

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

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended January 1, 2021.

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number 0-18655

EXPONENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

149 Commonwealth Drive, Menlo Park, California

(Address of principal executive offices)

77-0218904

(I.R.S. Employer Identification No.)

94025

(Zip Code)

(650) 326-9400

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	EXPO	Nasdaq Global Select Market

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

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant based on the closing sales price of the common stock as reported on the NASDAQ Global Select Market on July 2, 2020, the last business day of the registrant's most recently completed second quarter, was \$3,091,690,681. Shares of the registrant's common stock held by each executive officer and director and by each entity or person that, to the registrant's knowledge, owned 10% or more of registrant's outstanding common stock as of July 3, 2020 have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant's common stock outstanding as of February 19, 2021 was 51,803,884.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders to be held on June 3, 2021 are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPONENT, INC.
FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED JANUARY 1, 2021
TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	4
Item 1A. Risk Factors	15
Item 1B. Unresolved Staff Comments	21
Item 2. Properties	21
Item 3. Legal Proceedings	21
Item 4. Mine Safety Disclosures	21
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
Item 6. Selected Financial Data	23
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	36
Item 8. Financial Statements and Supplementary Data	37
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	37
Item 9A. Controls and Procedures	37
Item 9B. Other Information	37
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	38
Item 11. Executive Compensation	38
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	38
Item 13. Certain Relationships and Related Transactions, and Director Independence	38
Item 14. Principal Accounting Fees and Services	38
PART IV	
Item 15. Exhibits, Financial Statement Schedules	39
Exhibit Index	70
Signatures	73

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains, and incorporates by reference, certain “forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995, and the rules promulgated pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended) that are based on the beliefs of the Company’s management, as well as assumptions made by and information currently available to the Company’s management. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. When used in this document and in the documents incorporated herein by reference, the words “intend,” “anticipate,” “believe,” “estimate,” “could,” “may,” “plan,” “expect” and similar expressions, as they relate to the Company or its management, identify such forward-looking statements. Such statements reflect the current views of the Company or its management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company’s actual results, performance, or achievements could differ materially from those expressed in, or implied by, any such forward-looking statements. Factors that could cause or contribute to such material differences include the COVID-19 pandemic (including factors relating to measures implemented by governmental authorities or by us to promote the safety of our employees, vendors and clients; other direct and indirect impacts on our business and the businesses of our clients, vendors and other partners; impacts which may, among other things, adversely affect our clients’ ability to utilize our services at the levels they have previously; disruptions of access to our facilities or those of our clients or third parties; and increased and potentially significant economic uncertainty and volatility, including credit and collectibility risks and potential disruptions of capital and credit markets), the possibility that the demand for our services may decline as a result of changes in general and industry specific economic conditions, the timing of engagements for our services, the effects of competitive services and pricing, the absence of backlog related to our business, our ability to attract and retain key employees, the effect of tort reform and government regulation on our business and liabilities resulting from claims made against us. Additional risks and uncertainties are discussed under the heading “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

The inclusion of such forward-looking information should not be regarded as a representation by the Company or any other person that the future events, plans, or expectations contemplated by the Company will be achieved. Due to such uncertainties and risks, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. The Company does not intend to release publicly any updates or revisions to any such forward-looking statements.

PART I

Item 1. Business

GENERAL

Exponent, Inc., together with its subsidiaries, (“Exponent”, the “Company”, “we”, “us” and “our”) is a science and engineering consulting firm that provides solutions to complex problems. Our multidisciplinary team of scientists, engineers, business and regulatory consultants brings together more than 90 different technical disciplines to solve complicated issues facing industry and government today. Our services include analysis of product development, product recall, regulatory compliance, and the discovery of potential problems related to products, people, property and impending litigation.

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

CLIENTS

General

Exponent serves clients in chemical, construction, consumer products, energy, food, beverage and nutrition, government, life sciences, insurance, manufacturing, technology, industrial equipment, transportation and other sectors of the economy. Many of our engagements are initiated directly by large corporations or by lawyers or insurance companies whose clients anticipate, or are engaged in, litigation related to their products, equipment, processes or services. The scope of our services in failure prevention and technology evaluation has grown as the technological complexity of products has increased over the years. During 2020, we provided services representing approximately 24%, 16%, 14% and 13% of revenues to clients in the consumer products industry, energy and utilities industries, transportation industry and chemical industry, respectively.

Pricing and Terms of Engagements

We provide our services on either a fixed-price basis or on a time and material basis, charging in the latter case hourly rates for each staff member involved in a project, based on his or her skills and experience. Our standard rates for professionals range from \$180 to \$825 per hour. Our engagement agreements typically provide for monthly billing, require payment of our invoices within 30 days of receipt and permit clients to terminate engagements at any time. Clients normally agree to indemnify us and our personnel against liabilities arising out of the use or application of the results of our work or recommendations.

SERVICES

Exponent provides high quality engineering and scientific consulting services to clients around the world. Our service offerings are provided on a project-by-project basis. Many projects require support from multiple practices. We currently operate the following 17 practices in two reportable operating segments, (i) Engineering and Other Scientific and (ii) Environmental and Health:

ENGINEERING AND OTHER SCIENTIFIC

- Biomechanics
- Biomedical Engineering & Sciences
- Buildings & Structures
- Civil Engineering

- Construction Consulting
- Data Sciences
- Electrical Engineering & Computer Science
- Human Factors
- Materials & Corrosion Engineering
- Mechanical Engineering
- Polymer Science & Materials Chemistry
- Thermal Sciences
- Vehicle Engineering

ENVIRONMENTAL AND HEALTH

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

ENGINEERING AND OTHER SCIENTIFIC

Biomechanics

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

During the past year, our biomechanics staff performed analyses of human injuries which occurred while individuals were utilizing a variety of products including recreational vehicles, sporting goods, trucks, trains, aircraft, industrial equipment, and automobiles. They also looked at the implications of using protective devices (such as restraint systems, airbags, and helmets) on reducing the potential for injury, and assessed injuries in the workplace, in the home, and during recreational activities. Our consultants also evaluated product designs for performance, hazards, and injury risks to assist clients with design modifications, address consumer feedback, and respond to regulators.

Biomedical Engineering and Sciences

Our Biomedical Engineering and Sciences Practice applies engineering principles to medical technologies, including the evaluation of designs and performance of medical devices, pharmaceuticals, and biologics. Our engineers and scientists assist clients with characterization of biomaterials, medical devices, and their interactions with pharmaceuticals, cells, and tissues. To assist in regulatory clearance and approval, we perform preclinical testing, help formulate related regulatory strategy, and conduct design verification and validation. We also assist with design and manufacturing failure analyses, root cause assessment, recall management, and medical device explant analysis. In addition, our staff performs analysis of clinical outcomes for medical devices and related procedures using administrative claims databases. Our expertise is also utilized in product liability, intellectual property litigation, technology acquisition and due diligence matters. During 2020 our staff engaged in the COVID-19 pandemic support efforts related to personal protection equipment, testing and clinical diagnostics

Buildings & Structures

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

During the past year, we have evaluated numerous problems with residential, commercial and industrial structures for owners, designers, and builders at project sites around the world. Our evaluations often include property inspections, laboratory or on-site testing, engineering analysis, and the development of repair recommendations. In addition, we have worked with owners to assess and mitigate the risk of failure associated with hazards such as hurricanes, earthquakes, tsunamis and aging infrastructure. We have assessed these risks to high-rise buildings, industrial facilities, pipelines and nuclear power plant structures and provided testimony both in the U.S. and international courts of law.

Civil Engineering

Our Civil Engineering Practice provides broad expertise that includes geotechnical engineering, geological engineering, engineering geology, and geology to address a host of geo-failures, including landslides, foundation and retaining wall failures, pipeline failures, dam and levee failures. The practice's expertise also includes evaluation of complex construction claims involving geotechnical design issues, wildland fire effects, and international construction disputes. Over the past year, our consultants have been engaged in a number of investigations related to wildland fires, landslide evaluations, construction vibration claims, construction claim and defect evaluations, and seismic design evaluations. This practice provided services for property owners, contractors, design professionals, state agencies, international government agencies, attorneys and insurance carriers.

