the Committee to retain, and terminate as necessary, a compensation consultant. During 2016, the Committee engaged Compensia, an executive compensation consulting firm, to provide recommendations regarding the framework for performance objectives, as discussed below, and a group of publicly-traded professional service companies with revenue, operating income and business focus comparable to Exponent that will be used to develop competitive compensation data for our Chief Executive Officer and our Executive Vice President and Chief Financial Officer. For fiscal 2016, the Committee reviewed competitive compensation data for the chief executive officer and chief financial officer of nine publicly-traded professional service companies recommended by Compensia with revenue, operating income, market capitalization, and business focus comparable to Exponent. Those companies included The Advisory Board, The Corporate Executive Board, CRA International, Heidrick and Struggles, Huron Consulting Group, ICF International, Korn/Ferry International, Navigant Consulting, and Resources Connection. There were no changes in comparable companies from 2015. During 2016, the Committee also reviewed executive compensation survey data compiled by Radford, a compensation survey provider, for chief executive officers and chief financial officers of publicly-traded companies in Northern California with annual revenues in the \$200 million to \$999 million range. The Committee does not target compensation against a specific percentile or range of percentiles within any peer group, because there are no comparable companies that offer the same technical capability and breadth of services as Exponent. We use the data for a general understanding of the marketplace. The competitive compensation data for base salary, total cash compensation and long-term incentives and the executive compensation survey data provided by Radford were reviewed by the Committee to ensure that the Chief Executive Officer and the Executive Vice President and Chief Financial Officer's compensation are not outliers relative to the peer group reviewed.



## Compensation and Risk Management

The Committee does not believe that our executive compensation program encourages excessive or unnecessary risk-taking. By dividing our executives' compensation into three key elements, the Committee believes it has properly weighted the performance compensation eligible to be earned by our executives appropriately between short-term and long-term goals. Additionally, the annual bonus for all executive officers is capped at two times their target bonus and 40% of each executive officer's annual bonus is settled with fully vested restricted stock units that are not delivered for four years. These provisions add protection against disproportionately large short-term incentives. The primary component of our equity compensation program is restricted stock units which cliff vest four years from the date of grant. The delayed vesting encourages our executives' sustained focus on the long-term performance of the Company and encourages retention. The Committee believes our executive compensation program promotes proper alignment of our executives' interests with those of the Company's stockholders.

### Elements of Compensation Program

**Base Salary.** We believe that competitive base salaries are necessary to attract and retain management talent critical to achieving our business objectives. We strive to provide base salaries commensurate with comparable executives at professional service organizations with similar revenue, operating income, market capitalization, business focus and location and with consulting professionals of similar background and experience working for both professional service organizations and in private practice. Base salaries are reviewed annually and adjusted to realign salaries with market levels after taking into account our performance, as well as the individual's responsibilities, experience and performance. The level of total compensation relative to our other executive officers, senior scientific and engineering consultants that we hire and those that have left to compete with us are also considered when determining executive officer base salaries. On July 29, 2016, Exponent's Board of Directors appointed Dr. Catherine Corrigan as its President. Dr. Paul Johnston continues to serve as the Company's Chief Executive Officer. Upon her appointment as President, Dr. Corrigan's base salary was set at \$550,000. On October 1, 2016, the Committee appointed Dr. Harri Kytomaa as a Group Vice President. Upon his appointment as a Group Vice President, Dr. Kytomaa's base salary was set at \$415,000. Both salaries reflected a level that the Committee concluded was appropriate based on their experience and comparable compensation data.

Effective April 1, 2017, the annual base salary for Dr. Johnston, Chief Executive Officer, increased 4% from \$675,000 to \$700,000. Dr. Johnston's increased annual base salary reflected a level that the Committee concluded was appropriate based upon Dr. Johnston's performance and the competitive compensation data. Effective April 1, 2017, the annual base salary for Mr. Schlenker, Executive Vice President and Chief Financial Officer, increased 5% from \$440,000 to \$460,000. Mr. Schlenker's increased annual base salary reflected a level that the Committee concluded was appropriate based upon Mr. Schlenker's performance and the competitive compensation data. Effective April 1, 2017, the annual base salary for Dr. Corrigan, President, increased 5% from \$550,000 to \$575,000. Dr. Corrigan's increased annual base salary reflected a level that the Committee concluded was appropriate based upon Dr. Corrigan's performance during fiscal 2016. Effective April 1, 2017, the annual base salary for Dr. Murray, Group Vice President,

increased 7% from \$375,000 to \$400,000. Dr. Murray's increased annual base salary reflected a level that the Committee concluded was appropriate based upon Dr. Murray's performance during fiscal 2016. For fiscal 2016, the Committee concluded that the annual salary for Dr. Kytomaa, Group Vice President of \$415,000 was competitive and would not be increased.

**Bonus.** Annual bonuses are designed to create an incentive and to reward named executive officers for their contributions to our performance by making a significant portion of their total compensation variable. Our bonus plan covers all employees, including named executive officers, and the bonus pool is equal to 33% of our pre-tax income before bonuses, stock-based compensation, realized gain/loss on foreign exchange and interest income. An additional amount of up to the amount of the Chief Executive Officer's target bonus may be added to the bonus pool if the Chief Executive Officer's targets for revenue and profit are exceeded, as discussed below. Our bonus pool has historically been 33% and the Committee determined that this amount was competitive for fiscal 2016. The total amount available in the bonus pool for fiscal 2016 was \$37,120,000. Generally 40% of each named executive officer's annual bonus is settled with fully vested restricted stock unit awards, rather than cash, to provide a longer term incentive, under which each executive officer has the right to receive shares of our common stock four years from the date of grant. The remainder of each executive officer's annual bonus is paid in cash.

Where a named executive officer has responsibilities for both providing direct consulting services to clients and managing a business unit, his or her performance is generally weighted toward the direct consulting activities. For a named executive officer who has broader corporate responsibilities, such as our Executive Vice President and Chief Financial Officer, his performance is based on that officer's overall contribution to the Company.

On February 29, 2016 the Committee adopted a performance threshold which, if met or exceeded, will allow bonuses and all restricted stock unit awards to qualify as performance based compensation eligible for deductibility under Section 162(m). The 2016 performance threshold was \$45 million of EBITDAS (EBITDAS is a non-GAAP financial measure defined as net income before income taxes, interest income, depreciation and amortization and stock-based compensation), which must be exceeded prior to the payout of any bonus under this plan and the grant of any restricted stock units under this plan to our current executive officers. If the \$45 million of EBITDAS is exceeded, the Committee can approve a payout of up to 200% of the 2016 target bonus for each executive officer. The 2016 target bonus for the Chief Executive Officer and the Executive Vice President and Chief Financial Officer was their current base salary plus an additional 40% for matching restricted stock units. The 2016 target bonus for all of the remaining executive officers was 80% of their current base salary plus an additional 40% for matching restricted stock units. Actual EBITDAS for fiscal 2016 was \$87,903,000, which exceeded the performance threshold and thus all executive officer bonuses and all restricted stock unit awards granted to executive officers qualify as performance based compensation eligible for deductibility under Section 162(m).

For fiscal 2016, the Chief Executive Officer's performance was evaluated using a process developed with the help of Compensia, based on performance objectives in three categories: revenue, profitability, and leadership.

**Performance Awards.** Our 2008 Equity Incentive Plan authorizes the grant of performance awards to our executive officers. Performance awards are payable only to the extent certain performance targets, based on objective business criteria specified by the Committee, are achieved in the relevant measurement period. Performance awards are payable in cash or restricted stock units, at the discretion of the Committee. At the beginning of each year, the Committee must determine the performance goals and the achievement necessary for the bonus payout. After the conclusion of the performance period, the Committee certifies (1) the extent to which each executive officer has achieved the applicable prior fiscal year's performance targets, and (2) the appropriate amount, if any, to be paid with respect to such performance-based annual incentive award. Even if the performance targets are achieved, the Committee may reduce the amount of an award through "negative discretion" and thereby reduce the payment made under a performance award, but the Committee cannot increase the amount of such award.

On February 29, 2016, the Committee determined the performance award opportunity to be granted to Dr. Johnston, Chief Executive Officer, for fiscal 2016. In doing so, the Committee established the performance targets, the performance required to achieve payout under the award and maximum amounts payable under this award. The Committee set the target bonus level and maximum payout at amounts they believe are competitive. Dr. Johnston's target award was set at \$225,000 (one-third of Dr. Johnston's base salary) with the maximum amount payable set at twice the target. Performance between the applicable targets would be paid on a straight-line basis. In establishing the

target for Dr. Johnston's 2016 performance award, the Committee decided that 60% of the award, to the extent earned, would be payable in cash and 40% of the award would be payable in fully vested restricted stock units under which Dr. Johnston has the right to receive shares of our common stock four years from the date of grant.

Two performance targets were established. The revenue performance target was a 5% increase in revenues before reimbursements. This target is measured on a scale of 0 to 2 with 0 being equal to 5% revenue decline, 1 being equal to 5% revenue growth, and 2 being equal to 15% revenue growth. Performance between the targets is prorated on a straight-line basis. We did not meet this quantitative goal with actual revenues before reimbursements growth of 1.18%. This resulted in a quantitative performance factor for this objective of 0.62 on a scale of 0 to 2.

The profit performance target was to meet the adjusted EBITDAS target margin. The adjusted EBITDAS margin is the calculated margin (EBITDAS/revenues before reimbursements) excluding the realized gain/loss on foreign exchange. The EBITDAS target margin for fiscal 2016 was 29.83% increased or decreased by five basis points for each 1% of revenue before reimbursements growth above or below 5%. This is also measured on a scale of 0 to 2 with 0 being equal to 200 basis points below the EBITDAS target margin, 1 being equal to the EBITDAS target margin, and 2 being equal to 200 basis points above the EBITDAS target margin. We did not meet this quantitative goal and fell short of the EBITDAS target margin by 33 basis points. This resulted in a quantitative performance factor for this objective of 0.84 on a scale of 0 to 2.

On February 16, 2017, the Committee certified and determined the amount payable to Dr. Johnston with respect to the cash and equity components of his performance award for fiscal 2016. Both of the performance targets were weighted equally. This resulted in a composite performance factor of 0.73 on a scale of 0 to 2. Accordingly, the formula amount payable for the performance award was \$164,000 (target of \$225,000 multiplied by the composite performance factor of 0.73).

**Qualitative Bonuses.** The target for Dr. Johnston's qualitative bonus was set at \$450,000 (two-thirds of Dr. Johnston's base salary) for fiscal 2016 with the maximum payout set at twice the target. The Committee set the target bonus level and maximum payout at amounts they believe are competitive. Performance was evaluated based on objectives in three categories: revenue, profitability and leadership. The performance objectives for revenue and profit are weighted 25% each and the performance objective for leadership is weighted 50%. The Committee may reduce the qualitative bonus from the target amount at their discretion.

With respect to the revenue objective, the determination was based on the judgment of the Committee, taking into consideration factors such as how well we accomplished strategic growth initiatives and added top talent. For the profit objective, the determination was based on the judgment of the Committee, taking into consideration factors such as how we were able to control expenses and manage headcount growth. The leadership objective was based on the judgment of the Committee taking into consideration factors such as management of enterprise risk and our overall strategic direction.

In determining the appropriate qualitative bonus, the Committee considered Dr. Johnston's contributions to achieving each of the three objectives. In making a qualitative assessment of the revenue objective the Committee determined that this objective was not met. Efforts were made in this area including a focus on strategic growth initiatives and driving our marketing and business development processes to become more industry focused. However, we did not achieve our anticipated growth. In making a qualitative assessment of the profit objective the Committee determined that this objective was exceeded. Following the downturn in our business during the second quarter of 2016 we reduced the size of our consulting staff and slowed our recruiting efforts to protect our profitability. We successfully maintained our utilization above 70%, which we have done every year since 2010. With respect to the leadership objective, the Committee recognized that this objective was significantly exceeded due to the management of enterprise risk, the strategic direction provided, the retention of key Principals and succession planning at the level of

President and the Operating Committee. Based on the Committee's qualitative evaluation, the composite performance factor was 1.30 on a scale of 0 to 2. Accordingly, the amount payable for the qualitative bonus was \$586,000 (target of \$450,000 multiplied by the composite performance factor of 1.30). The Committee decided that 60% of the qualitative bonus will be paid in cash and 40% of the qualitative bonus will be settled with fully vested restricted stock units under which Dr. Johnston has the right to receive shares of our common stock four years from the date of grant.

The bonuses for the other named executive officers were determined on a total compensation basis based on their relative contribution to our overall performance. Where a named executive officer has responsibilities for both providing direct consulting services to clients and managing a business unit, his or her performance is generally weighted toward the direct consulting activities. The size of our bonus pool was also considered when determining the annual bonuses for our other named executive officers.

**Equity Compensation.** Our equity compensation program is designed to align the named executive officers and stockholders' interests, create a sense of partnership and long-term incentives, provide a mechanism for retention and provide a competitive total compensation package. We use a combination of restricted stock units and stock options to achieve these objectives.