Construction Consulting

Our Construction Consulting Practice provides expertise in the areas of project advisory, risk analysis, strategic planning, dispute resolution, delay analysis and financial damages. During the past year, we expanded the practice by leveraging key client relationships in several construction sectors including utilities, infrastructure and oil and gas. Over the past year, the practice has been retained on numerous complex international arbitrations in Canada, Asia Pacific, Europe and the Middle East. Our multi-disciplinary staff, which includes engineers, project managers, schedulers, quantity surveyors, and financial specialists, provides these services to both the public and private sectors for clients who represent a diverse mix of corporations, law firms and agencies. Our projects include many sectors of the construction and engineering industry which include power plants, electric and gas utilities, petrochemical facilities, transportation systems, tunnels, airports, and sporting arenas.

Data Sciences

The Data Sciences practice comprises our core capabilities in statistics, data analytics, and dedicated data collection. Drawing on experience in a breadth of engineering, science, health, and environmental applications, we assist clients with their most complex data challenges at all stages of the product or process life cycle.

Our team of interdisciplinary scientists and engineers design sampling plans, surveys, and experiments to create, manage, and analyze data sets of all sizes and varieties. User-focused visualizations support data-driven decision-making and help clients measure risks and benefits to determine appropriate courses of action. Utilizing rigorous statistical methods, our team can help assess and improve quality and reliability and mitigate risk. Our experience helps clients build products that perform for a wide variety of users while preventing data bias, collecting personal data with consideration for privacy, and managing the risks associated with global data collection.

During the past year, our team worked on diverse projects for government, industry, and legal clients. We performed assessments of manufacturing quality systems, evaluated the durability and reliability of smart cards for identity management and credentialing, examined the in-service safety record of home appliances and medical devices and developed sampling plans associated with product recall campaigns.

Electrical Engineering & Computer Science

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

Over the past year, we performed a wide array of investigations ranging from assessing damage to electrical power infrastructure from the effect of weather-related events to working with clients to develop sophisticated machine learning algorithms applied to large quantities of unstructured data. We continue to work with consumer electronics manufacturers and the transportation industry on the reliability and robustness of computer-controlled equipment for user safety.

Human Factors

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

We review warnings and labeling issues related to consumer products, pharmaceuticals, motor vehicles, medical devices and industrial products – supporting the development of safety information to accompany products and assessing claims that the safety information provided was inadequate. We apply our expertise in human behavior, warnings, and decision making in class actions suits, and in evaluating claims seeking to establish a class. In addition, we assist manufacturers with compliance with regulatory guidelines related to products and work with them regarding analysis of adverse event reports and consumer complaints in publicly available databases overseen by the Consumer Product Safety Commission and the Food and Drug Administration.

We examine the role that attention plays in human perception, memory, and behavior, and how attention, inattention, and distraction may affect safety in a wide range of settings and activities (e.g., operating vehicles and machinery, walking, and using consumer products). We address the reliability of human memory and retrospective reporting in the gathering of fact-based evidence. We utilize scientific investigations and research (e.g., human perception, reaction time, and looking behavior) to assess driver behavior in both accident investigations and during the design of automotive systems. Our Human Factors scientists have been actively engaged in research and project work with Advanced Driver Assistive System (ADAS) and automated vehicle technology, in order to understand and advise our clients on how these technologies may change the nature and dynamic of driving, and the role and performance of the driver.

We provide user experience research, including focus groups, usability testing, and complex user studies with custom-tailored designs, across a wide range of industries, including consumer electronics, medical devices, and vehicle technologies. Our state-of-the-art Phoenix User Research Center, with 5,000 square feet of research space, has six lab suites, including a dedicated focus group room, an ophthalmological lab, a motion capture lab, and wearable eye tracking technology, plus connectivity to our vehicle test track. The scope of human factors engagements range from consulting on our clients' research to providing turnkey research solutions.

We perform incident investigations and root cause analyses of near-misses and accidents involving human error in occupational and industrial settings. Our Human Factors scientists have advanced technical systems training and experience required to understand how humans contribute to the initiation of, and emergency response to, explosions, fires, chemical releases, and major equipment failures in the manufacturing, utility, oil and gas, and construction industries, among others. We also capitalize on this knowledge to conduct human error risk and culture assessments to help clients proactively control human performance gaps, improve occupational and process safety performance, and create administrative controls and procedures. In addition to helping clients address the frequency and severity of incidents related to human error, fatigue, and performance, these and other similar project activities can be leveraged to improve efficiency, reliability, and maintainability of normal operations.

Materials & Corrosion Engineering

Our in-depth knowledge of materials science, corrosion, and metallurgical engineering combined with the breadth of our collective experience across many industries and disciplines gives our Materials and Corrosion Engineering Practice a unique ability to efficiently provide our clients with solutions to their complex materials-based problems. We use our knowledge and experience to understand how and why materials, products, and processes may not perform their intended function. Further, we use this knowledge to help our clients prevent future failures of new products as well as aging infrastructure.

Over the past year, our Materials and Corrosion Engineering Practice helped clients solve critical materials-related issues in the consumer electronics, medical device, battery systems, chemical processing, transportation, energy, utilities, and aerospace fields, among others.

Mechanical Engineering

We provide clients with a thorough comprehension of current and alternate designs of mechanical systems to identify vulnerabilities before failures occur, develop appropriate risk mitigation methods, and provide post-failure investigations. Our consultants review the performance and reliability of industrial processes, manufactured products, and engineered systems, and we determine the root cause of failures. We assist in legal and insurance matters, failure investigations, product recall investigations, internal compliance programs, product development, workplace safety evaluations, and intellectual property matters.

Our staff members develop and utilize detailed and validated computational models and laboratory experimental methods to evaluate products, systems, and equipment. We perform field inspections, rely on industry standards, and utilize operational data to inform our analyses. We have performed these activities in a broad range of industries including transportation, energy, industrial equipment, building systems, medical devices, and consumer products. During the past year, our mechanical engineers worked on a wide variety of projects including international construction disputes, product recalls, and mechanical safety in product development.

Polymer Science & Materials Chemistry

Our Polymer Science and Materials Chemistry Practice consults with industrial, government, legal, insurance and individual clients regarding polymers and textiles used in diverse applications as well as the chemistry, materials and processing aspects of batteries, drug delivery systems, and other products that depend on highly controlled manufacturing environments. We assist clients in understanding the short- and long-term performance of plastic, rubber, adhesive, coating, composite, reactive chemical systems, and electrochemical energy storage systems when challenged by physical, chemical, thermal and other operational stressors. Our work also includes customized chemical, electrochemical and rheological testing and leverages expanding internal infrastructure for instrumented analysis and advanced imaging capabilities.

Our consultants participate in product development programs, perform failure analyses and provide support to clients involved in regulatory and legal proceedings and the protection of intellectual property. Clients value our technical expertise related to chemistry, formulation, manufacturing and materials performance, our understanding of the history and evolution of these materials, and our ability to assist them in identifying and incorporating emerging materials and manufacturing technologies into their businesses. During the past year, significant program activities addressed

aspects of battery systems, consumer electronics, wearable devices, implantable medical devices, drug delivery systems, medical diagnostics, building materials, water handling systems, synthetic turf, the plastics supply chain, fire retardancy and flammability, technology scouting, materials science aspects of health risk, service life prediction, sustainability, and intellectual property related to consumer, recreational, medical, pharmaceutical, food packaging and other products, including trade secrets.

Thermal Sciences

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

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

During the past year, our work in oil and gas exploration and production, liquefied natural gas and downstream oil and gas sectors has continued. Our services in these areas include assessing new oil well control technologies, assessing potential fire and explosion risks and consequences, investigating loss of containment incidents and assessing the integrity of fixed assets.

Vehicle Engineering

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

Our Test and Engineering Center located in Phoenix, Arizona, is used for our most complex testing and analysis. We have gained a worldwide reputation for our ability to mobilize resources expeditiously and efficiently, integrate a broad array of technical disciplines, and provide valuable insight that is objective and withstands rigorous scrutiny. Many of our projects involve addressing the cause of accidents and our clients rely on us to determine what happened in an accident and why it happened. In many cases, clients also want us to assess what could have been done to reduce the severity of the accident or to mitigate occupant injuries to those involved. Current advances in emerging transportation technologies and concepts allow our multi-disciplinary team of scientists, engineers, and analysts across numerous practices to focus on the development and implementation of connected vehicles, automated vehicles, connected/smart cities, and data analyses. Whether the objective is design analysis, component testing, failure analysis, or accident reconstruction, our knowledge of vehicle systems and engineering principles coupled with our experience from conducting full-scale tests aim to add insight and proficiency to every project.