Generally 40% of each named executive officer's annual bonus is settled with fully vested restricted stock unit awards. The percentage of each named executive officer's annual bonus settled with vested restricted stock unit awards may be less than 40% when called for by the terms of an employment agreement or when other equity grants made were deemed adequate to align named executive officers and stockholders' interests. Under these restricted stock unit awards, each executive officer has the right to receive shares of our common stock four years from the date of grant. Each named executive officer who received a fully vested restricted stock unit award is also granted a matching number of unvested restricted stock unit awards. These unvested restricted stock unit awards cliff vest four years from the date of grant provided the holder has met certain employment conditions. In the case of retirement at 59 ½ years or older, all unvested restricted stock unit awards will continue to vest, provided that the named executive officer does all consulting work through the Company and does not become an employee for a past or present client (direct or indirect) or competitor of the Company.

Our practice is to determine each named executive officer's bonus and the dollar amount of vested and unvested restricted stock unit awards following the availability of financial results for the prior year. With the exception of significant promotions and new hires, we generally grant restricted stock unit awards once a year during the allocation of our bonus pool. For restricted stock unit awards our 2008 Equity Incentive Plan defines the fair market value of the restricted stock unit awards as the closing price of our stock on the day of grant.

During the annual review process in February 2016, the Committee granted a stock option to purchase 24,000 shares of our common stock to Dr. Johnston, Chief Executive Officer, and a stock option to purchase 16,000 shares of our common stock to Mr. Schlenker, Executive Vice President and Chief Financial Officer. These stock option grants reflect levels that the Committee concluded were generally appropriate based upon past practices within the Company, each individual's total stock ownership and the amount needed to remain competitive. For stock option awards the exercise price is equal to the closing price of our stock on the date of grant. Our option awards vest ratably over a four-year period beginning on the grant date, subject to continued employment. All stock option awards continue to vest in the case of retirement at 59 ½ years or older, provided that the named executive officer does all consulting work through the Company and does not become an employee for a past or present client (direct or indirect) or competitor of the Company.

Unvested restricted stock unit awards and stock options are occasionally granted for select new hires and promotions. On July 29, 2016, Exponent's Board of Directors appointed Dr. Catherine Corrigan as its President. Dr. Paul Johnston continues to serve as the Company's Chief Executive Officer. Upon her appointment as President, Dr. Corrigan received a stock option grant for 24,000 shares. This option grant reflects a level that the Committee concluded was appropriate based upon past practices within the Company, Dr. Corrigan's total stock ownership and the amount needed to remain competitive.

**Executive Stock Ownership Guidelines.** We believe that the financial interests of our executive officers should be aligned with those of our stockholders. Our stock ownership guidelines are determined as a multiple of the named executive officer's annual base salary. Individual guidelines are three times for the Chief Executive Officer, two times for the Executive Vice President and Chief Financial Officer and one time for the other named executive officers. Stock that counts towards satisfaction of our stock ownership guidelines includes shares owned outright by the named executive officer or his or her immediate family members residing in the same household or in trust and restricted stock units, whether or not vested. The value of shares owned outright is Exponent's prior 365-day average closing common stock price. The value of restricted stock units is the grant date fair value. The calculation is done at the beginning of each year. Named executive officers are required to achieve their stock ownership guideline within five years of the date the guidelines were adopted. If a person's stock ownership guideline increases, that person has a five-year period to achieve the new guideline. Until the guideline is achieved, the person is required to retain at least 50% of the net shares delivered through our Restricted Stock Unit Program or the exercise of stock options. Net shares refer to those that remain after shares are sold or netted to pay the exercise price of stock options and withholding taxes. As of April 4, 2017, all the named executive officers met the stock ownership guidelines or are expected to meet the applicable ownership guidelines within the specified time period.

**Hedging and Pledging.** Our insider trading policy prohibits directors, officers, and employees from selling short or otherwise engaging in hedging or offsetting transactions involving Exponent securities, including the trading of those securities on margin. Our policies do not permit any director or officer, including our named executive officers, to pledge Exponent securities as collateral.



**Clawback Policy.** We have a “clawback” policy for the recovery of excessive incentive-based compensation. In the event that we are required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws, we will use reasonable efforts to recover from any current or former officer of the Company who was paid or granted incentive based compensation and whom the Board has determined has willfully committed an act of fraud, dishonesty or recklessness in the performance of his or her duties as an officer that contributed to the noncompliance that resulted in the Company’s obligation to prepare the accounting restatement, all excessive incentive-based compensation. Incentive-based compensation includes the amount of the culpable employee’s annual incentive awards paid under our cash incentive program, stock options and performance-based equity or equity-based awards (or any amount attributable to such awards) paid or granted to the culpable employee under our long-term incentive equity program, and any other incentive-based compensation paid or granted in respect of Company and/or individual performance to a culpable employee pursuant to an “incentive plan” as such term is defined in Item 402(a)(6)(iii) of Regulation S-K under the Exchange Act. The policy applies to financial statements filed in a rolling three-year, lookback period. This clawback policy is in addition to any policies or recovery rights that are required under applicable laws, including the Sarbanes Oxley Act and the Dodd Frank Act.

**No Compensation Consultant Conflicts of Interest.** We are not aware of any conflict of interest that has been raised by the work performed in 2016 by Compensia. During 2016 the Human Resources Committee reviewed the six independence factors enumerated by the Securities and Exchange Commission and determined that Compensia was independent.

**Nonqualified Deferred Compensation.** To attract and retain high performing executive officers and consultants we have a nonqualified deferred compensation plan under which we provide certain highly compensated employees, including the named executive officers, the opportunity to elect to defer the receipt of compensation. Participants in the plan may elect to defer up to 100% of their compensation including base salary and bonus. We also retain the discretion to make company contributions for any participant. For additional information, please refer to the Nonqualified Deferred Compensation table.

**Other Benefits.** Executive officers participate in our other benefit plans on the same terms as other employees. These plans include medical and dental insurance, life insurance, an employee stock purchase plan and company contributions to each employee’s defined contribution retirement account. We also provide paid vacation and other paid holidays to all employees, including named executive officers.

### **Tax Deductibility of Pay**

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally places a limit of \$1,000,000 on the amount of annual compensation that we may deduct in any one year with respect to certain executive officers unless the compensation is qualifying performance-based compensation where certain requirements are met. It is the intent of

the Committee to have bonuses and equity compensation qualify for full deductibility to the extent feasible and consistent with our overall compensation objectives. Our 2008 Equity Incentive Plan is designed to enable compensation recognized in connection with bonuses, including performance awards and qualitative bonuses, and equity compensation, including the exercise of stock options and the settlement of restricted stock units to qualify as performance-based compensation eligible for deductibility under Section 162(m). Base salary does not qualify as an exception to the deduction limit under Section 162(m).

For fiscal 2017 the Committee established a performance threshold which, if met or exceeded, will allow qualitative bonuses and all restricted stock unit awards to qualify as performance based compensation eligible for deductibility under Section 162(m). The 2017 performance threshold is \$44 million of EBITDAS, which must be exceeded prior to the payout of any bonus under this plan and the grant of any restricted stock units under this plan to our current executive officers. If the \$44 million of EBITDAS is exceeded, the Committee can approve a payout of up to 200% of the 2017 target bonus for each executive officer. The 2017 target bonus for the Chief Executive Officer and the Executive Vice President and Chief Financial Officer is their current base salary plus an additional 40% for matching restricted stock units. The 2017 target bonus for all of the remaining executive officers is 80% of their current base salary plus an additional 40% for matching restricted stock units.

### **Compensation Accounting Matters**

The Committee also considers the accounting and cash flow implications of various forms of executive compensation. In our financial statements, we record salaries and bonuses as expenses in the amount paid, or to be paid, to the named executive officers. Accounting rules also require us to record an expense in our financial statements for equity awards, even though equity awards are not paid as cash to employees. The Committee believes, however, that the many advantages of equity compensation more than compensate for the non-cash accounting expense associated with these types of awards. We currently amortize compensation expense associated with equity awards over an award's requisite service period and establish fair value of equity awards in accordance with applicable accounting standards. Based upon the structure of our employee stock purchase plan program we are not required to record compensation expenses for financial statement purposes in connection with employees' rights to purchase our stock granted under this program.

### **Potential Payments upon Termination or Change-in-Control**

Our restricted stock unit award agreements state that in the event of a change in control of the Company, the successor shall assume or substitute equivalent awards on the same terms and conditions. If the award holder is involuntarily terminated within a two-year period beginning on the date of the change of control for any reason other than the award holder's failure to substantially perform the duties of the award holder's position, all awards are vested and settled on the date of termination. Assuming a change in control and involuntary termination of employment, the value of restricted stock unit awards that would have vested based on the closing price of our common stock on December 30, 2016 of \$60.30 for each named executive officer was as follows: Dr. Johnston \$2,256,487, Mr. Schlenker \$1,417,050, Dr. Corrigan \$1,201,357, Dr. Murray \$836,120, and Dr. Kytomaa \$772,503. We do not have any other contracts, agreements (including employment agreements), plans or arrangements, whether written or unwritten, providing for payments to a named executive officer at, following, or in connection with any termination of a named executive officer or a change in control or a change in a named executive officer's responsibilities.

**SUMMARY COMPENSATION TABLE**

The following table summarizes information regarding compensation earned by our named executive officers during fiscal 2016:

Name and Principal Position	Year	Salary (\$) (1)	Bonus (\$) (2)	Stock Awards (\$) (3) (5)	Option Awards (\$) (4) (5)	All Other Compensation (\$)	Total (\$)
Paul R. Johnston, Ph.D. Chief Executive Officer	2016	668,750	450,000	660,000	307,334	46,812	(6) 2,132,896
	2015	644,231	495,000	720,000	319,298	45,096	(6) 2,223,625
	2014	619,231	540,000	720,000	330,340	43,346	(6) 2,252,917
Richard L. Schlenker Executive Vice President, Chief Financial Officer and Corporate Secretary	2016	435,000	300,000	420,000	204,890	30,450	(6) 1,390,340
	2015	415,385	315,000	440,000	212,866	29,077	(6) 1,412,328
	2014	400,000	330,000	440,000	220,226	28,000	(6) 1,418,226
Catherine Ford Corrigan, Ph.D. President	2016	521,346	330,000	400,000	324,946	123,972	(7) 1,700,264
	2015	497,692	300,000	420,000	-	34,838	(6) 1,252,530
	2014	487,692	315,000	400,000	-	34,138	(6) 1,236,830
Steven J. Murray, Ph.D. Group Vice President	2016	366,250	285,000	360,000	-	25,637	(6) 1,036,887
Harri K.Kytomaa, Ph.D. Group Vice President	2016	381,250	210,000	260,000	-	26,687	(6) 877,937

(1) The base salaries for our Named Executive Officers took effect for 2016, 2015 and 2014 on April 2, 2016, March 28, 2015, and March 29, 2014, respectively. As such the amounts in this column reflect three months at their prior year base salaries and nine months at their current year base salaries. Fiscal 2016, fiscal 2015, and fiscal 2014 included 52 weeks of activity.

(2) The amounts shown in this column represent the value of cash bonuses earned during the year indicated and paid in the first quarter of the subsequent year, excluding the portion settled with vested restricted stock unit awards.

(3) The amounts shown in this column represent the values of vested and unvested restricted stock unit awards granted during the year indicated, regardless of when earned. The value of restricted stock units granted during the first quarter of 2017 to settle a portion of each named executive officer's fiscal 2016 bonus are not included in this

column.

- (4) The amounts shown in this column represent the Black-Scholes value calculated for stock options granted during the year indicated, regardless of when earned.

The values of equity-based awards for these columns represent the grant date fair value of the awards in accordance with ASC 718. All equity-based awards have dividend equivalent rights ("DER"), which entitle the holder of the award to the same dividend value per share as holders of common stock. DER are subject to the same vesting and other terms and conditions as the corresponding stock award or option award. DER are accumulated and paid when the underlying stock awards or option awards vest and are forfeited if the underlying stock awards or option awards are forfeited. See the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 30, 2016 regarding assumptions underlying the valuation of equity awards.

- (5) The amounts shown in this column represent the value of Company contributions to each named executive officer's defined contribution retirement account earned during the year indicated. The Company provides a defined contribution retirement plan for all of its employees whereby the Company contributes to each eligible employee's account 7% of the employee's eligible base salary plus overtime. These contributions are made to the 401(k) plan up to the statutory maximum. Any portion of the 7% contribution in excess of the statutory maximum is made to the Company's nonqualified deferred compensation plan.

(7) The amounts shown in this column include:

Company contribution to defined contribution retirement account	\$K6,494 (6)
Relocation expenses	\$N4,193 (8)
Tax gross up associated with relocation expenses	\$J3,285 (8)
Total	\$ 123,972

On July 29, 2016, Exponent’s Board of Directors appointed Dr. Catherine Corrigan as its President. Dr. Paul Johnston continues to serve as the Company’s Chief Executive Officer. In connection with this appointment, Dr. (8)Corrigan relocated from our Philadelphia, Pennsylvania office to our Menlo Park, California office. In connection with the relocation we reimbursed Dr. Corrigan for certain relocation expenses, including a tax gross up for all taxable relocation expenses.