ENVIRONMENTAL AND HEALTH SCIENCES

Chemical Regulation & Food Safety

Our Chemical Regulation and Food Safety Practice includes both technical and regulatory specialists who are experienced in dealing with foods, food ingredients, cosmetics, dietary supplements, pesticide and biocides (including conventional chemicals, biochemicals, microbials, antimicrobials/biocides, and products of biotechnology), and

industrial chemicals. We provide practical, scientific and regulatory support to meet global business objectives at every stage of the product cycle, from research and development to retail and beyond.

During the past year, our Chemical Regulation and Food Safety staff have conducted a wide array of work. The European and U.S. sides of the practice were jointly involved with ongoing support of COVID-19 related sanitizers and disinfectants as well as multiple new pesticide active ingredients and end-use products. The European side of our business was involved with many projects related to plant protection and biocidal product regulatory submissions, from new active substances and those under review to product-specific dossiers for European member states. Due to the pandemic numerous regulatory dossiers and risk assessments were prepared for emergency registration of biocidal products (surface disinfectants and hand sanitizers) throughout Europe. In addition, we provided many specialist assessments relating to human and environmental exposure and product efficacy as well as national and international Maximum Residue Limit/import tolerance submissions covering countries such as South Korea, Taiwan and Hong Kong. In Europe and the U.S., we continued to provide clients with regulatory compliance support for food contact materials, food additives, novel foods, nutrition-related analyses, as well as undertaking safety assessments for food and cosmetics products. We also provided proactive and reactive product safety and litigation support. For industrial chemicals, we continued to provide full regulatory support for our clients who prepared and submitted registrations and risk assessments. Our European and U.S. offices were active supporting our clients with their E.U. Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and U.S. Toxic Substances Control Act regulatory requirements. Our U.S. offices continued to provide services related to new pesticide active ingredients and end-use product development and registrations in the U.S., Canada, and Mexico, registration review by the U.S. Environmental Protection Agency, new requirements related to the U.K. leaving the E.U., state registration support, import tolerances in the U.S. and Canada, inert ingredient approvals, due diligence related to product and/or business sales, and data compensation.

Ecological & Biological Sciences

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

Environmental & Earth Sciences

Our environmental scientists and engineers provide cost-effective, scientifically defensible and realistic assessments and solutions to complex environmental issues. We offer technical, regulatory, and litigation support to industries that include oil and gas, mining and minerals, chemicals, forest products, railroads, aerospace, development, and trade associations, and to municipal and governmental clients. Our consultants specialize in the areas of environmental fate and transport, environmental chemistry and forensics, remediation consulting, environmental engineering and waste management, and natural resources damages assessment. Our expertise also includes hydrology and hydrogeology, modeling and monitoring, water quality, water rights and water resources, extreme weather event and climate change risk management, and evaluation of environmental and social risks.

Our work frequently involves complex and high visibility environmental problems and issues, often the focus of environmental or toxic tort claims, where evaluation of contamination and historical reconstruction of events, releases, and doses are central to problem resolution. We provide case-specific strategic and advisory consulting on risk mitigation, planning, and environmental regulatory and policy issues, as well as high-level technical strategic consulting to support critical business decisions and for complex matters where understanding the long-term implications of early technical actions is critical to managing overall liability.

Health Sciences

Our health scientists, including epidemiologists, toxicologists, industrial hygienists, exposure scientists, air quality scientists, biostatisticians, risk assessment scientists, and physicians, apply scientific and medical principles to examine and address complex human-health-related risk issues in a variety of settings. Our consultants are recognized nationally and internationally for our outstanding expertise and credentials, and our decades of experience in government, academia, and industry sectors. Our work has included numerous community and environmental health assessments, disease cluster investigations, air quality investigations and analyses, survey research, cohort and case-control studies, exposure assessment and simulation studies, biologically-based modeling, meta-analyses, and state-of-the-art literature reviews. We have addressed critical issues for clients on industrial chemicals, pesticides, mineral fibers, drugs, medical devices, consumer products, nanotechnology, and other agents and products as they relate to human health risk.

Our multidisciplinary team has extensive experience investigating a broad variety of health concerns such as claims of adverse health effects from exposures to a wide range of physical agents (e.g., ionizing radiation, low- and radio-frequency electromagnetic fields); chemical agents (e.g., volatile organic compounds, metals, dusts, air pollutants, mineral fibers, fumes, nanoparticles, and pharmaceuticals); and biological agents (fungi/molds, bacteria, and other microorganisms). We can assess the potential health effects of occupational and environmental exposures; investigate accidental releases of chemicals and evaluate fate and transport of chemical substances; characterize consumer and workplace exposures through simulation and exposure reconstruction; provide air quality and meteorological modeling, permitting, and licensing support services; develop measures of prevention and exposure control; and assist clients with occupational safety and health evaluations and emergency preparedness and response. In the past year, we have added key principal pharmacoepidemiologists, expanding our expertise in the pharmaceuticals arena, from pre-approval through post-marketing. This expanding team brings innovation and novel approaches to complex issues in drug safety, analyses of electronic medical or health records, and regulatory strategies related to drugs, devices, and other medical products regulated by the U.S. Food and Drug Administration.

COMPETITION

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

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

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

HUMAN CAPITAL

Exponent's vision is to engage the brightest scientists and engineers to empower clients with solutions for a safe, healthy, sustainable and technologically complex world. Attracting, exciting, developing, and rewarding exceptional people with diverse backgrounds and expertise are central to our corporate mission. As a pre-eminent global engineering and scientific consulting firm, we continuously create opportunity for hundreds of talented staff. Exponent's culture actively supports the development of our professionals and their potential by creating a stimulating, growth-oriented and inclusive environment. Our programs, tools, and processes support the development of (1) science and engineering consultants, who balance exceptional technical prowess and objectivity with sound business acumen; (2) corporate and support staff, who empower expansion into multiple markets; and (3) leaders who inspire outstanding performance.

As of January 1, 2021, we employed 1,168 full-time, part time and hourly employees, including 930 engineering and scientific staff, 63 technical support staff and 175 administrative and support staff. Our staff includes 857 employees

with advanced degrees, of which 642 employees have achieved the level of Ph.D., Sc.D., or M.D. As of January 1, 2021 approximately 88% of our employees are located in the United States and 12% are located in other global regions.

Technical full-time equivalent employees is a key metric that we use to analyze our revenues. During 2020 technical full-time equivalent employees increased 1% to 912 as compared to 901 during the prior year due to our recruiting and retention efforts. We attribute our ability to grow technical full-time equivalent employees to a number of factors, including exciting and challenging assignments, strong leadership and management, the opportunity to learn new skills and advance careers, along with competitive and equitable total rewards. To ensure a compelling total rewards philosophy and practice, we have practices in place to deliver fair and equitable compensation for employees based on their contribution and performance. We also offer a comprehensive set of benefits for employees and their families.

Exponent's core values include being the best and getting it right; doing challenging, exciting, and important work in an ethical and objective manner; recognizing and rewarding good work; working in teams and sharing a sense of mission; insisting on honesty, integrity, trust and respect for the individual; and providing life-long professional learning and renewal.

Our staff share their unique specialized scientific expertise on over 250 individual scientific and engineering committees and advisory boards. Many of our staff serve in leadership roles or are actively working to develop technical standards. Exponent's professionals routinely contribute to the advancement of science through peer-reviewed scientific literature, publishing a multitude of articles, book chapters, and books every year. Exponent staff have published over 900 articles in scientific and engineering journals. More than 50 Exponent consultants currently hold positions at academic institutions, where they serve as professors, research professors, adjunct and associate faculty, lecturers, instructors, and advisors.

At Exponent, the health and safety of our employees is extremely important to us. To help mitigate occupational hazards we maintain a safety management program that includes policies, procedures, training, and other contributions to address the wide variety of project engagements. During the COVID-19 pandemic, our primary focus has been on the safety and well-being of our employees and their families. Our global pandemic efforts include leveraging the advice and recommendations of infectious disease experts to establish proper safety standards. As the pandemic continues, the health and well-being of our workforce remains a top priority while we ensure productive remote work.

To enable a culture where diversity, equity, and inclusion are embedded we have articulated four pillars of action. These include recruiting, people development, communication, and outreach.