In connection with the relocation, we purchased Dr. Corrigan’s primary residence in Pennsylvania for an appraised value of \$1.25 million, which we intended to resell. The house was not sold as of December 30, 2016. On March 13, 2017 we sold the house. The difference between the amount that we paid for the house and the proceeds from the sale of the house, less selling costs, of \$370,000 will be reported as other compensation for Dr. Corrigan in our 2017 summary compensation table.

**GRANTS OF PLAN-BASED AWARDS IN FISCAL 2016**

The following table sets forth information regarding grants of plan-based awards to our named executive officers during fiscal 2016:

Name	Grant Date	Human Resource Committee Approval Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#) (5)	Exercise or Base Price of Option Awards (\$/Sh)	Closing Market Price of Underlying Security on Date of Grant (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) (6)(7)
Dr. Johnston	03/11/2016	02/12/2016	5,076	(1)		47.75	242,000
	03/11/2016	02/12/2016	1,835	(2)		47.75	88,000
	03/11/2016	02/12/2016	5,076	(3)		47.75	242,000
	03/11/2016	02/12/2016	1,835	(4)		47.75	88,000
	02/12/2016	02/12/2016			24,000	47.26	47.26
Mr. Schlenker	03/11/2016	02/12/2016	4,398	(1)		47.75	210,000
	03/11/2016	02/12/2016	4,398	(3)		47.75	210,000
	02/12/2016	02/12/2016			16,000	47.26	47.26
Dr. Corrigan	03/11/2016	02/29/2016	4,189	(1)		47.75	200,000
	03/11/2016	02/29/2016	4,189	(3)		47.75	200,000
	07/29/2016	07/29/2016			24,000	50.81	50.81
Dr. Murray	03/11/2016	02/29/2016	3,770	(1)		47.75	180,000
	03/11/2016	02/29/2016	3,770	(3)		47.75	180,000
Dr. Kytomaa	03/11/2016	02/29/2016	2,723	(1)		47.75	130,000
	03/11/2016	02/29/2016	2,723	(3)		47.75	130,000

(1) Amounts represent the number of fully vested restricted stock units granted under our 2008 Equity Incentive Plan.

(2) Our 2008 Equity Incentive Plan authorizes the grant of performance awards to our executive officers. Performance awards are payable only to the extent certain performance targets, based on objective business criteria specified by the Committee, are achieved in the relevant measurement period. Performance awards are payable in cash or restricted stock units, at the discretion of the Committee. Amounts represent the number of fully vested restricted

stock units granted by the Committee to settle the equity component of Dr. Johnston's 2015 performance award. Amounts represent the number of unvested restricted stock units granted under our 2008 Equity Incentive Plan.

(3) These awards cliff vest four years from the date of grant. All unvested restricted stock units will continue to vest in the case of retirement at 59 ½ years or older, provided that the named executive officer does all consulting work through the Company and does not become an employee for a past or present client (direct or indirect) or competitor of the Company.

Our 2008 Equity Incentive Plan authorizes the grant of performance awards to our executive officers. Performance awards are payable only to the extent certain performance targets, based on objective business criteria specified by the Committee, are achieved in the relevant measurement period. Performance awards are payable in cash or restricted stock units, at the discretion of the Committee. Amounts represent the number of unvested restricted

(4) stock units granted by the Committee to settle the equity component of Dr. Johnston's 2015 performance award. These awards cliff vest four years from the date of grant. All unvested restricted stock units will continue to vest in the case of retirement at 59 ½ years or older, provided that the named executive officer does all consulting work through the Company and does not become an employee for a past or present client (direct or indirect) or competitor of the Company.



Amounts represent options granted under our 2008 Equity Incentive Plan. These options become exercisable over a period of four years at a rate of 25% per year, subject to continued employment, and expire 10 years from the date (5) of grant. All stock options will continue to vest in the case of retirement at 59 ½ years or older, provided that the named executive officer does all consulting work through the Company and does not become an employee for a past or present client (direct or indirect) or competitor of the Company.

(6) The amounts shown in this column represent the Black-Scholes value calculated for stock options granted.

The values of equity-based awards for this column represent the grant date fair value of the awards in accordance with ASC 718. All equity-based awards have dividend equivalent rights (“DER”), which entitle the holder of the award to the same dividend value per share as holders of common stock. DER are subject to the same vesting and (7) other terms and conditions as the corresponding stock award or option award. DER are accumulated and paid when the underlying stock awards or option awards vest and are forfeited if the underlying stock awards or option awards are forfeited. See the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 30, 2016 regarding assumptions underlying the valuation of equity awards.

**Restricted Stock Unit Awards.** Each of the named executive officers were awarded the number of vested and unvested restricted stock unit awards as shown in the table above. The number of fully vested restricted stock unit awards granted was determined by dividing the portion of each named executive officer’s 2015 bonus designated for settlement in fully vested restricted stock units by the closing price of our common stock on the day of the grant. An equal number of matching unvested restricted stock unit awards were also granted to each named executive officer. For financial statement reporting purposes the value of these awards is amortized over the shorter of the four-year vesting period or the period between the grant date and the date the award recipient turns 59 ½.

**Stock Options.** Certain of the named executive officers were awarded stock options as shown in the table above. The exercise price of these stock options was equal to the closing price of our common stock on the date of grant.

**OUTSTANDING EQUITY AWARDS AT FISCAL 2016 YEAR-END**

The following table sets forth information regarding each named executive officer's outstanding equity awards as of December 30, 2016:

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercised Options	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	(1)
Dr. Johnston	24,000	(2)	47.26	02/12/2026	6,911	(7)	416,733
	6,000	(3)	44.20	02/13/2025	8,222	(8)	495,787
	13,500	(4)	35.40	02/07/2024	9,632	(9)	580,810
	24,750	(5)	25.02	02/15/2023	12,656	(10)	763,157
	30,000		24.14	02/09/2022			
	5,000		18.86	02/11/2021			
Mr. Schlenker	16,000	(2)	47.26	02/12/2026	4,398	(7)	265,199
	4,000	(3)	44.20	02/13/2025	5,026	(8)	303,068
	9,000	(4)	35.40	02/07/2024	5,886	(9)	354,926
	16,500	(5)	25.02	02/15/2023	8,190	(10)	493,857
	20,000		24.14	02/09/2022			
	25,000		18.86	02/11/2021			
	35,000		12.98	02/11/2020			
Dr. Corrigan	-	(6)	50.81	07/29/2026	4,189	(7)	252,597
					4,798	(8)	289,319
					5,352	(9)	322,726
					5,584	(10)	336,715
Dr. Murray	-	-	-	-	3,770	(7)	227,331
					3,656	(8)	220,457
					2,810	(9)	169,443
					3,630	(10)	218,889
Dr. Kytomaa	-	-	-	-	2,723	(7)	164,197
					2,514	(8)	151,594

3,478	(9)	209,723
4,096	(10)	246,989

- (1) Value is determined based on the closing price of our common stock on December 30, 2016 of \$60.30 per share.
- (2) Four-year vesting at a rate of 25% per year, subject to continued employment. Options fully vest on February 12, 2020.
- (3) Four-year vesting at a rate of 25% per year, subject to continued employment. Options fully vest on February 13, 2019.
- (4) Four-year vesting at a rate of 25% per year, subject to continued employment. Options fully vest on February 7, 2018.
- (5) Four-year vesting at a rate of 25% per year, subject to continued employment. Options fully vest on February 15, 2017.
- (6) Four-year vesting at a rate of 25% per year, subject to continued employment. Options fully vest on July 29, 2020.
- (7) Stock awards cliff vest on March 11, 2020.
- (8) Stock awards cliff vest on March 13, 2019.
- (9) Stock awards cliff vest on March 14, 2018.
- (10) Stock awards cliff vest on March 15, 2017.

**OPTION EXERCISES AND STOCK VESTED IN FISCAL 2016**

The following table sets forth information for each named executive officer regarding options exercised and restricted stock units vested during fiscal 2016:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Dr. Johnston	30,000	999,422	6,911 26,021	(1) 330,000 (2) 1,245,885
Mr. Schlenker	-	-	4,398 17,347	(1) 210,000 (2) 830,574
Dr. Corrigan	-	-	4,189 10,410	(1) 200,000 (2) 498,431
Dr. Murray	-	-	3,770 7,158	(1) 180,000 (2) 342,725
Dr. Kytomaa	-	-	2,723 13,878	(1) 130,000 (2) 664,479

(1) The amounts shown represent fully vested restricted stock units granted on March 11, 2016 to settle a portion of each named executive officer's 2015 bonus.

(2) The amounts shown represent unvested restricted stock unit awards granted on March 9, 2012 that vested and were settled on March 9, 2016.

**NONQUALIFIED DEFERRED COMPENSATION IN FISCAL 2016**

The following table sets forth information regarding activity in our nonqualified deferred compensation plan for each named executive officer during fiscal 2016:

Name	Executive Contributions in 2016 (\$)	Registrant Contributions in 2016 (\$) (1)	Aggregate Earnings in 2016 (\$)	Aggregate Withdrawals/ Distributions in 2016 (\$)	Aggregate Balance at 12/30/16 (\$) (2)
Dr. Johnston	478,124	(3) 28,229	231,048	-	1,864,778
Mr. Schlenker	-	11,604	4,633	-	40,502
Dr. Corrigan	50,000	(4) 17,607	64,280	-	945,135
Dr. Murray	-	5,694	18,875	-	213,729
Dr. Kytomaa	-	7,619	247	-	221,369

The Company provides a defined contribution retirement plan for all of its employees whereby the Company contributes to each eligible employee's account 7% of the employee's eligible base salary plus overtime. These contributions are made to the 401(k) plan up to the statutory maximum. Any portion of the 7% contribution in excess of the statutory maximum is made to the Company's nonqualified deferred compensation plan. Amounts represent Company contributions to the nonqualified deferred compensation plan associated with the defined contribution retirement plan.

The aggregate balance at December 30, 2016 was fully vested for all named executive officers. Each named executive officer who participates in the nonqualified deferred compensation plan chooses from a number of investment vehicles available under the plan. Earnings are credited based on earnings of the investment options selected by the participant.

(1) Amount represents the portion of Dr. Johnston's 2015 bonus, disclosed in the Summary Compensation Table, that the employee elected to contribute to the deferred compensation plan.

(2) Amount represents the portion of Dr. Corrigan's 2016 salary, disclosed in the Summary Compensation Table, that the employee elected to contribute to the deferred compensation plan.

## EQUITY COMPENSATION PLAN INFORMATION IN FISCAL 2016

The following table sets forth certain information regarding securities authorized for issuance under the Company's equity compensation plans during the fiscal year ended December 30, 2016. The equity compensation plans of the Company include the 2008 Equity Incentive Plan and the 2008 Employee Stock Purchase Plan.

The 2008 Equity Incentive Plan and the 2008 Employee Stock Purchase Plan were both approved by the Company's stockholders.

The following table summarizes the Company's equity compensation plans as of December 30, 2016:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	1,687,889	(1) \$ 31.58	753,041 (2)
Equity compensation plans not approved by security holders	-	-	-
Total	1,687,889	\$ 31.58	753,041

Includes 695,314 shares of common stock issuable to settle unvested restricted stock unit awards. Includes 673,575 (1) shares of common stock issuable to settle fully vested restricted stock unit awards. No weighted average exercise price has been assumed for these shares in the table above.

(2) Includes 43,123 shares which are reserved for issuance under the 2008 Employee Stock Purchase Plan.

REPORT OF THE HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS

*The following report of the Human Resources Committee of the Board of Directors does not constitute soliciting material and should not be considered filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.*

The Human Resources Committee of the Board of Directors oversees the general compensation policies for all employees and the specific compensation plans for officers of the Company, including the Chief Executive Officer. The Committee is composed of five independent non-employee directors. No executive officers of the Company are included on the Human Resources Committee.

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis, and based on the review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy statement.

Members of the Human Resources Committee

Debra L. Zumwalt, Chairperson  
Carol Lindstrom  
Karen A. Richardson  
Stephen C. Riggins  
John B. Shoven, Ph.D.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Indemnification Agreements**

We are a party to indemnification agreements with our directors and executive officers for the indemnification of and advancement of expenses to these persons to the fullest extent permitted by law.

### **Exponent Engineering**

In January 2006, we entered into a services agreement with Exponent Engineering, P.C., a California professional corporation that is qualified to do business in the States of New York, Michigan, and North Carolina, in order to facilitate the provision of professional engineering services in these states. Pursuant to the agreement, we provide all professional and administrative services required by Exponent Engineering. In exchange for these services, Exponent Engineering will deliver to us all amounts or other consideration received by Exponent Engineering resulting from the provision of these professional services. The shareholders of Exponent Engineering are Paul Johnston, Ph.D., Robert Caligiuri, Ph.D., and John Osteraas, Ph.D. Drs. Johnston, Caligiuri, and Osteraas are all officers of Exponent. However, none of these officers receive any compensation for their participation in Exponent Engineering and have no financial interest in the securities of Exponent Engineering. During fiscal 2016 we received \$9,163,000 of consideration from Exponent Engineering under this services agreement.