Recruiting

We are working to identify and meet candidates from increasingly diverse backgrounds and to minimize bias in our screening process. Through our university recruiting program we visit over 50 universities each year, and virtual webinars allow us to engage graduate students at over 100 universities. Our outreach to students who are members of affinity groups on campus supports diversification of our candidate pool. We are committed to broadening relationships with historically black colleges and universities with graduate programs in our technical disciplines. Our recruiting teams also identify diverse candidates from employee referrals, website applicants, and conferences. Our leaders are continuously engaged with experienced consultants in other firms to stay alert to trends in the industry and to recruit. We employ a behavioral and technical competency-based interviewing process to reduce bias in our candidate screening.

People Development

We work to ensure that our people receive equitable opportunities and training and that our development pathways are free from bias. Our employee resource group, which is focused on women and underrepresented minorities, teams with our human resources department to conduct a quarterly seminar series on a broad set of topics ranging from work-life balance to cross-cultural communications. We encourage our staff to participate in technical conferences, professional societies, and standards committees. We support our technical staff as they share their scientific and engineering insights related to safety, health, and the environment through Exponent website and social media content, our webinar series, and external speaking opportunities. Our mentoring program provides training and leadership opportunities to consultants early in their careers. Our sponsorship program pairs rising mid-level consultants with senior leaders who serve as advocates and provide career opportunities. This pairing is a two-year commitment. We

encourage training for all employees and provide training opportunities at all levels on a variety of technical and soft skills topics. Our leadership is exposed to best management practices that are vital to their development and the development of their staff.

Communication

We encourage employee investment in the firm's success by engaging with them through annual leadership meetings and quarterly all-employee meetings. We also encourage our line management to invest in employees' physical, cognitive, and emotional energy through their work. Employee engagement surveys are conducted annually to solicit, collect, and disseminate feedback in our effort to continually improve our work environment. Exponent maintains an online suggestion box for employees to express ideas for improving our work environment. Exponent also provides new parent affinity groups and a shared online workspace for balancing work and parenting life.

Outreach

In June of 2020, Exponent matched employee contributions to charities involved in diversity, equity, and inclusion initiatives with a \$50,000 grant to the United Negro College Fund (UNCF). This grant will fund 16 scholarships for African American students pursuing STEM majors at UNCF-member historically black colleges and universities. We support the initiatives of our employees as they seek local service opportunities, and we are developing strategies for deeper engagement in service through our participation in professional societies. Our Volunteer Connection intranet site enables employees to share stories and pictures of outreach to their local communities and to encourage others to participate.

ADDITIONAL INFORMATION

The address of our Internet website is www.exponent.com. We make available, free of charge through our website, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other periodic and current Securities and Exchange Commission (SEC) reports, along with amendments to all of those reports, as soon as reasonably practicable after we file or furnish the reports with the SEC. Copies of material filed or furnished by us with the SEC may also be obtained by writing to us at our corporate headquarters, Exponent, Inc., Attention: Investor Relations, 149 Commonwealth Drive, Menlo Park, CA 94025, or by calling (650) 326-9400. The content of our Internet website is not incorporated into and is not part of this Annual Report on Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Exponent and their ages as of February 26, 2021 are as follows:

Name	Age	Position
Catherine Ford Corrigan, Ph.D.	52	President and Chief Executive Officer
Robert I. Haddad, Ph.D.	63	Group Vice President
Brad A. James, Ph.D.	55	Group Vice President
Harri K. Kytomaa, Ph.D.	62	Group Vice President
Steven J. Murray, Ph.D.	46	Group Vice President
John D. Pye, Ph.D.	50	Group Vice President
Richard Reiss, Sc.D.	54	Group Vice President
Maureen T.F. Reitman, Sc.D.	52	Group Vice President
Richard L. Schlenker, Jr.	55	Executive Vice President, Chief Financial Officer and Corporate Secretary
Sally B. Shepard	60	Chief Human Resources Officer

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

Catherine Ford Corrigan, Ph.D., joined the Company in 1996. She was promoted to Principal in the Biomechanics practice in 2002 and was appointed Group Vice President in May 2012. Dr. Corrigan was named President in July 2016. She was named Chief Executive Officer and elected to the Board of Directors in May 2018. Dr. Corrigan earned her Ph.D. (1996) in Medical Engineering and Medical Physics and M.S. (1992) in Mechanical Engineering from the Massachusetts Institute of Technology and her B.S. in Bioengineering from the University of Pennsylvania. Prior to joining Exponent, Dr. Corrigan was a researcher in the Orthopaedic Biomechanics Laboratory at Beth Israel Hospital and Harvard Medical School. On February 9, 2021, Dr. Corrigan was elected to the National Academy of Engineering.

Robert I. Haddad, Ph.D., joined the Company in May 2016 as a Corporate Vice President and Principal Scientist. He was promoted to Group Vice President in October 2016. Prior to joining the Company, Dr. Haddad was Chief, Assessment & Restoration Division, Office of Response & Restoration at the National Oceanic and Atmospheric Administration from 2007 to 2016 where he was responsible for the strategic evaluation and tactical resolution of environmental problems. From 2002 to 2007, Dr. Haddad was President and Principal Scientist at Applied Geochemical Strategies, Inc. where he was responsible for providing litigation support and expertise in environmental forensics, human health and ecological risk assessments, and natural resource damage assessments to regional, national, and international clients. Dr. Haddad received his Ph.D. (1989) in Chemical Oceanography from the University of North Carolina, Chapel Hill and B.S. (1979) in Geology from the University of California, Los Angeles. Dr. Haddad has published in peer-reviewed technical publications and scientific journals, and has authored over 300 technical reports and confidential documents for a variety of projects.

Brad A. James, Ph.D., joined the Company in 1994. He was promoted to Principal Engineer in 2005 and was appointed Corporate Vice President in 2014. Dr. James was appointed Group Vice President on January 4, 2020. Dr. James received his Ph.D. (1994) in Metallurgical and Materials Engineering from the Colorado School of Mines and his B.S. (1988) in Metallurgical Engineering from the University of Washington. He is a licensed professional engineer in the states of California and Texas. Prior to joining Exponent, Dr. James was employed as a Research Engineer, Materials Performance Division, at the Babcock and Wilcox R&D Center.

Harri K. Kytomaa, Ph.D., joined the Company in 1994. He was promoted to Principal Engineer in 1999 and was appointed Corporate Vice President in 2006. Dr. Kytomaa was appointed Group Vice President in October 2016. Dr. Kytomaa received his Ph.D. (1986) in Mechanical Engineering and M.S. (1981) in Mechanical Engineering from the California Institute of Technology, and B.Sc. (1979) in Engineering Science from Durham University, England. He is a Registered Professional Engineer in 9 states and a Certified Fire and Explosion Investigator in accordance with the National Association of Fire Investigators National Certification Board. Prior to joining Exponent, Dr. Kytomaa was Assistant Professor and Associate Professor of Mechanical Engineering at the Massachusetts Institute of Technology, where he was head of the Fluid Mechanics Laboratory.

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

John D. Pye, Ph.D., joined the Company in 1999. He was promoted to Principal Engineer in 2006 and was appointed Corporate Vice President in 2009. Dr. Pye was appointed Group Vice President in January 2014. Dr. Pye received his Ph.D. (1999) in Aerospace Engineering from Stanford University, M.S. (1993) in Aerospace Engineering from Stanford University, and B.A.Sc. (1992) in Engineering Science from the University of Toronto, Canada. He is a Registered Professional Mechanical Engineer in the State of California. Prior to joining Exponent, Dr. Pye held a research position in the Aerospace Fluid Mechanics Lab at Stanford University where he was responsible for the renovation and redesign of the Stanford Low-Speed wind tunnel as well as managing the Stanford experimental facilities for the Stanford/NASA Ames Joint Institute for Aeronautics and Astronautics.

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

Maureen T.F. Reitman, Sc.D., joined the Company in 2002. She was promoted to Principal Engineer in 2006 and was appointed Corporate Vice President in 2014. Dr. Reitman was appointed Group Vice President on January 4, 2020. Dr. Reitman received her Sc.D. (1993) in Materials Science and Engineering from the Massachusetts Institute of Technology and her B.S. (1990) in Materials Science and Engineering from the Massachusetts Institute of Technology. She is a registered Professional Mechanical Engineer in the state of Maryland. Prior to joining Exponent, Dr. Reitman worked for the 3M Company in both research and management roles. Her activities at 3M included technology identification, materials selection and qualification, product development, customer support, program management, acquisition integration, intellectual property analysis, and patent litigation support.

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

Sally B. Shepard, rejoined the Company in 2014 as Vice President - Human Resources and was promoted to Chief Human Resources Officer in 2017. From 2012 to 2014 she served as Vice President Human Resources at 41st Parameter, which was acquired by Experian. From 2002 to 2009 she served as Vice President Human Resources at CoWare, Inc., which was acquired by Synopsys. From 2000 to 2001 Ms. Shepard served as Vice President Human Resources at Lutris Technologies. She also provided Human Resources consulting services for a variety of companies between roles. From 1981 to 1999 Ms. Shepard held a variety of roles at Exponent including Managing Engineer, Business Manager, Director of Human Resources and Information Technology, and Vice President of Corporate Human Resources. Ms. Shepard holds a B.S. (1982) in Mechanical Engineering from Stanford University.

Item 1A. Risk Factors

Exponent operates in a rapidly changing environment that involves a number of uncertainties, some of which are beyond our control and may have a material adverse effect on our financial condition and results of operations. These uncertainties include, but are not limited to, those mentioned elsewhere in this report and those set forth below. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated.

Risks Related to Our Clients and Demand for Our Services

The effects of the COVID-19 pandemic have materially affected our operations and those of our clients. The duration and extent to which the COVID-19 pandemic will impact our future financial condition and results of operations remains uncertain.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that the COVID-19 pandemic will have on our financial condition and results of operations due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, compliance with these measures has impacted, and will likely continue to impact, our operations.

The vast majority of our employees have been working remotely since the implementation of government measures to contain the virus. These remote working arrangements may result in inefficiencies, delays and additional costs and risks. In addition, most of our clients are also working remotely, which may delay the initiation of new projects and the execution of on-going work. Many of our litigation support projects paused due to courthouse closures and associated legal delays. Travel restrictions have delayed work that requires inspection of a site or a product that cannot be shipped. The pandemic has also negatively impacted our ability to conduct user studies.

The COVID-19 pandemic also raises the possibility of an extended global economic downturn and has caused volatility in financial markets, which could affect demand for our services and impact our financial condition and results of operations even after the pandemic is contained and the containment measures are lifted. For example, we

may be unable to collect receivables from those customers significantly impacted by the COVID-19 pandemic. We believe that our existing balances of cash, cash equivalents, short-term investments and cash generated from operations are sufficient to satisfy our working capital needs, capital expenditures, outstanding commitments, stock repurchases, dividends and other liquidity requirements over at least the next 12 months. However, we continue to monitor the impact of the COVID-19 pandemic on our cash flows and on the credit and financial markets.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, and the impact of these and other factors on our employees and clients. There can be no assurance, however, that the ultimate impact on our financial condition and results of operations will not be material. We will continue to evaluate the nature and extent of the impact of the COVID-19 pandemic to our business.

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

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

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

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

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

We currently derive a significant portion of our revenues from clients in the chemical, construction, consumer products, energy, life sciences and transportation industries. The loss of any large client could have a material adverse effect on our business, financial condition or results of operations.

Our clients may be unable to pay for our services.

If a client's financial difficulties become severe, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. The COVID-19 pandemic raises the possibility of an extended global economic downturn, which may impact the ability of our customers to pay for our services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with substantial accounts receivable could have a material adverse effect on our financial condition and results of operations.

Our business is dependent on our professional reputation.

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

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

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

Tort reform can reduce demand for our services.

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

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

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

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

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

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

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

Risks Related to Our Operations

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

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

Our engagements may result in professional or other liability.

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

We are subject to unpredictable risks of litigation.

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

We are subject to security breaches that may disrupt our operations and/or lead to the inability to protect confidential information.

We have experienced, and expect to continue to be subjected to, security breaches and threats, none of which have been material to us to date. Despite the implementation of security and business continuity measures, our information technology infrastructure and networks are vulnerable to electronic breaches of security. Such breaches could lead to disruptions of our operations and potential unauthorized disclosure of confidential and/or personal information, which could result in legal claims or proceedings. While we have taken reasonable steps to prevent and mitigate the damage of a security breach by continuously improving our design and coordination of security controls across our business, those steps may not be effective and there can be no assurance that any such steps can be effective against all possible risks.

Failure to protect client and employee data may have an adverse effect on our business.

We manage, utilize, and store sensitive or confidential client or employee data, including personal data and protected health information. As a result, we are subject to numerous laws and regulations designed to protect this information, such as the U.S. federal and state laws governing the protection of health or other personally identifiable information, including the Health Insurance Portability and Accountability Act, and international laws such as the European Union General Data Protection Regulation. In addition, many states, U.S. federal governmental authorities and non-U.S. jurisdictions have adopted, proposed, or are considering adopting or proposing, additional data security and/or data privacy statutes or regulations such as the California Consumer Privacy Act. These laws and regulations are increasing in complexity and number. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines, and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud, or misappropriation, could damage our reputation and cause us to lose clients and their related revenue in the future. Our remote working arrangements due to the COVID-19 pandemic may increase the risks associated with protecting client and employee data.

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

In addition to our offices in the United States, we have physical offices in the United Kingdom, Switzerland, Hong Kong, China, Singapore, Ireland, and Canada, and conduct business in several other countries. We expect to continue to expand globally and our international revenues may account for an increasing portion of our revenues in the future. Our international operations carry special financial, business and legal risks, including cultural and language differences; employment laws and related factors that could result in lower utilization, higher staffing costs, and cyclical fluctuations of utilization and revenues; currency fluctuations that adversely affect our financial position and operating results; burdensome regulatory requirements and other barriers to conducting business; tariffs/trade disputes and other trade barriers including the United Kingdom's decision to leave the European Union; managing the risks associated with engagements with foreign officials and governmental agencies, including the risks arising from the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act of 2010; managing the risks associated with global privacy and data security laws and regulations including the General Data Protection Regulation in Europe; greater difficulties in managing and staffing foreign operations; successful entry and execution in new markets; restrictions on the repatriation of earnings; potentially adverse tax consequences; other impending legislation that could add additional risks to the business; and the COVID-19 pandemic and resulting restrictions on business activity, which vary significantly by region.

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

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

General Risks

Competition could reduce our pricing and adversely affect our business.

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

We hold substantial investments that could present liquidity risks.

Our cash equivalent and short-term investment portfolio as of January 1, 2021 consisted primarily of obligations of the U.S. Treasury. We follow an established investment policy to monitor, manage and limit our exposure to interest rate and credit risk. The policy sets forth credit quality standards and limits our exposure to any one issuer, as well as our maximum exposure to various asset classes.

Investments in some financial instruments may pose risks arising from liquidity and credit concerns. As of January 1, 2021, we had no impairment charge associated with our investment portfolio relating to such adverse financial market conditions. Although we believe our current investment portfolio has a low risk of impairment, we cannot predict future market conditions or market liquidity and can provide no assurance that our investment portfolio will remain unimpaired.

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

On our balance sheet as of January 1, 2021, we have \$8,607,000 of goodwill subject to periodic evaluation for impairment. Failure to achieve sufficient levels of cash flow at reporting units, the loss of key employees, changes to the scope of operations of our business or a significant and sustained decline in our stock price could result in goodwill impairment charges. During times of financial market volatility, significant judgment is required to determine the underlying cause of the decline and whether stock price declines are short-term in nature or indicative of an event or change in circumstances.

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

Our long-lived assets, including our office, laboratory and warehouse space in Menlo Park, California, our test and engineering center in Phoenix, Arizona, and our office and laboratory facilities in Natick, Massachusetts, are subject to periodic testing for impairment. Failure to achieve sufficient levels of cash flow at the asset group level could result in impairment of our long-lived assets. In addition, we have operating lease commitments for office and laboratory space. Changes in the business environment could lead to changes in the scope of operations of our business. These changes, including the closure of one or more offices, could result in restructuring and/or asset impairment charges. The COVID-19 pandemic raises the possibility of an extended global economic downturn, which increases the risk of long-lived asset impairment charges.

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

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

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

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

Our quarterly results may vary.