### **Audit Committee Approval Procedures**

The Audit Committee of the Board of Directors is responsible for reviewing and approving all related party transactions in accordance with its charter and based on the facts and circumstances of each particular situation. Related party transactions subject to review and approval of the Audit Committee include, without limitation, those that are required to be disclosed under applicable SEC and NASDAQ rules.



## OTHER MATTERS

The Company knows of no other matters that will be brought before the Annual Meeting. However, if any such matters are properly presented before the Annual Meeting, it is the intention of the persons named in the Notice to vote the shares they represent as the Board of Directors may recommend. It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are therefore urged to vote by phone, vote via the internet or submit your proxy by mail if you elected to receive printed proxy materials at your earliest convenience.

**Notice Regarding the Internet Availability of Proxy Materials for the 2017 Annual Meeting.** This proxy statement and our 2016 Annual Report on Form 10-K for the fiscal year ended December 30, 2016, as filed with the SEC, will be available at: [www.edocumentview.com/EXPO](http://www.edocumentview.com/EXPO) on or about April 18, 2017.

**Stockholder Proposals and Nominations for the 2018 Annual Meeting.** Stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with the requirements of the proxy rules promulgated by the Securities and Exchange Commission and our Bylaws.

### *Stockholder-Initiated Proposals and Nominations for 2018 Annual Meeting*

Proposals Submitted under SEC Rules. Stockholder-initiated proposals (other than director nominations) may be eligible for inclusion in our Proxy Statement for next year's 2018 Annual Meeting (in accordance with SEC Rule 14a-8) and for consideration at the 2018 Annual Meeting. Our Secretary must receive a stockholder proposal no later than the close of business on December 19, 2017 for the proposal to be eligible for inclusion. Any stockholder interested in submitting a proposal or nomination is advised to contact legal counsel familiar with the detailed securities law requirements for submitting proposals or nominations for inclusion in a company's proxy statement. Proposals should be sent to us at: Exponent, Inc., 149 Commonwealth Drive, Menlo Park, CA 94025, Attention: Corporate Secretary.

Proposals and Nominations under Company Bylaws. Stockholders may also submit proposals for consideration, and nominations of director candidates for election, at the 2018 Annual Meeting by following certain requirements set forth in our Bylaws. The current applicable provisions of our Bylaws are described below. Proposals will not be eligible for inclusion in the 2018 Proxy Statement unless they are submitted in compliance with then applicable SEC rules as referenced above; however, they will be presented for discussion at our 2018 Annual Meeting if the requirements established by our Bylaws for stockholder proposals and nominations have been satisfied.

For nominations and proposals which are intended to be presented at the 2018 Annual Meeting but not intended to be included in our 2018 Proxy Statement, the stockholder must provide the information required by our Bylaws and give timely notice to our Corporate Secretary in accordance with our Bylaws, which, in general, require that the notice be received by our Corporate Secretary:

· not earlier than the close of business on January 18, 2018; and  
· not later than the close of business on February 17, 2018.

For a full description of the requirements for submitting a proposal or nomination, see our Bylaws. Submissions or questions should be sent to us at: Exponent, Inc., 149 Commonwealth Drive, Menlo Park, CA 94025, Attention: Corporate Secretary.

**Proxy Solicitation Costs.** The cost of soliciting proxies will be borne by the Company. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may be solicited by certain Company directors, officers and regular employees, without additional compensation, by personal conversation, telephone, telegram, letter, electronically, or by facsimile.

FOR THE BOARD OF DIRECTORS

Richard L. Schlenker, *Corporate Secretary*

Menlo Park, California

April 18, 2017

57

**APPENDIX A**

FORM OF AMENDMENT

TO

EXPONENT INC.

AMENDED AND RESTATED 2008 EQUITY INCENTIVE PLAN

In accordance with Section 15 of the 2008 Plan, the 2008 Plan is hereby amended effective June 1, 2017 to include the following changes and additions:

1. By substituting the following for the first sentence of subsection 3(a) of the Plan:

“Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be sold or issued under the Plan is 5,928,150 shares of Common Stock.”

2. By adding the following after the second sentence of the second paragraph of subsection 3(a) of the Plan:

“In addition, Shares which are not issued under a net settled Stock Appreciation Right shall not become available for re-issuance thereafter under the Plan.”

3. By adding the following as the last sentence of the second paragraph of subsection 3(a) of the Plan:

“For the avoidance of doubt, any Shares purchased by the Company on the open market using the proceeds from the payment of the exercise price during an Option exercise shall not increase the maximum number of Shares that may be sold or issued under the Plan.”

4. By adding the following paragraph to the end of section 13 of the Plan:

“(h) *Dividend and Dividend Equivalents.* In no event will any dividend or dividend equivalent payments be paid or delivered to a Participant prior to the vesting of the underlying Award. For the avoidance of doubt, the Administrator may provide in an Award Agreement that dividend or dividend equivalents on an underlying Award may be credited to a Participant prior to the vesting date, but not paid or delivered prior to such vesting date. In such case, the dividend or dividend equivalents shall be subject to the same vesting conditions as the underlying Award.”

A-1

**EXPONENT, INC.**

**AMENDED AND RESTATED 2008 EQUITY INCENTIVE PLAN (AS PROPOSED TO BE AMENDED)**

**1. Purposes of the Plan.**

The purpose of this Plan is to encourage ownership in Exponent, Inc., a Delaware corporation (the “**Company**”), by key personnel whose long-term employment or other service relationship with the Company is considered essential to the Company’s continued progress and, thereby, encourage recipients to act in the stockholders’ interest and share in the Company’s success.

**2. Definitions.**

As used herein, the following definitions shall apply:

(a) “**Administrator**” means the Committee or delegate as shall be administering the Plan in accordance with Section 4 of the Plan.

(b) “**Affiliate**” means any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant ownership interest as determined by the Administrator.

(c) “**Applicable Laws**” means the requirements relating to the administration of stock option and stock award plans under U.S. federal and state laws, any stock exchange or quotation system on which the Company has listed or submitted for quotation the Common Stock to the extent provided under the terms of the Company's agreement with such exchange or quotation system and, with respect to Awards subject to the laws of any foreign jurisdiction where Awards are, or will be, granted under the Plan, the laws of such jurisdiction.

(d) “**Award**” means a Cash Award, Stock Award or Option granted in accordance with the terms of the Plan.

(e) **“Awardee”** means an Employee, Consultant or Director of the Company or any Affiliate who has been granted an Award under the Plan.

(f) **“Award Agreement”** means a Cash Award Agreement, Stock Award Agreement and/or Option Agreement, which may be in written or electronic format, in such form and with such terms and conditions as may be specified by the Administrator, evidencing the terms and conditions of an individual Award. Each Award Agreement is subject to the terms and conditions of the Plan.

(g) **“Board”** means the Board of Directors of the Company.

(h) **“Cash Award”** means a bonus opportunity awarded under Section 12 pursuant to which an Awardee may become entitled to receive an amount based on the satisfaction of such performance criteria as are specified in the agreement or other documents evidencing the Award (the **“Cash Award Agreement”**).

(i) **“Cause”** means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Cash Award Agreement, Option Agreement, Stock Award Agreement or written contract of employment or service, any of the following: (i) the Participant’s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Company or Affiliate documents or records; (ii) the Participant’s material failure to abide by a Company’s or Affiliate’s code of conduct or other policies (including without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company or an Affiliate (including, without limitation, the Participant’s improper use or disclosure of confidential or proprietary information); (iv) the Participant’s violation of any noncompetition agreement with the Company or an Affiliate; (v) any intentional act by the Participant which has a material detrimental effect on the Company or an Affiliate’s reputation or business; (vi) the Participant’s repeated failure or inability to perform any reasonable assigned duties after written notice from the Company or an Affiliate, and a reasonable opportunity to cure, such failure or inability; (vii) any material breach by the Participant of any employment or service agreement between the Participant and the Company or an Affiliate, which breach is not cured pursuant to the terms of such agreement; or (viii) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant’s ability to perform his or her duties with the Company or an Affiliate.

(j) **“Change in Control”** means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Cash Award Agreement, Option Agreement, Stock Award Agreement or written contract of employment or service, the consummation of any of the following:

i. an Ownership Change Event or a series of related Ownership Change Events (collectively, a **“Transaction”**) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company’s voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or such surviving entity immediately outstanding after the Transaction, or, in the case of an Ownership Change Event described in Section 2(ee)(iii), the entity to which the assets of the Company were transferred (the **“Transferee”**), as the case may be; or

ii. the liquidation or dissolution of the Company.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Board shall have the right to determine whether multiple sales or exchanges of the voting securities in the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(k) **“Code”** means the United States Internal Revenue Code of 1986, as amended.

(l) **“Committee”** mean the Human Resources Committee of the Board or a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.

(m) **“Common Stock”** means the common stock of the Company.

(n) **“Company”** means Exponent, Inc., a Delaware corporation, or its successor.



- (o) **“Consultant”** means any person engaged by the Company or any Affiliate to render services to such entity as an advisor or consultant.
- (p) **“Conversion Award”** has the meaning set forth in Section 4(b)(xi) of the Plan.
- (q) **“Director”** means a member of the Board.
- (r) **“Effective Date”** means the date of approval of the Plan by the stockholders of the Company in the manner and to the extent required by Applicable Laws.
- (s) **“Employee”** means a regular, active employee of the Company or any Affiliate, including an Officer and/or Inside Director. The Administrator shall determine whether or not the Chairman of the Board qualifies as an “Employee.” Within the limitations of Applicable Law, the Administrator shall have the discretion to determine the effect upon an Award and upon an individual's status as an Employee in the case of (i) any individual who is classified by the Company or its Affiliate as leased from or otherwise employed by a third party or as intermittent or temporary, even if any such classification is changed retroactively as a result of an audit, litigation or otherwise, (ii) any leave of absence approved by the Company or an Affiliate, (iii) any transfer between locations of employment with the Company or an Affiliate or between the Company and any Affiliate or between any Affiliates, (iv) any change in the Awardee's status from an Employee to a Consultant or Director, and (v) at the request of the Company or an Affiliate an Employee becomes employed by any partnership, joint venture or corporation not meeting the requirements of an Affiliate in which the Company or an Affiliate is a party.

(t) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(u) **“Fair Market Value”** means, as of any date, the value of a share of Common Stock determined as follows:

i. If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Market or The Nasdaq Global Select Market, its Fair Market Value shall be the closing price for the Common Stock as quoted on such exchange or system on the date of determination, or if the Shares are not trading on such date, then the closing price for the Common Stock on the last preceding trading day on which sales of the Shares are reported as having occurred, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

ii. If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the closing high bid and low asked prices for the Common Stock on the date of determination, or if no prices are quoted for such date, then the mean between the closing high bid and low asked prices on the last preceding trading day on which any bid and asked prices were quoted, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

iii. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(v) **“Grant Date”** means, for all purposes, the date on which the Administrator approves the grant of an Award, or such later date as is determined by the Administrator, provided that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Awardee's employment relationship with the Company.

(w) **“Incentive Stock Option”** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(x) **“Insider Director”** means a Director who is an Employee.

(y) **“Nasdaq”** means the Nasdaq Global Market or its successor.

(z) **“Nonstatutory Stock Option”** means an Option not intended to qualify as an Incentive Stock Option.

(aa) **“Officer”** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(bb) **“Option”** means a right granted under Section 8 to purchase a number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in the agreement or other documents evidencing the Option (the **“Option Agreement”**). Both Options intended to qualify as Incentive Stock Options and Nonstatutory Stock Options may be granted under the Plan.

(cc) **“Outside Director”** means a Director who is not an Employee.

(dd) **“Ownership Change Event”** means the consummation of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company.

(ee) **“Participant”** means the Awardee or any person (including any estate) to whom an Award has been assigned or transferred as permitted hereunder.

(ff) **“Plan”** means this Exponent, Inc. 2008 Equity Incentive Plan.

(gg) **“Qualifying Performance Criteria”** shall have the meaning set forth in Section 12(b) of the Plan.

(hh) **“Share”** means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(ii) **“Stock Appreciation Right”** means a right to receive cash and/or shares of Common Stock based on a change in the Fair Market Value of a specific number of shares of Common Stock between the grant date and the exercise date granted under Section 11.

(jj) **“Stock Award”** means an award or issuance of Shares, Stock Units, Stock Appreciation Rights or other similar awards made under Section 11 of the Plan, the grant, issuance, retention, vesting, settlement, and/or transferability of which is subject during specified periods of time to such conditions (including continued employment or performance conditions) and terms as are expressed in the agreement or other documents evidencing the Award (the **“Stock Award Agreement”**).

(kk) **“Stock Unit”** means a bookkeeping entry representing an amount equivalent to the Fair Market Value of one Share (or a fraction or multiple of such value), payable in cash, property or Shares. Stock Units represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Administrator.

(ll) **“Subsidiary”** means any company (other than the Company) in an unbroken chain of companies beginning with the Company, provided each company in the unbroken chain (other than the Company) owns, at the time of determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

(mm) **“Termination of Employment”** shall mean ceasing to be an Employee, Consultant or Director, as determined in the sole discretion of the Administrator. However, for Incentive Stock Option purposes, Termination of Employment will occur when the Awardee ceases to be an employee (as determined in accordance with Section 3401(c) of the

Code and the regulations promulgated thereunder) of the Company or one of its Subsidiaries. The Administrator shall determine whether any corporate transaction, such as a sale or spin-off of a division or business unit, or a joint venture, shall be deemed to result in a Termination of Employment.

(nn) **“Total and Permanent Disability”** shall have the meaning set forth in Section 22(e)(3) of the Code.

### **3. Stock Subject to the Plan.**

(a) *Aggregate Limits.* Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be sold or issued under the Plan is 5,928,150 shares of Common Stock. The maximum number of shares that may be issued as Incentive Stock options is 3,739,440.

Shares subject to Awards granted under the Plan that are cancelled, expire or are forfeited shall be available for re-grant under the Plan. If an Awardee pays the exercise or purchase price of an Award granted under the Plan through the tender or withholding of Shares, or if Shares are tendered or withheld to satisfy any Company withholding obligations, the number of Shares so tendered or withheld shall not become available for re-issuance thereafter under the Plan. In addition, Shares which are not issued under net settled Stock Appreciation Rights shall not become available for re-issuance thereafter under the Plan. The Shares subject to the Plan may be either Shares reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares. For the avoidance of doubt, any Shares purchased by the Company on the open market using the proceeds from the payment of the exercise price during an Option exercise shall not increase the maximum number of Shares that may be sold or issued under the Plan.

(b) *Code Section 162(m) Share Limits.* Subject to the provisions of Section 14 of the Plan, the aggregate number of Shares subject to non-cash Awards granted under this Plan during any calendar year to any one Awardee shall not exceed 400,000 Shares, except that in connection with his or her first commencing service with the Company or an Affiliate, an Awardee may be granted Awards covering up to an additional 800,000 Shares during the year in which such service commences. Notwithstanding anything to the contrary in the Plan, the limitations set forth in this Section 3(b) shall be subject to adjustment under Section 14(a) of the Plan only to the extent that such adjustment will not affect the status of any Award intended to qualify as “performance based compensation” under Code Section 162(m).

#### **4. Administration of the Plan.**

(a) *Procedure.*

i. *Multiple Administrative Bodies.* The Plan shall be administered by a Committee and/or their delegates; provided however that any delegation of authority to any Committee or delegate does not diminish the authority of the Board to administer the Plan should it deem it appropriate.

ii. *Section 162.* To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, Awards to “covered employees” within the meaning of Section 162(m) of the Code or Employees that the Committee determines may be “covered employees” in the future shall be made by a Committee of two or more “outside directors” within the meaning of Section 162(m) of the Code.

iii. *Rule 16b-3.* To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3 promulgated under the Exchange Act (“Rule 16b-3”), Awards to Officers and Directors shall be made by the entire Board or a Committee of two or more “non-employee directors” within the meaning of Rule 16b-3.

iv. *Other Administration.* The Board or a Committee may delegate to an authorized officer or officers of the Company the power to approve Awards to persons eligible to receive Awards under the Plan who are not (A) subject to Section 16 of the Exchange Act or (B) at the time of such approval, “covered employees” under Section 162(m) of the Code or (C) any other executive officer.

v. *Delegation of Authority for the Day-to-Day Administration of the Plan.* Except to the extent prohibited by Applicable Law, the Administrator may delegate to one or more individuals the day-to-day administration of the Plan

and any of the functions assigned to it in this Plan. Such delegation may be revoked at any time.

vi. *Nasdaq.* The Plan will be administered in a manner that complies with any applicable Nasdaq or stock exchange listing requirements.

(b) *Powers of the Administrator.* Subject to the provisions of the Plan and, in the case of a Committee or delegates acting as the Administrator, subject to the specific duties delegated to such Committee or delegates, the Administrator shall have the authority, in its discretion:

i. to select the Employees, Consultants and Directors of the Company or its Affiliates to whom Awards are to be granted hereunder;

ii. to determine the number of shares of Common Stock or amount of cash to be covered by each Award granted hereunder;

iii. to determine the type of Award to be granted to the selected Employees, Consultants and Directors;

iv. to approve forms of Award Agreements for use under the Plan;

v. to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise and/or purchase price (if applicable), the time or times when an Award may be exercised (which may or may not be based on performance criteria), the vesting schedule, any vesting and/or exercisability acceleration or waiver of forfeiture restrictions, the acceptable forms of consideration, the term, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine and may be established at the time an Award is granted or thereafter;

vi. to correct administrative errors;

vii. to construe and interpret the terms of the Plan (including sub-plans and Plan addenda) and Awards granted pursuant to the Plan;

viii. to adopt rules and procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Administrator is specifically authorized (A) to adopt the rules and procedures regarding the conversion of local currency, withholding procedures and handling of stock certificates which vary with local requirements and (B) to adopt sub-plans and Plan addenda as the Administrator deems desirable, to accommodate foreign laws, regulations and practice;

ix. to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans and Plan addenda;

x. to modify or amend each Award, including, but not limited to, the acceleration of vesting and/or exercisability, provided, however, that any such amendment is subject to Section 15 of the Plan and except as set forth in that Section, may not impair any outstanding Award unless agreed to in writing by the Participant;

xi. to allow Participants to satisfy withholding tax amounts by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or vesting of a Stock Award that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined in such manner and on such date that the Administrator shall determine or, in the absence of provision otherwise, on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may provide;



xii. to authorize conversion or substitution under the Plan of any or all stock options, stock appreciation rights or other stock awards held by service providers of an entity acquired by the Company (the "Conversion Awards"). Any conversion or substitution shall be effective as of the close of the merger, acquisition or other transaction. The Conversion Awards may be Nonstatutory Stock Options or Incentive Stock Options, as determined by the Administrator, with respect to options granted by the acquired entity; provided, however, that with respect to the conversion of stock appreciation rights in the acquired entity, the Conversion Awards shall be Nonstatutory Stock Options. Unless otherwise determined by the Administrator at the time of conversion or substitution, all Conversion Awards shall have the same terms and conditions as Awards generally granted by the Company under the Plan;

xiii. to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

A-7

xiv. to impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by the Participant of any Shares issued as a result of or under an Award, including without limitation, (A) restrictions under an insider trading policy or under any other Company policy relating to Company stock and stock ownership and (B) restrictions as to the use of a specified brokerage firm for such resales or other transfers;

xv. to provide, either at the time an Award is granted or by subsequent action, that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award; and

xvi. to make all other determinations deemed necessary or advisable for administering the Plan and any Award granted hereunder.

(c) *Effect of Administrator's Decision.* All decisions, determinations and interpretations by the Administrator regarding the Plan, any rules and regulations under the Plan and the terms and conditions of any Award granted hereunder, shall be final and binding on all Participants and on all other persons. The Administrator shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

## **5. Eligibility.**

Awards may be granted to Employees, Consultants and Directors of the Company or any of its Affiliates; provided that Incentive Stock Options may be granted only to Employees of the Company or of a Subsidiary of the Company.

## **6. Term of Plan.**

The Plan shall become effective on the Effective Date. It shall continue in effect for a term of ten (10) years from the later of the Effective Date or the date any amendment to add shares to the Plan is approved by stockholders of the Company unless terminated earlier under Section 15 of the Plan.

## **7. Term of Award.**

The term of each Award shall be determined by the Administrator and stated in the Award Agreement. In the case of an Option, the term shall be ten (10) years from the Grant Date or such shorter term as may be provided in the Award Agreement; provided that an Incentive Stock Option granted to an Employee who on the Grant Date owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Subsidiary shall have a term of no more than five (5) years from the Grant Date; and provided further that the term may be ten and one-half (10<sup>1/2</sup>) years (or a shorter period) in the case of Options granted to Employees in certain jurisdictions outside the United States as determined by the Administrator.

## **8. Options.**

The Administrator may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Administrator or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the Awardee or within the control of others.

(a) *Option Agreement.* Each Option Agreement shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the Option, (ii) the type of Option, (iii) the exercise price of the Shares and the means of payment for the Shares, (iv) the term of the Option, (v) such terms and conditions on the vesting and/or exercisability of an Option as may be determined from time to time by the Administrator, (vi) restrictions on the transfer of the Option or the Shares issued upon exercise of the Option and forfeiture provisions, and (vii) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Administrator.

(b) *Exercise Price.* The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

i. In the case of an Incentive Stock Option, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date; provided however, that in the case of an Incentive Stock Option granted to an Employee who on the Grant Date owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Subsidiary, the per Share exercise price shall be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the Grant Date.

ii. In the case of a Nonstatutory Stock Option, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

iii. Notwithstanding the foregoing, at the Administrator's discretion, Conversion Awards may be granted in substitution and/or conversion of options of an acquired entity, with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of such substitution and/or conversion.

(c) *Vesting Period and Exercise Dates.* Options granted under this Plan shall vest and/or be exercisable at such time and in such installments during the period prior to the expiration of the Option's term as determined by the Administrator. The Administrator shall have the right to make the timing of the ability to exercise any Option granted under this Plan subject to continued employment, the passage of time and/or such performance requirements as deemed appropriate by the Administrator, or to grant fully vested Options. At any time after the grant of an Option, the Administrator may reduce or eliminate any restrictions surrounding any Participant's right to exercise all or part of the Option.

(d) *Form of Consideration.* The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment, either through the terms of the Option Agreement or at the time of exercise of an Option. Acceptable forms of consideration may include:

i. cash;

ii. check or wire transfer (denominated in U.S. Dollars);

- iii. subject to the Company's discretion to refuse for any reason and at any time to accept such consideration and subject to any conditions or limitations established by the Administrator, other Shares held by the Participant which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
  
- iv. consideration received by the Company under a broker-assisted sale and remittance program acceptable to the Administrator;
  
- v. cashless "net exercise" arrangement pursuant to which the Company will reduce the number of Shares issued upon exercise by the largest whole number of Shares having an aggregate Fair Market Value that does not exceed the aggregate exercise price; provided that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the exercise price not satisfied by such reduction in the number of whole Shares to be issued;
  
- vi. such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or

vii. any combination of the foregoing methods of payment.

(e) *Effect of Termination on Options*

i. *Generally.* Unless otherwise provided for by the Administrator, upon an Awardee's Termination of Employment other than as a result of circumstances described in Sections 8(f)(ii), (iii) and (iv) below, all outstanding Options granted to such Awardee that were vested and exercisable as of the date of the Awardee's Termination of Employment may be exercised by the Awardee until the earlier of (A) three (3) months following Awardee's Termination of Employment or (B) the expiration of the term of such Option; provided, however, that the Administrator may in the Option Agreement specify a period of time (but not beyond the expiration date of the Option) following Termination of Employment during which the Awardee may exercise the Option as to Shares that were vested and exercisable as of the date of Termination of Employment. To the extent such a period following Termination of Employment is specified, the Option shall automatically terminate at the end of such period to the extent the Awardee has not exercised it within such period.

ii. *Disability of Awardee.* Unless otherwise provided for by the Administrator, upon an Awardee's Termination of Employment as a result of the Awardee's disability, including Total and Permanent Disability, all outstanding Options granted to such Awardee that were vested and exercisable as of the date of the Awardee's Termination of Employment may be exercised by the Awardee until the earlier of (A) twelve (12) months following Awardee's Termination of Employment as a result of Awardee's disability, including Total and Permanent Disability or (B) the expiration of the term of such Option. If the Participant does not exercise such Option within the time specified, the Option (to the extent not exercised) shall automatically terminate.

iii. *Death of Awardee.* Unless otherwise provided for by the Administrator, upon an Awardee's Termination of Employment as a result of the Awardee's death, all outstanding Options granted to such Awardee that were vested and exercisable as of the date of the Awardee's death may be exercised until the earlier of (A) twelve (12) months following the Awardee's death or (B) the expiration of the term of such Option. If an Option is held by the Awardee when he or she dies, such Option may be exercised, to the extent the Option is vested and exercisable, by the beneficiary designated by the Awardee (as provided in Section 16 of the Plan), the executor or administrator of the Awardee's estate or, if none, by the person(s) entitled to exercise the Option under the Awardee's will or the laws of descent or distribution; provided that the Company need not accept exercise of an Option by such beneficiary, executor or administrator unless the Company has satisfactory evidence of such person's authority to act as such. If the Option is not so exercised within the time specified, such Option (to the extent not exercised) shall automatically terminate. The Awardee's service shall be deemed to have terminated on account of death if the Awardee dies within three (3) months (or such longer period as determined by the Administrator, in its discretion) after the Awardee's Termination of Employment.

iv. *Termination for Cause.* The Administrator has the authority to cause all outstanding Awards held by an Awardee to terminate immediately in their entirety (including as to vested Options) upon first notification to the Awardee of the Awardee's Termination of Employment for Cause. If an Awardee's employment or consulting relationship with the Company is suspended pending an investigation of whether the Awardee shall be terminated for Cause, the Administrator has the authority to cause all the Awardee's rights under all outstanding Awards to be suspended during the investigation period in which event the Awardee shall have no right to exercise any outstanding Awards.

v. *Other Terminations of Employment.* The Administrator may provide in the applicable Option Agreement for different treatment of Options upon Termination of Employment of the Awardee than that specified above.

vi. *Extension of Exercise Period.* The Administrator shall have full power and authority to extend the period of time for which an Option is to remain exercisable following an Awardee's Termination of Employment from the periods set forth in Sections 8(f)(i), (ii) and (iii) above or in the Option Agreement to such greater time as the Board shall deem appropriate, provided that in no event shall such Option be exercisable later than the date of expiration of the term of such Option as set forth in the Option Agreement.

vii. *Extension if Exercise Prevented by Law.* Notwithstanding the foregoing, other than a termination for Cause, if a sale within the applicable time periods set forth in Section 8(f) above or in the Option Agreement is prevented by Section 18 below, the Option shall remain exercisable until thirty (30) days after the date the Awardee is notified by the Company that the Option is exercisable, but in any event no later than the Option expiration date.

viii. *Extension if Subject to Section 16(b).* Notwithstanding the foregoing, other than a termination for Cause, if a sale within the applicable time periods set forth in Section 8(f) above or in the Option Agreement would subject the Awardee to a suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10<sup>th</sup>) day following the date on which a sale of shares by the Awardee would no longer be subject to suit, (ii) the one hundred ninetieth (190<sup>th</sup>) day after Awardee's Termination of Employment, or (iii) the Option expiration date.