Variations in our revenues and operating results occur from time to time, as a result of a number of factors, such as the significance of client engagements commenced and completed during a quarter, the timing of engagements, the number of working days in a quarter, employee hiring and utilization rates, and integration of companies acquired. Because a high percentage of our expenses, particularly personnel and facilities related expenses, are relatively fixed in advance of any particular quarter, a variation in the timing of the initiation or the completion of our client assignments can cause significant variations in operating results from quarter to quarter.

The market price of our common stock may be volatile.

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

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

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

Catastrophic events may disrupt our business.

We rely on our network infrastructure and certain third-party hosted services to support our operations. A disruption or failure of these systems in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics, cyber-attack, war, terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could have a material adverse effect on our business, financial condition or results of operations.

Climate change may disrupt our business.

The areas where we conduct business are vulnerable to the effects of climate change. For example, in California, wildfire danger increases the probability of planned power outages which may impact our employees' abilities to commute to work and to stay connected. Climate-related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure, have the potential to disrupt our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Silicon Valley office facilities consist of a 153,738 square foot building, with office and laboratory space located on a 6.3-acre tract of land we own in Menlo Park, California and an adjacent 27,000 square feet of warehouse storage space on a 1.1-acre tract of land that we also own.

Our Test and Engineering Center (TEC) occupies 147 acres in Phoenix, Arizona. We lease this land from the state of Arizona under a 30-year lease agreement that expires in January 2028 and have options to renew for two fifteen-year periods. We constructed a 21,613 square foot indoor test facility as well as a 44,053 square foot engineering and test preparation building at the TEC.

Our office facilities in Natick, Massachusetts, consist of a 60,480 square foot building, with office and laboratory space located on a 2.9 acre tract of land that we own and an adjacent building that consists of 9,100 square feet of office space located on a 0.81 acre tract of land that we also own.

In addition, we lease office and laboratory space in 20 other locations in 13 states and the District of Columbia, as well as in China, Hong Kong, Singapore, Switzerland and the United Kingdom. Leases for these offices and laboratory facilities have terms generally ranging between one and ten years.

Item 3. Legal Proceedings

Exponent is not engaged in any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Exponent's common stock is traded on the NASDAQ Global Select Market, under the symbol "EXPO."

As of February 19, 2021, there were 170 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe that there are considerably more beneficial holders of our common stock than record holders.

The following table provides information on the Company's share repurchases (of Company common stock) for the quarter ended January 1, 2021 (in thousands, except price per share):

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program
October 3 to October 30	—	\$ —	—	\$ 75,455
October 31 to November 27	—	\$ —	—	\$ 75,455
November 28 to January 1	—	\$ —	—	\$ 75,455
Total	—	\$ —	—	

Repurchases of the Company's common stock were affected pursuant to a repurchase program authorized by the Company's Board of Directors. On January 31, 2019, the Company's Board of Directors announced \$75,000,000 for the repurchase of the Company's common stock. On May 29, 2020, the Company's Board of Directors announced an additional \$45,000,000 for the repurchase of the Company's common stock. These repurchase programs have no expiration dates.

COMPANY STOCK PRICE PERFORMANCE GRAPH

This graph compares the Company's cumulative total stockholder return calculated on a dividend-reinvested basis from 2016 through 2020 with those of the Standard & Poor's ("S&P") 500 Index and the S&P SmallCap 600 Index. The Company does not have a comparable peer group and thus has selected the S&P Small Cap 600 Index. The graph assumes that \$100 was invested on the last day of 2015. Note that the historic price performance is not necessarily indicative of future price performance.



Item 6. Selected Financial Data

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

(In thousands, except per share data)	Fiscal Years				
	2020	2019	2018	2017	2016
Consolidated Statements of Income Data:					
Revenues before reimbursements	\$ 378,412	\$ 391,390	\$ 354,639	\$ 329,664	\$ 299,197
Revenues	\$ 399,900	\$ 417,199	\$ 379,523	\$ 347,799	\$ 315,076
Operating income	\$ 83,249	\$ 85,111	\$ 91,456	\$ 72,051	\$ 61,911
Net income	\$ 82,552	\$ 82,460	\$ 72,254	\$ 41,305	\$ 47,480
Net income per share:					
Basic	\$ 1.58	\$ 1.56	\$ 1.37	\$ 0.78	\$ 0.90
Diluted	\$ 1.55	\$ 1.53	\$ 1.33	\$ 0.77	\$ 0.87
Cash dividends declared per share	\$ 0.76	\$ 0.64	\$ 0.52	\$ 0.42	\$ 0.36
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 197,525	\$ 176,436	\$ 127,059	\$ 124,794	\$ 114,967
Short-term investments	\$ 45,001	\$ 55,165	\$ 81,495	\$ 71,604	\$ 58,755
Working capital	\$ 249,524	\$ 240,084	\$ 228,308	\$ 222,402	\$ 193,808
Total assets	\$ 580,096	\$ 563,411	\$ 468,936	\$ 439,589	\$ 403,744
Long-term liabilities	\$ 101,290	\$ 89,200	\$ 56,723	\$ 57,394	\$ 50,162
Total stockholders' equity	\$ 361,498	\$ 350,251	\$ 313,909	\$ 289,088	\$ 273,346

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

OVERVIEW

Exponent is an engineering and scientific consulting firm providing solutions to complex problems. Exponent's interdisciplinary organization of scientists, physicians, engineers, and business consultants draws from more than 90 technical disciplines to solve the most pressing and complicated challenges facing stakeholders today. The firm leverages over 50 years of experience in analyzing accidents and failures to advise clients as they innovate their technologically complex products and processes, ensure the safety and health of their users, and address the challenges of sustainability.

CRITICAL ACCOUNTING ESTIMATES

In preparing our consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income and net income, as well as on the value of certain assets and liabilities on our consolidated balance sheet. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. On a regular basis we evaluate our assumptions, judgments and estimates and make changes accordingly. We believe that the assumptions, judgments and estimates involved in accounting for revenue recognition and estimating the allowance for contract losses and doubtful accounts have a potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. We discuss below the assumptions, judgments and estimates associated with these policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. For further information on our critical accounting policies, see "Note 1: Summary of Significant Accounting Policies" of our *Notes to Consolidated Financial Statements*.

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

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

Management judgments and estimates must be made and used in connection with the revenues recognized in any accounting period. These judgments and estimates include an assessment of the estimate as to the total effort required to complete fixed-price projects.

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

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

	Percentage of Revenues for Fiscal Years			Period to Period Change	
	2020	2019	2018	2020 v 2019	2019 v 2018
Revenues	100.0%	100.0%	100.0%	(4.1)%	9.9%
Operating expenses:					
Compensation and related expenses	62.5	60.5	56.7	(0.9)	17.3
Other operating expenses	8.1	8.0	8.1	(4.0)	9.7
Reimbursable expenses	5.4	6.2	6.6	(16.7)	3.7
General and administrative expenses	3.2	4.9	4.6	(37.2)	17.0
	79.2	79.6	76.0	(4.6)	15.3
Operating income	20.8	20.4	24.0	(2.2)	(6.9)
Other income, net	3.4	4.6	0.5	(28.3)	925.2
Income before income taxes	24.2	25.0	24.5	(7.0)	11.7
Provision for income taxes	3.6	5.2	5.5	(33.8)	3.2
Net income	20.6%	19.8%	19.0%	0.1%	14.1%

EXECUTIVE SUMMARY

Revenues for 2020 decreased 4% and revenues before reimbursements decreased 3% as compared to the prior year. The decrease in revenues before reimbursements was due to a decrease in billable hours partially offset by an increase in billing rates. Business restrictions associated with the COVID-19 pandemic caused project delays across multiple areas of our business. Our litigation support work slowed with many projects paused due to court-related delays and closures. The business restrictions associated with the COVID-19 pandemic also delayed our human participant studies. The decrease in revenues before reimbursements was also due to fiscal 2020 having one less week of activity as compared to fiscal 2019. We continued to see strength in integrity management advisory services for the utilities sector as our clients focused on power reliability, in particular due to fire safety concerns in the western United States. We also experienced growth in our chemical regulation and food safety practice as our scientists evaluated the effects of chemicals and new products on human health and the environment.

Society is raising the bar for safety, health, sustainability and reliability, and clients are increasingly seeking our interdisciplinary proactive solutions. We have been engaged by industry and government to help in the response to the coronavirus. We continue to advise clients with respect to disinfectant products and procedures, COVID-19 testing, contract tracing, and occupational health and safety. During the fourth quarter of 2020 we deployed wearable technology platforms for COVID-19 risk monitoring and mitigation for the U.S. Army and Navy.