(f) *Leave of Absence.* The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any unpaid leave of absence; provided, however, that in the absence of such determination, vesting of Options shall be tolled during any leave that is not a leave required to be provided to the Awardee under Applicable Law. In the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon an Awardee's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Awardee continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

## **9. Incentive Stock Option Limitations/Terms.**

(a) *Eligibility.* Only employees (as determined in accordance with Section 3401(c) of the Code and the regulations promulgated thereunder) of the Company or any of its Subsidiaries may be granted Incentive Stock Options.

(b) *\$100,000 Limitation.* Notwithstanding the designation "Incentive Stock Option" in an Option Agreement, if and to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Awardee during any calendar year (under all plans of the Company and any of its Subsidiaries) exceeds U.S. \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 9(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the Grant Date.



(c) *Transferability.* An Incentive Stock Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner by the Awardee otherwise than by will or the laws of descent and distribution, and, during the lifetime of such Awardee, may only be exercised by the Awardee. If the terms of an Incentive Stock Option are amended to permit transferability, the Option will be treated for tax purposes as a Nonstatutory Stock Option. The designation of a beneficiary by an Awardee will not constitute a transfer.

(d) *Exercise Price.* The per Share exercise price of an Incentive Stock Option shall be determined by the Administrator in accordance with Section 8(b)(i) of the Plan.

(e) *Other Terms.* Option Agreements evidencing Incentive Stock Options shall contain such other terms and conditions as may be necessary to qualify, to the extent determined desirable by the Administrator, with the applicable provisions of Section 422 of the Code.

## **10. Exercise of Option.**

(a) *Procedure for Exercise.*

i. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the respective Option Agreement.

ii. An Option shall be deemed exercised when the Company receives (A) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option; (B) full payment for the Shares with respect to which the related Option is exercised; and (C) payment of all applicable withholding taxes (if any).

iii. An Option may not be exercised for a fraction of a Share.

(b) *Rights as a Stockholder.* The Company shall issue (or cause to be issued) such Shares as administratively practicable after the Option is exercised. Shares issued upon exercise of an Option shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Unless provided otherwise by the Administrator or pursuant to this Plan, until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option.

## **11. Stock Awards.**

(a) *Stock Award Agreement.* Each Stock Award Agreement shall contain provisions regarding (i) the number of Shares subject to such Stock Award or a formula for determining such number, (ii) the purchase price of the Shares, if any, and the means of payment for the Shares, (iii) the performance criteria (including Qualifying Performance Criteria), if any, and level of achievement versus these criteria that shall determine the number of Shares granted, issued, retainable and/or vested, (iv) such terms and conditions on the grant, issuance, vesting, settlement and/or forfeiture of the Shares as may be determined from time to time by the Administrator, (v) restrictions on the transferability of the Stock Award and (vi) such further terms and conditions in each case not inconsistent with this Plan as may be determined from time to time by the Administrator.

(b) *Restrictions and Performance Criteria.* The grant, issuance, retention, settlement and/or vesting of each Stock Award or the Shares subject thereto may be subject to such performance criteria (including Qualifying Performance Criteria) and level of achievement versus these criteria as the Administrator shall determine, which criteria may be based on financial performance, personal performance evaluations and/or completion of service by the Awardee. Unless otherwise permitted in compliance with the requirements of Code Section 162(m) with respect to an Award intended to comply as “performance-based compensation” thereunder, the Committee shall establish the Qualifying Performance Criteria applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable performance period, or (b) the date on which 25% of the performance period has elapsed, and in any event at a time when the achievement of the applicable Qualifying Performance Criteria remains substantially uncertain.

(c) *Forfeiture.* Unless otherwise provided for by the Administrator, upon the Awardee's Termination of Employment, the Stock Award and the Shares subject thereto shall be forfeited, provided that to the extent that the Participant purchased or earned any Shares, the Company shall have a right to repurchase the unvested Shares at such price and on such terms and conditions as the Administrator determines.

(d) *Rights as a Stockholder.* Unless otherwise provided by the Administrator in the Award Agreement, the Participant shall have the rights equivalent to those of a stockholder and shall be a stockholder only after Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) to the Participant. Unless otherwise provided by the Administrator, a Participant holding Stock Units shall not be entitled to receive dividend payments or any credit therefor as if he or she was an actual stockholder.

(e) Stock Appreciation Rights.

i. *General.* Stock Appreciation Rights may be granted either alone, in addition to, or in tandem with other Awards granted under the Plan. The Board may grant Stock Appreciation Rights to eligible Participants subject to terms and conditions not inconsistent with this Plan and determined by the Board. The specific terms and conditions applicable to the Participant shall be provided for in the Stock Award Agreement. Stock Appreciation Rights shall be exercisable, in whole or in part, at such times as the Board shall specify in the Stock Award Agreement.

ii. *Exercise of Stock Appreciation Right.* Upon the exercise of a Stock Appreciation Right, in whole or in part, the Participant shall be entitled to a payment in an amount equal to the excess of the Fair Market Value on the date of exercise of a fixed number of Shares covered by the exercised portion of the Stock Appreciation Right, over the Fair Market Value on the Grant Date of the Shares covered by the exercised portion of the Stock Appreciation Right (or such other amount calculated with respect to Shares subject to the Award as the Board may determine). The amount due to the Participant upon the exercise of a Stock Appreciation Right shall be paid in such form of consideration as determined by the Board and may be in cash, Shares or a combination thereof, over the period or periods specified in the Stock Award Agreement. A Stock Award Agreement may place limits on the amount that may be paid over any specified period or periods upon the exercise of a Stock Appreciation Right, on an aggregate basis or as to any Participant. A Stock Appreciation Right shall be considered exercised when the Company receives written notice of exercise in accordance with the terms of the Stock Award Agreement from the person entitled to exercise the Stock Appreciation Right.

iii. *Nonassignability of Stock Appreciation Rights.* Except as determined by the Administrator, no Stock Appreciation Right shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution.

**12. Cash Awards.**

(a) *Cash Award.* Each Cash Award shall contain provisions regarding (i) the target and maximum amount payable to the Awardee as a Cash Award, (ii) the performance criteria and level of achievement versus these criteria which shall determine the amount of such payment, (iii) the period as to which performance shall be measured for establishing the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Cash Award prior to actual payment, (vi) forfeiture provisions, and (vii) such further terms and conditions, in each case not inconsistent with the Plan, as may be determined from time to time by the Administrator. The maximum amount payable as a Cash Award may be a multiple of the target amount payable, but the maximum amount payable pursuant to that portion of a Cash Award granted under this Plan for any fiscal year to any Awardee that is intended to satisfy the requirements for “performance based compensation” under Section 162(m) of the Code shall not exceed U.S. \$1,000,000.

(b) *Performance Criteria.* The Administrator shall establish the performance criteria and level of achievement versus these criteria which shall determine the target and the minimum and maximum amount payable under a Cash Award, which criteria may be based on financial performance and/or personal performance evaluations. The Committee may specify the percentage of the target Cash Award that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code. Notwithstanding anything to the contrary herein, the performance criteria for any portion of a Cash Award that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code shall be a measure established by the Committee based on one or more Qualifying Performance Criteria selected by the Committee and specified in writing not later than the earlier of (a) the date ninety (90) days after the commencement of the applicable performance period, or (b) the date on which 25% of the performance period has elapsed, and in any event at a time when the achievement of the applicable Qualifying Performance Criteria remains substantially uncertain.

A-13

(c) *Timing and Form of Payment.* The Administrator shall determine the timing of payment of any Cash Award. The Administrator may provide for or, subject to such terms and conditions as the Administrator may specify, may permit an Awardee to elect for the payment of any Cash Award to be deferred to a specified date or event. The Administrator may specify the form of payment of Cash Awards, which may be cash or other property, or may provide for an Awardee to have the option for his or her Cash Award, or such portion thereof as the Administrator may specify, to be paid in whole or in part in cash or other property.

(d) *Termination of Employment.* The Administrator shall have the discretion to determine the effect a Termination of Employment due to (i) disability, (ii) death or (iii) otherwise shall have on any Cash Award.

### **13. Other Provisions Applicable to Awards.**

(a) *Non-Transferability of Awards.* Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner for value other than by beneficiary designation, will or by the laws of descent or distribution. Subject to Section 9(c), the Administrator may in its discretion make an Award transferable to an Awardee's family member or any other person or entity as it deems appropriate. If the Administrator makes an Award transferable, either at the time of grant or thereafter, such Award shall contain such additional terms and conditions as the Administrator deems appropriate, and any transferee shall be deemed to be bound by such terms upon acceptance of such transfer.

(b) *Qualifying Performance Criteria.* For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, Affiliate or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Administrator in the Award: (i) cash flow; (ii) earnings (including gross margin; earnings before interest, taxes, depreciation, amortization and stock-based compensation; earnings before taxes; and net earnings); (iii) earnings per share; (iv) stock price; (v) return on equity or average stockholders' equity; (vi) total stockholder return; (vii) return on assets or net assets; (viii) return on investment; (ix) revenue before reimbursements; (x) income or net income; (xi) operating income or net operating income, in aggregate or per share; (xii) operating profit or net operating profit; (xiii) operating margin; (xiv) return on operating revenue; (xv) contract awards or backlog; (xvi) overhead or other expense reduction; (xvii) growth in stockholder value relative to the moving average of the S&P 500 Index or S&P SmallCap 600 Index; and (xviii) objective strategic plan development and implementation (including individual objective performance goals that relate to achievement of the Company's or any business unit's strategic plan). The Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (A) asset write-downs; (B) litigation or claim judgments or settlements; (C) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (D) accruals for reorganization and restructuring programs; and (E) any gains or losses classified as extraordinary or as discontinued operations in the Company's financial statements.

(c) *Certification.* Prior to the payment of any compensation under an Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee shall certify the extent to which any Qualifying Performance Criteria and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock).

(d) *Discretionary Adjustments Pursuant to Section 162(m).* Notwithstanding satisfaction of any completion of any Qualifying Performance Criteria, to the extent specified at the time of grant of an Award to “covered employees” within the meaning of Section 162(m) of the Code, the number of Shares, Options or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Qualifying Performance Criteria may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine.

(e) *Tax Withholding Obligation.* As a condition of the grant, issuance, vesting, exercise or settlement of an Award granted under the Plan, the Participant shall make such arrangements as the Administrator may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with such grant, issuance, vesting, exercise or settlement of the Award. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

(f) *Compliance with Section 409A.* Notwithstanding anything to the contrary contained herein, to the extent that the Administrator determines that any Award granted under the Plan is subject to Code Section 409A and unless otherwise specified in the applicable Award Agreement, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary for such Award to avoid the consequences described in Code Section 409A(a)(1), and to the maximum extent permitted under Applicable Law (and unless otherwise stated in the applicable Award Agreement), the Plan and the Award Agreements shall be interpreted in a manner that results in their conforming to the requirements of Code Section 409A(a)(2), (3) and (4) and any Department of Treasury or Internal Revenue Service regulations or other interpretive guidance issued under Section 409A (whenever issued, the “**Guidance**”). Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement provides otherwise, with specific reference to this sentence), to the extent that a Participant holding an Award that constitutes “deferred compensation” under Section 409A and the Guidance is a “specified employee” (also as defined thereunder), no distribution or payment of any amount shall be made before a date that is six (6) months following the date of such Participant's “separation from service” (as defined in Section 409A and the Guidance) or, if earlier, the date of the Participant's death.

(g) *Deferral of Award Benefits.* The Administrator may in its discretion and upon such terms and conditions as it determines appropriate permit one or more Participants whom it selects to (a) defer compensation payable pursuant to the terms of an Award, or (b) defer compensation arising outside the terms of this Plan pursuant to a program that provides for deferred payment in satisfaction of such other compensation amounts through the issuance of one or more Awards. Any such deferral arrangement shall be evidenced by an Award Agreement in such form as the Administrator shall from time to time establish, and no such deferral arrangement shall be a valid and binding obligation unless evidenced by a fully executed Award Agreement, the form of which the Administrator has approved, including through the Administrator's establishing a written program (the “**Program**”) under this Plan to govern the form of Award Agreements participating in such Program. Any such Award Agreement or Program shall specify the treatment of dividends or dividend equivalent rights (if any) that apply to Awards governed thereby, and shall further provide that any elections governing payment of amounts pursuant to such Program shall be in writing, shall be delivered to the Company or its agent in a form and manner that complies with Code Section 409A and the Guidance, and shall specify the amount to be distributed in settlement of the deferral arrangement, as well as the time and form of such distribution in a manner that complies with Code Section 409A and the Guidance.

(h) *Dividend and Dividend Equivalents.* In no event will any dividend or dividend equivalent payments be paid or delivered to a Participant prior to the vesting of the underlying Award. For the avoidance of doubt, the Administrator may provide in an Award Agreement that dividend or dividend equivalents on an underlying Award may be credited to a Participant prior to the vesting date, but not paid or delivered prior to such vesting date. In such case, the dividend or dividend equivalents shall be subject to the same vesting conditions as the underlying Award.

#### **14. Adjustments upon Changes in Capitalization, Dissolution, or Change In Control**

(a) *Changes in Capitalization.* Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award, the number of shares of Common Stock which have



been authorized for issuance under the Plan, but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation, forfeiture or expiration of an Award, the price per Share subject to each such outstanding Award and each of the share limits set forth in Section 3(b), shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, payment of a dividend or distribution in a form other than stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of the shares of Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.

A-15

(b) *Dissolution or Liquidation.* In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised or the Shares subject thereto issued to the Awardee and unless otherwise determined by the Administrator, an Award will terminate immediately prior to the consummation of such proposed transaction.

(c) *Change in Control.* In the event there is a Change in Control of the Company, as determined by the Board or a Committee, the Board or Committee may, in its discretion, (i) provide for the assumption or substitution of, or adjustment (including to the number and type of Shares and exercise or purchase price applicable) to, each outstanding Award; (ii) accelerate the vesting of Options and terminate any restrictions on Stock Awards; and/or (iii) provide for termination of Awards as a result of the Change in Control on such terms and conditions as it deems appropriate, including providing for the cancellation of Awards for a cash or other payment to the Participant.

For purposes of this Section 14(c), an Award shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Change in Control, as the case may be, each holder of an Award would be entitled to receive upon exercise of the Award the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of Shares covered by the Award at such time (after giving effect to any adjustments in the number of Shares covered by the Award as provided for in Section 14(a)); provided that if such consideration received in the transaction is not solely common stock of the successor corporation, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the Award to be solely common stock of the successor corporation equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction. The treatment of Cash Awards in a transaction governed by this Section 14(c) shall be governed by the applicable Award Agreement.

## **15. Amendment and Termination of the Plan.**

(a) *Amendment and Termination.* The Administrator may amend, alter or discontinue the Plan or any Award Agreement, but any such amendment shall be subject to approval of the stockholders of the Company in the manner and to the extent required by Applicable Law. To the extent required to comply with Section 162(m), the Company shall seek re-approval of the Plan from time to time by the stockholders. In addition, without limiting the foregoing, unless approved by the stockholders of the Company, no such amendment shall be made that would:

i. increase the maximum number of Shares for which Awards may be granted under the Plan, other than an increase pursuant to Section 14 of the Plan;

- ii. increase the share limits set forth in Section 3(b) or the cash limit set forth in Section 12(a);
  
- iii. reprice or otherwise reduce the exercise price of Options outstanding under the Plan, other than an adjustment provided for under Section 14 of the Plan; or
  
- iv. change the class of persons eligible to receive Awards under the Plan.

(b) *Effect of Amendment or Termination.* No amendment, suspension or termination of the Plan shall impair the rights of any Award, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company; provided further that the Administrator may amend an outstanding Award in order to conform it to the Administrator's intent (in its sole discretion) that such Award not be subject to Code Section 409A(a)(1)(B). Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(c) *Effect of the Plan on Other Arrangements.* Neither the adoption of the Plan by the Board or a Committee nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or any Committee to adopt such other incentive arrangements as it or they may deem desirable, including without limitation, the granting of restricted stock, stock options or cash bonuses otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases. The value of Awards granted pursuant to the Plan will not be included as compensation, earnings, salaries or other similar terms used when calculating an Awardee's benefits under any employee benefit plan sponsored by the Company or any Subsidiary except as such plan otherwise expressly provides.

#### **16. Designation of Beneficiary.**

(a) An Awardee may file a written designation of a beneficiary who is to receive the Awardee's rights pursuant to Awardee's Award or the Awardee may include his or her Awards in an omnibus beneficiary designation for all benefits under the Plan. To the extent that Awardee has completed a designation of beneficiary while employed with the Company, such beneficiary designation shall remain in effect with respect to any Award hereunder until changed by the Awardee to the extent enforceable under Applicable Law.

(b) Such designation of beneficiary may be changed by the Awardee at any time by written notice. In the event of the death of an Awardee and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Awardee's death, the Company shall allow the executor or administrator of the estate of the Awardee to exercise the Award, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may allow the spouse or one or more dependents or relatives of the Awardee to exercise the Award to the extent permissible under Applicable Law or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

#### **17. No Right to Awards or to Employment.**

No person shall have any claim or right to be granted an Award and the grant of any Award shall not be construed as giving an Awardee the right to continue in the employ or service of the Company or its Affiliates. Further, the Company and its Affiliates expressly reserve the right, at any time, to dismiss any Employee, Consultant or Awardee at any time without liability or any claim under the Plan, except as provided herein or in any Award Agreement entered into hereunder.

#### **18. Legal Compliance.**

Subject to Section 22, Shares shall not be issued pursuant to the exercise of an Option or Stock Award unless the exercise of such Option or Stock Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

**19. Reservation of Shares.**

The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

**20. Notice.**

Any written notice to the Company required by any provisions of this Plan shall be addressed to the Secretary of the Company and shall be effective when received.

A-17

**21. Governing Law; Interpretation of Plan and Awards.**

- (a) This Plan and all determinations made and actions taken pursuant hereto shall be governed by the substantive laws, but not the choice of law rules, of the state of Delaware.
- (b) In the event that any provision of the Plan or any Award granted under the Plan is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of the terms of the Plan and/or Award shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.
- (c) The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of the Plan, nor shall they affect its meaning, construction or effect.
- (d) The terms of the Plan and any Award shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.
- (e) All questions arising under the Plan or under any Award shall be decided by the Administrator in its total and absolute discretion. In the event the Participant believes that a decision by the Administrator with respect to such person was arbitrary or capricious, the Participant may request arbitration with respect to such decision. The review by the arbitrator shall be limited to determining whether the Administrator's decision was arbitrary or capricious. This arbitration shall be the sole and exclusive review permitted of the Administrator's decision, and the Awardee shall as a condition to the receipt of an Award be deemed to explicitly waive any right to judicial review.
- (f) Notice of demand for arbitration shall be made in writing to the Administrator within thirty (30) days after the applicable decision by the Administrator. The arbitrator shall be selected from amongst those members of the Board who are neither Administrators nor Employees. If there are no such members of the Board, the arbitrator shall be selected by the Board. The arbitrator shall be an individual who is an attorney licensed to practice law in the State of Delaware. Such arbitrator shall be neutral within the meaning of the Commercial Rules of Dispute Resolution of the American Arbitration Association; provided, however, that the arbitration shall not be administered by the American Arbitration Association. Any challenge to the neutrality of the arbitrator shall be resolved by the arbitrator whose decision shall be final and conclusive. The arbitration shall be administered and conducted by the arbitrator pursuant to the Commercial Rules of Dispute Resolution of the American Arbitration Association. The decision of the arbitrator on the issue(s) presented for arbitration shall be final and conclusive and may be enforced in any court of competent jurisdiction.

## **22. Limitation on Liability.**

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant, an Employee, an Awardee or any other persons as to:

(a) *The Non-Issuance of Shares.* The non-issuance or sale of Shares (including under Section 18 above) as to which the Company has been unable, or the Arbitration deems it infeasible, to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares hereunder; and

(b) *Tax Consequences.* Any tax consequence realized by any Participant, Employee, Awardee or other person due to the receipt, vesting, exercise or settlement of any Option or other Award granted hereunder or due to the transfer of any Shares issued hereunder. The Participant is responsible for, and by accepting an Award under the Plan agrees to bear, all taxes of any nature that are legally imposed upon the Participant in connection with an Award, and the Company does not assume, and will not be liable to any party for, any cost or liability arising in connection with such tax liability legally imposed on the Participant. In particular, Awards issued under the Plan may be characterized by the Internal Revenue Service (the "IRS") as "deferred compensation" under the Code resulting in additional taxes, including in some cases interest and penalties. In the event the IRS determines that an Award constitutes deferred compensation under the Code or challenges any good faith characterization made by the Company or any other party of the tax treatment applicable to an Award, the Participant will be responsible for the additional taxes, and interest and penalties, if any, that are determined to apply if such challenge succeeds, and the Company will not reimburse the Participant for the amount of any additional taxes, penalties or interest that result.

(c) *Forfeiture.* The requirement that Participant forfeit an Award, or the benefits received or to be received under an Award, pursuant to any Applicable Law.

### **23. Indemnification.**

In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Company or an Affiliate, members of the Board and any officers or employees of the Company or an Affiliate to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in any such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

### **24. Unfunded Plan.**

Insofar as it provides for Awards, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Awardees who are granted Stock Awards under this Plan, any such accounts will be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets which may at any time be represented by Awards, nor shall this Plan be construed as providing for such segregation, nor shall the Company nor the Administrator be deemed to be a trustee of stock or cash to be awarded under the Plan. Any liability of the Company to any Participant with respect to an Award shall be based solely upon any contractual obligations which may be created by the Plan; no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Administrator shall be required to give any security or bond for the performance of any obligation which may be created by this Plan.



**APPENDIX B**

FORM OF AMENDMENT

TO

EXPONENT INC.

2008 EMPLOYEE STOCK PURCHASE PLAN

In accordance with Section 24 of the 2008 Employee Stock Purchase Plan, the 2008 Employee Stock Purchase Plan is hereby amended effective June 1, 2017 to include the following changes and additions:

1. By substituting the following for the second to last sentence of section 1 of the Plan:

“A total of 600,000 Shares of Common Stock may be issued under the Plan.”

2. By substituting the following for the first sentence of section 24 of the Plan:

“The Plan shall continue until the earlier to occur of termination by the Board, issuance of all of the Shares of Common Stock reserved for issuance under the Plan, or June 1, 2027.”

B-1

**EXPONENT, INC.  
AMENDED AND RESTATED 2008 EMPLOYEE STOCK PURCHASE PLAN (AS PROPOSED TO BE  
AMENDED)**

**1. ESTABLISHMENT OF PLAN**

Exponent, Inc. (the “Company”) adopted this plan in 2008 to grant options for the purchase of shares (“Shares”) of the Company’s Common Stock to eligible employees of the Company and Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (the “Plan”). For purposes of this Plan, “parent corporation” and “Subsidiary” (collectively, “Subsidiaries”) shall have the same meanings as “parent corporation” and “subsidiary corporation” in Section 424, of the Internal Revenue Code of 1986, as amended (the “Code”). The Company intends that the Plan shall qualify as an “employee stock purchase plan” under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition in this Plan. A total of 600,000 Shares of Common Stock may be issued under the Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of the Plan.

**2. PURPOSES**

The purpose of the Plan is to provide employees of the Company and any Subsidiary designated by the Company’s Board of Directors (the “Board”) as one whose employees are eligible to participate in the Plan with a convenient means to acquire an equity interest in the Company through payroll deductions, to enhance such employees’ sense of participation in the affairs of the Company and Subsidiaries, and to provide an incentive for continued employment.

**3. ADMINISTRATION**

(a) The Plan is administered by the Board or by a committee designated by the Board (in which event all references herein to the Board shall be to the committee). Subject to the provisions of the Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of the Plan shall be determined by the Board and its decisions shall be final and binding upon all participants. Members of the Board shall receive no compensation for their services in connection with the administration of the Plan, other than standard fees as established from time to time by the Board of Directors of the Company for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

(b) The Board (or the committee) shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how options to purchase Shares shall be granted and the provisions of each Offering Period (which need not be identical);

(ii) To designate from time to time a Subsidiary as one whose employees shall be eligible to participate in the Plan (any such designated Subsidiary, a “Designated Corporation”);

(iii) To construe and interpret the Plan and rights to purchase (options on) Shares, and to establish, amend and revoke rules and procedures for its administration, including that the Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

(iv) To amend or terminate the Plan as provided in Section 24 below;

(v) To adopt rules and procedures (including sub-plans and/or special provisions) relating to the operation and administration of the Plan to permit participation in the Plan by employees who are foreign nationals or employed outside the United States; and

B-2

(vi) Generally, to exercise such powers and to perform such acts it deems necessary, desirable, convenient or expedient to promote the best interests of the Company and its Subsidiaries and to carry out that intent that the Plan be treated as an “employee stock purchase plan” under Section 423 of the Code.