Net income was \$82,552,000 during 2020 as compared to \$82,460,000 during 2019. Diluted earnings per share increased to \$1.55 for 2020 as compared to \$1.53 for 2019. Net income and diluted earnings per share for 2020 benefited from a decrease in our effective tax rate due to an increase in the excess tax benefit associated with stock-based awards. The excess tax benefit associated with stock-based awards increased to \$12,258,000 during 2020 as compared to \$8,067,000 during 2019.

We remain focused on selectively adding top talent and developing the skills necessary to expand upon our market position, providing clients with in-depth scientific research and analysis to determine what happened and how to prevent failures or exposures in the future. We also remain focused on capitalizing on emerging growth areas, managing other operating expenses, generating cash from operations, maintaining a strong balance sheet and undertaking activities such as share repurchases and dividends to enhance shareholder value.

COVID-19 Update

We responded quickly and carefully to address the unprecedented challenges created by the pandemic. We have successfully adapted and will continue to evolve our business development, recruiting and operational approaches, yielding benefits both during and after this crisis. We have accelerated our sharing of in-depth scientific and regulatory knowledge through webinars and thought leadership pieces, which has fostered new client relationships and projects. We have shifted all recruiting activities online, allowing us to reach a more geographically expansive set of candidates. The health and safety of our team remain top priorities, and therefore we have leveraged our internal expertise to establish protocols that allow us to safely continue laboratory activities and resume human participant studies. Our business continuity plan and robust infrastructure have empowered productive remote work, and employees continue to work from home unless they are performing laboratory testing or inspections. Our leadership team has responded with enhanced internal communications to encourage increased connectivity across the firm.

We are pleased that the Company has been able to address the majority of our clients' needs with a mostly remote workforce. The relaxation of business restrictions in June allowed us to resume laboratory testing, inspections, and human participant studies for clients in non-essential industries. Field inspections of sites and products have increased due to lifting of travel restrictions but are still occurring at a reduced level since many businesses are not fully operational.

We continue to receive new retentions for litigation support, and work is ongoing for many existing matters. At the same time, trial dates continue to be delayed, removing imminent deadlines and causing some clients – in particular the automotive industry – to pause work. Courts have been experimenting with virtual bench trials as well as social distancing for in-person trials, so we expect trials will gradually increase.

We are pleased to be sharing our scientific and regulatory knowledge on health and safety issues related to the novel coronavirus through webinars and thought leadership pieces. We continue to advise clients with respect to disinfectant products and procedures, COVID-19 testing, contract tracing, and occupational health and safety.

OVERVIEW OF THE YEAR ENDED JANUARY 1, 2021

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

We operate on a 52-53 week fiscal year with each year ending on the Friday closest to December 31st. The fiscal year ended January 1, 2021 included 52 weeks of activity. The fiscal year ended January 3, 2020 included 53 weeks of activity. The fiscal year ended December 28, 2018 included 52 weeks of activity. Fiscal 2021 is a 52 week fiscal year that will end on Friday, December 31, 2021.

During 2020, billable hours decreased 7% to 1,273,000 as compared to 1,376,000 during 2019. Our utilization decreased to 67% for 2020 as compared to 72% for 2019. Technical full-time equivalent employees increased 1% to 912 for 2020 as compared to 901 for 2019. We continue to selectively hire key talent to expand our capabilities.

FISCAL YEARS ENDED JANUARY 1, 2021, AND JANUARY 3, 2020

Revenues

(In thousands except percentages)

	Fiscal Years		Percent Change
	2020	2019	
Engineering and Other Scientific	\$ 319,346	\$ 339,796	(6.0)%
Percentage of total revenues	79.9%	81.4%	
Environmental and Health	80,554	77,403	4.1%
Percentage of total revenues	20.1%	18.6%	
Total revenues	\$ 399,900	\$ 417,199	(4.1)%

The decrease in revenues for our Engineering and Other Scientific segment was due to a decrease in billable hours partially offset by an increase in billing rates. During 2020, billable hours for this segment decreased by 10% to 976,000 as compared to 1,084,000 during 2019. Utilization for this segment decreased to 67% for 2020 as compared to 73% for 2019. Business restrictions associated with the COVID-19 pandemic caused project delays across multiple practices within this segment. The most substantial impact was on our litigation support work with many projects paused due to court-related delays. The business restrictions associated with the COVID-19 pandemic also delayed our human participant studies. The decrease in billable hours was also due to fiscal 2020 having one less week of activity than fiscal 2019. We continued to see strength in integrity management advisory services for the utilities sector as our clients focus on power reliability, in particular due to fire safety concerns in the western United States. Technical full-time equivalent employees in this segment increased 1% to 704 during 2020 as compared to 699 for 2019.

Clients continued to seek out our expertise for proactive and reactive engagements across a broad range of industries and use cases. Our multidisciplinary battery team leveraged its experience in consumer electronics to advance energy storage for electric vehicles and medical devices. Our integrity management advisory services for the utilities industry remained strong as clients and regulators focused on power reliability and safety. Our biomedical team advised clients as they navigated evolving regulatory frameworks around the world.

The increase in revenues from our Environmental and Health segment was due to an increase in billable hours and an increase in billing rates partially offset by fiscal 2020 having one less week of activity than fiscal 2019. During 2020, billable hours for this segment increased by 2% to 297,000 as compared to 292,000 during 2019. The increase in billable hours was due to growth in our chemical regulation & food safety practice where we expanded our proactive services. The increase in billable hours was partially offset by fiscal 2020 having one less week of activity than fiscal 2019. This segment also experienced delays in litigation related projects due to business restrictions associated with the COVID-19 pandemic. Utilization for this segment increased to 69% during 2020 as compared to 68% during 2019. Technical full-time equivalents increased 3% to 208 during 2020 as compared to 202 for 2019 due to our recruiting and retention efforts.

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

Compensation and Related Expenses

(In thousands except percentages)

	Fiscal Years		Percent Change
	2020	2019	
Compensation and related expenses	\$ 250,041	\$ 252,197	(0.9)%
Percentage of total revenues	62.5%	60.5%	

The decrease in compensation and related expenses during 2020 was due to a change in the value of assets associated with our deferred compensation plan and a decrease in bonus expense, partially offset by an increase in payroll expense. During 2020, deferred compensation expense decreased \$4,806,000 with a corresponding decrease to other income, net, as compared to the prior year due to the change in value of assets associated with our deferred compensation plan. This decrease consisted of an increase in the value of the plan assets of \$8,028,000 during 2020 as compared to an increase in the value of the plan assets of \$12,834,000 during 2019. During 2020, bonus expense decreased by \$3,710,000 due to a corresponding decrease in the bonus pool, which is 33% of income before income taxes, interest income, bonus expense, and stock-based compensation. Payroll expense increased \$6,187,000 during 2020 due to the increase in technical full-time equivalent employees and the impact of our annual salary increase, partially offset by fiscal 2020 having one less week of activity than fiscal 2019. We expect our compensation expense, excluding the change in value of deferred compensation plan assets, to increase as we selectively add new talent and adjust compensation to market conditions.

Other Operating Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2020	2019	
Other operating Expenses	\$ 32,234	\$ 33,562	(4.0)%
Percentage of total revenues	8.1%	8.0%	

Other operating expenses include facilities-related costs, technical materials, computer-related expenses and depreciation and amortization of property, equipment and leasehold improvements. The decrease in other operating expenses was primarily due to a decrease in occupancy expense of \$978,000 and a decrease in technical materials of \$487,000. The decrease in occupancy expenses and technical materials were primarily due to COVID-19 pandemic-related business restrictions and fiscal 2020 having one less week of activity than fiscal 2019. We expect other operating expense to grow as we selectively add new talent and make additional investments in our corporate infrastructure.

Reimbursable Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2020	2019	
Reimbursable expenses	\$ 21,488	\$ 25,809	(16.7)%
Percentage of total revenues	5.4%	6.2%	

The amount of reimbursable expenses will vary from year to year depending on the nature of our projects. The decrease during 2020 was primarily due to COVID-19 pandemic-related business and travel restrictions.