#### 4. ELIGIBILITY

Any employee of the Company or any of its Subsidiaries whom the Board designates as a participating Subsidiary (a “Designated Subsidiary”) is eligible to participate in an Offering Period (as hereinafter defined) under the Plan except the following:

(a) employees who are not employed by the Company or a Designated Subsidiary on a date specified by the Board before the beginning of such Offering Period;

(b) employees who are customarily employed for less than 20 hours per week;

(c) employees who are customarily employed for less than 5 months in a calendar year;

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 425(d) of the Code, own stock or hold options to purchase stock or who, as a result of being granted an option under the Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing 5 percent or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries; and

(e) individuals who provide services to the Company or a Designated Subsidiary as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

#### 5. OFFERING PERIODS; OFFERING DATES; AND PURCHASE DATES

(a) Each Offering Period under the Plan (each an “Offering Period”) shall be of the duration provided for or permitted herein. The first trading day (a day on which the Common Stock trades on the principal exchange or system on which the Common Stock is listed) of each Offering Period is referred to as the “Offering Date.” The Board may but need not

provide for multiple purchases within a single Offering Period. The Board shall have the power to change the duration of Offering Periods without stockholder approval. The last trading day of each Offering Period (or in the case of an Offering Period encompassing multiple purchases, each such purchase period) is hereinafter referred to as the "Purchase Date."

(b) Subject to Section 5(c) below, each Offering Period shall be of three months' duration commencing on the first business day of each fiscal quarter and ending on the last business day of the fiscal quarter, and shall have a single Purchase Date.

(c) Notwithstanding 5(b) above and the other provisions of the Plan, the Board of Directors may, but need not, vary the terms and structure of the Offering Periods under this Plan, on such basis as it shall determine in its sole discretion (including without limitation, the length of each Offering Period and Offering Periods during which more than one Purchase Date shall occur; provided however that no Offering Period may have a duration in excess of twenty-seven (27) months (or such longer period as may be permitted under Code Section 423).

## 6. PARTICIPATION IN THE PLAN

An eligible employee may become a participant in an Offering Period under the Plan if (a) as of the Offering Date with respect to the Offering Period he or she satisfies the eligibility requirements set forth above, and (b) prior to such Offering Date (at such time and in such manner as may be specified with respect to such Offering Period) he or she delivers to the Company or its authorized representative a subscription agreement indicating his or her desire to enroll in the Offering Period and authorizing payroll deductions in a manner consistent with Section 9 below. An eligible employee who does not timely deliver a subscription agreement by the date specified in advance of the applicable Offering Date shall not participate in that Offering Period and shall not participate in any subsequent Offering Period unless such employee enrolls in the Plan by timely delivering a subscription agreement to the Company or its representative prior the Offering Date of the applicable, subsequent Offering Period. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of that Offering Period unless the employee withdraws from the Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreements in order to continue participation in the Plan with respect to subsequent Offering Periods. Any participant who has not withdrawn from the Plan pursuant to Section 11 below will automatically be re-enrolled in the Plan and granted a new option on the Offering Date of the next Offering Period.

## 7. GRANT OF OPTION

(a) Each employee enrolled in an Offering Period will be granted on the Offering Date an option to purchase on each Purchase Date up to that number of Shares determined by dividing the amount accumulated in such employee's payroll deduction account during such Offering Period by the Purchase Price (as defined in Section 8 below) applicable to that Offering Period.

(b) In no event, however, shall the number of Shares of the Company's Common Stock subject to any option granted pursuant to this Plan exceed the limitations set forth in Section 10 below. The Purchase Price and fair market value of a Share shall be determined as provided in Section 8 hereof.

## 8. PURCHASE PRICE

The "Purchase Price" per Share at which a Share will be sold in any Offering Period shall be ninety-five percent (95%) of the fair market value on the applicable Purchase Date. For purposes of the Plan, the term "fair market value" on a given date shall mean: (a) the closing price on the Purchase Date of a Share as reported on the Nasdaq Stock Market (or any other exchange or market quotation system that is then the primary exchange or market on which the Common Stock trades), (b) if the relevant date does not fall on a trading day, the closing price of a Share as of the last preceding day on which the Common Stock traded, or (c) such other value as the Board determines in its good faith judgment to be a reasonable valuation for a Share as of such date.

## 9. PAYMENT OF PURCHASE PRICE; CHANGES IN PAYROLL DEDUCTIONS; ISSUANCE OF SHARES

(a) The aggregate purchase price of the Shares is accumulated by regular payroll deductions made during each Offering Period. The deductions are made as a percentage of the employee's compensation in one percent (1%) increments not less than one percent (1%) nor greater than fifteen percent (15%). Compensation shall mean all base straight-time gross earnings including commissions, overtime and paid-time off but exclusive of shift premiums, incentive compensation, bonuses, any amounts relating to Company equity awards, and other compensation not listed above; provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence on the first payroll date following the Offering Date and shall continue until the last payroll date immediately preceding the Purchase Date unless sooner altered or terminated as provided in the Plan.

(b) Except pursuant to a withdrawal from the Plan under Section 11 below (in which case all payroll deductions shall cease), a participant may not change his or her rate of payroll deductions during an Offering Period. A participant may

increase or decrease the rate of payroll deductions for any subsequent Offering Period by filing with the Administrator a new authorization for payroll deductions on a date specified by the Board prior to the beginning of such Offering Period.

(c) All payroll deductions made for a participant are credited to his or her account under the Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

B-4

(d) On each Purchase Date, so long as the Plan remains in effect and provided that the participant has not withdrawn from that Offering Period under the Plan in accordance with the provisions of Section 11 below before that date, the Company shall apply the funds then in the participant's account to the purchase of whole Shares reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The Purchase Price per Share shall be as specified in Section 8 of the Plan. Any cash remaining in a participant's account after such purchase of Shares shall be refunded (without interest) to such participant in cash; provided, however, that any amount remaining in such participant's account on a Purchase Date which is less than the amount necessary to purchase a full Share of Common Stock of the Company shall be carried forward, without interest, into the next Offering Period (or in the event of an Offering Period during which multiple purchase will occur, into the next applicable purchase period within the Offering Period). In the event that the Plan has been oversubscribed as provided in Section 10(c), all funds not used to purchase Shares on the Purchase Date shall be returned to the participant (without interest). No Shares shall be purchased on a Purchase Date on behalf of any employee whose participation in the Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the Shares purchased upon exercise of his option; provided that the Company may deliver certificates to a broker or brokers that hold such certificate in street name for the benefit of each such participant.

(f) During a participant's lifetime, such participant's option to purchase Shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in Shares covered by his or her option until such option has been exercised. Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse provided that shares may be registered to a broker or brokers that hold such shares in street name for the benefit of each participant.

#### 10. LIMITATIONS ON SHARES TO BE PURCHASED

(a) No employee shall be entitled to purchase Shares under the Plan at a rate which, when aggregated with his or her rights to purchase Shares of Common Stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds \$25,000 in fair market value, determined as of the date such right is granted (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in the Plan.

(b) Subject to Sections 9(a), 10(a) and 14(a) of the Plan, the maximum number of Shares that a participant may purchase on any single Purchase Date shall not exceed 5,000 Shares (the "Maximum Share Amount"); provided that prior to the commencement of any Offering Period, the Board may, in its sole discretion and without stockholder approval, change the Maximum Share Amount with respect to that Offering Period. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. Once a Maximum Share Amount is set, it shall continue to apply in respect of all succeeding



Purchase Dates and Offering Periods unless revised by the Board as set forth above.

(c) If the number of Shares to be purchased on a Purchase Date by all employees participating in the Plan exceeds the number of Shares then available for issuance under the Plan, the Company will make a pro rata allocation of the remaining Shares in as uniform a manner as shall be practicable and as the Board shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of Shares to be purchased under a participant's option to each employee affected thereby.

(d) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant (without interest) as soon as practicable after the end of the Offering Period in the manner set forth in Section 9(d).

B-5

## 11. WITHDRAWAL

(a) Each participant may withdraw from an Offering Period under the Plan by signing and delivering to the Administrator notice on a form provided for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period at such time and in such manner as the Board specifies.

(b) Upon withdrawal from the Plan, the accumulated payroll deductions shall be returned (without interest) to the withdrawn employee and his or her interest in the Plan shall terminate. In the event an employee voluntarily elects to withdraw from the Plan, he or she may not resume his or her participation in the Plan during the same Offering Period, but he or she may participate in any Offering Period under the Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth in Section 6 above for initial participation in the Plan.

## 12. TERMINATION OF EMPLOYMENT

Termination of a participant's employment for any reason, including retirement or death, or the failure of a participant to remain an eligible employee as set forth in Section 4 terminates his or her participation in the Plan immediately. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative. For this purpose, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company in the case of sick leave, military leave, or any other leave of absence approved by the Board of Directors of the Company; provided that such leave is for a period of not more than ninety (90) days or, if such leave is longer than ninety (90) days, reemployment upon the expiration of such leave is guaranteed by contract or statute.

## 13. RETURN OF PAYROLL DEDUCTIONS

In the event an employee's interest in the Plan is terminated by withdrawal, termination of employment or otherwise, or in the event the Plan is terminated by the Board, the Company shall promptly deliver to the employee all payroll deductions credited to his or her account. No interest shall accrue on the payroll deductions of a participant in the Plan.

## 14. CAPITAL CHANGES

Subject to any required action by the stockholders of the Company, the number of Shares covered by each option under the Plan which has not yet been exercised, the Maximum Share Amount set forth in Section 10(b) above, and

the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the “Reserves”), as well as the price per Share covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

In the event of the proposed dissolution or liquidation of the Company, each Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In such event, the Board may, in the exercise of its sole discretion in such instances, declare that the options under the Plan shall terminate as of a date fixed by the Board and give each participant the right to exercise his or her option as to all of the optioned stock. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned Shares. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable on a date specified in such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of Shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

#### 15. NONASSIGNABILITY

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

#### 16. REPORTS

Individual accounts will be maintained for each participant in the Plan. Each participant shall receive any reports required to be delivered by applicable law as well as, after the end of each Offering Period, a report of his account setting forth the total payroll deductions accumulated, the number of Shares purchased, the per Share price thereof and the remaining cash balance, if any, carried forward to the next Offering Period or Offering Period, as the case may be.

#### 17. NOTICE OF DISPOSITION

Each participant shall notify the Company if the participant disposes of any of the Shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two years from the Offering Date or within one (1) year from the Purchase Date on which such Shares were purchased (the "Notice Period"). Unless such participant is disposing of any of such Shares during the Notice Period, such participant shall keep the certificates representing such Shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing Shares acquired pursuant to the Plan requesting the Company's transfer agent to notify the Company of any transfer of the Shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on certificates.

#### 18. NO RIGHTS TO CONTINUED EMPLOYMENT

Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary or restrict the right of the Company or any Subsidiary to terminate such

employee's employment.

#### 19. EQUAL RIGHTS AND PRIVILEGES

All participants in an Offering Period shall have the same rights and privileges with respect to their participation in the Plan for that Offering Period, in accordance with Section 423 of the Code and the related regulations (and any successor provisions). Any provision of the Plan, a specific Offering Period or an option granted under the Plan which is inconsistent with this Section 19 shall without further act or amendment by the Company or the Board be reformed, if possible, to the extent necessary to render such provision in compliance with the requirements of Section 423 of the Code, or shall otherwise be deleted, and the remainder of the terms of the Plan, an Offering Period and/or an option shall not be affected.

B-7

## 20. NOTICES

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

## 21. DESIGNATION OF BENEFICIARY

(a) A participant may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering Period but prior to delivery to him of such Shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such Shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

## 22. CONDITIONS UPON ISSUANCE OF SHARES

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no liability for failure to issue any Shares under this Plan in the event that such issuance cannot be accomplished in compliance with all applicable laws.

## 23. APPLICABLE LAW

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

#### 24. AMENDMENT OR TERMINATION OF THE PLAN

The Plan shall continue until the earlier to occur of termination by the Board, issuance of all of the Shares of Common Stock reserved for issuance under the Plan, or June 1, 2027. The Board of Directors of the Company may at any time amend or terminate the Plan, except that any such termination cannot affect options previously granted under the Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant; provided that if the Board determines that a change in applicable accounting rules or a change in applicable laws, renders an amendment or termination desirable, then the Board may approve such an amendment or termination. The Board may not amend the Plan without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within 12 months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

- (a) Increase the number of Shares that may be issued under the Plan; or
  
- (b) Expand the designation of the employees (or class of employees) eligible for participation in the Plan.

B-8