General and Administrative Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2020	2019	
General and administrative expenses	\$ 12,888	\$ 20,520	(37.2)%
Percentage of total revenues	3.2%	4.9%	

The decrease in general and administrative expenses during 2020 was primarily due to decreases in travel and meals of \$5,969,000 and a decrease in personnel expenses of \$1,348,000. The decrease was also due to fiscal 2020 having one less week of activity than fiscal 2019. The decrease in travel and meals and personnel expenses were primarily due to COVID-19 pandemic-related business and travel restrictions. We expect general and administrative expenses to increase as we selectively add new talent, expand our business development efforts, and pursue staff development initiatives.

Operating Income

(In thousands except percentages)

	Fiscal Years		Percent Change
	2020	2019	
Engineering and other scientific	\$ 100,616	\$ 110,822	(9.2)%
Environmental and health	26,728	26,589	0.5%
Total segment operating income	127,344	137,411	(7.3)%
Corporate operating expense	(44,095)	(52,300)	(15.7)%
Total operating income	\$ 83,249	\$ 85,111	(2.2)%

The decrease in operating income for our Engineering and Other Scientific segment during 2020 as compared to 2019 was due to a decrease in revenues. The decrease in revenues was due to a decrease in billable hours, partially offset by an increase in billing rates. Business restrictions associated with the COVID-19 pandemic caused project delays across multiple practices within this segment. The most substantial impact was on our litigation support work with many projects paused due to court-related delays. The business restrictions associated with the COVID-19 pandemic also delayed our human participant studies. The decrease in billable hours was also due to fiscal 2020 having one less week of activity than fiscal 2019. We continued to see strength in the integrity management advisory services for the utilities sector. The impact of the decrease in revenues to operating income for this segment was partially offset by a decrease in operating expenses primarily due to the business and travel restrictions associated with the COVID-19 pandemic.

The slight increase in operating income for our Environmental and Health segment during 2020 as compared to 2019 was due to an increase in revenues. The increase in revenues was due to an increase in billable hours and an increase in billing rates, partially offset by fiscal 2020 having one less week of activity than fiscal 2019. The increase in billable hours was due to growth in our chemical regulation & food safety practice where we expanded our proactive services.

Certain operating expenses are excluded from the Company's measure of segment operating income. These expenses include the costs associated with our human resources, finance, information technology, and business development groups; the deferred compensation expense/benefit due to the change in value of assets associated with our deferred compensation plan; stock-based compensation associated with restricted stock unit and stock option awards; and the change in our allowance for contract losses and doubtful accounts.

The decrease in corporate operating expenses during 2020 as compared to 2019 was primarily due to a decrease in deferred compensation expense. During 2020, deferred compensation expense decreased \$4,806,000, with a corresponding decrease to other income, net, as compared to the prior year, due to the change in value of assets associated with our deferred compensation plan. This decrease consisted of an increase in the value of plan assets of \$8,028,000 during 2020 as compared to an increase in the value of plan assets of \$12,834,000 during 2019. The decrease in corporate operating expenses was also due to a decrease in travel and meals and personnel expenses primarily due to COVID-19 pandemic-related business and travel restrictions. The decrease was also due to fiscal 2020 having one less week of activity than fiscal 2019.

Other Income

(In thousands except percentages)

	Fiscal Years		Percent Change
	2020	2019	
Other income	\$ 13,687	\$ 19,079	(28.3)%
Percentage of total revenues	3.4%	4.6%	

Other income consists primarily of interest income earned on available cash, cash equivalents and short-term investments, changes in the value of assets associated with our deferred compensation plan and rental income from leasing excess space in our Silicon Valley facility. The decrease in other income was primarily due to the change in value of assets associated with our deferred compensation plan and a decrease in interest income of \$2,207,000, partially offset by an increase in the realized gain on foreign exchange of \$1,432,000 and an increase in rental income of \$210,000. During 2020, other income decreased \$4,806,000 with a corresponding decrease to deferred compensation expense as compared to 2019, due to the change in value of assets associated with our deferred compensation plan. This change consisted of an increase in the value of the plan assets of \$8,028,000 during 2020 as compared to an increase in the value of the plan assets of \$12,834,000 during 2019. The decrease in interest income was due to lower interest rates for our cash equivalents and short-term investments. The increase in the realized gain on foreign exchange was due to an increase in the value of monetary assets denominated in non-functional currencies during 2020 and the recognition of a foreign currency exchange loss of \$601,000 during 2019 associated with the divestiture of our German subsidiary.

Income Taxes

(In thousands except percentages)

	Fiscal Years		Percent Change
	2020	2019	
Income taxes	\$ 14,384	\$ 21,730	(33.8)%
Percentage of total revenues	3.6%	5.2%	
Effective tax rate	14.8%	20.9%	

The decrease in our effective tax rate was due to an increase in the excess tax benefit associated with stock-based awards and a 2019 tax charge associated with the divestiture of our German subsidiary. The excess tax benefit associated with stock-based awards increased to \$12,258,000 during 2020 as compared to \$8,067,000 during 2019. During 2019 we recognized a tax charge of \$956,000 associated with the divestiture of our German subsidiary.

FISCAL YEARS ENDED JANUARY 3, 2020, AND DECEMBER 28, 2018

Revenues

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Engineering and Other Scientific	\$ 339,796	\$ 306,265	10.9%
Percentage of total revenues	81.4%	80.7%	
Environmental and Health	77,403	73,258	5.7%
Percentage of total revenues	18.6%	19.3%	
Total revenues	\$ 417,199	\$ 379,523	9.9%

The increase in revenues for our Engineering and Other Scientific segment was due to an increase in billable hours and an increase in billing rates. During 2019, billable hours for this segment increased by 9.3% to 1,084,000 as compared to 992,000 during 2018. This segment had strong growth in its biomedical engineering, buildings & structures, construction consulting, human factors, materials & corrosion engineering, thermal sciences, and polymer science & materials chemistry practices. We continued to see strong demand from multinational companies for our scientific expertise and advice regarding their products. Safety concerns regarding energy storage systems drove increased demand for risk assessments in the consumer products, transportation, utility and medical device industries. The increase in billable hours was also due to fiscal 2019 having one additional week of activity than fiscal 2018. Utilization decreased to 73% for 2019 as compared to 75% for 2018. The decrease in utilization was due to the completion of a large human factors' assessment in the third quarter of 2018. Technical full-time equivalents increased 9.2% to 699 for 2019 as compared to 640 for 2018 due to our recruiting and retention efforts.

The increase in revenues from our Environmental and Health segment was due to an increase in billable hours and an increase in billing rates. During 2019, billable hours for this segment increased by 3.5% to 292,000 as compared to 282,000 during 2018. The increase in billable hours was due to growth in our chemical regulation and food safety practice where we expanded our proactive services. The increase in billable hours was also due to fiscal 2019 having one additional week of activity than fiscal 2018. Utilization was 68% for both 2019 and 2018. Technical full-time equivalents increased 1.5% to 202 during 2019 as compared to 199 for 2018 due to our recruiting and retention efforts.

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

Compensation and Related Expenses

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Compensation and related expenses	\$ 252,197	\$ 215,052	17.3%
Percentage of total revenues	60.5%	56.7%	

The increase in compensation and related expenses during 2019 was due to an increase in payroll expense, an increase in bonus expense, an increase in fringe benefits, and a change in the value of assets associated with our deferred compensation plan. During 2019, payroll and fringe benefits increased \$13,629,000 and \$1,735,000, respectively, due to the increase in technical full-time equivalent employees, the impact of our annual salary increase, and fiscal 2019 having one additional week of activity than fiscal 2018. During 2019, bonus expense increased by \$4,576,000 due to a corresponding increase in income before income taxes, before bonus expense, and before stock-based compensation. During 2019, deferred compensation expense increased \$16,734,000 with a corresponding increase to other income, net, as compared with the prior year due to the change in value of assets associated with our deferred compensation plan. This increase consisted of an increase in the value of the plan assets of \$12,834,000 during 2019 as compared to a decrease in the value of the plan assets of \$3,900,000 during 2018.

Other Operating Expenses

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Other operating Expenses	\$ 33,562	\$ 30,599	9.7%
Percentage of total revenues	8.0%	8.1%	

Other operating expenses include facilities-related costs, technical materials, computer-related expenses and depreciation and amortization of property, equipment and leasehold improvements. The increase in other operating expenses was primarily due to an increase in occupancy expense of \$1,028,000, an increase in information technology expenses of \$768,000, an increase in depreciation and amortization of \$514,000, and an increase in technical materials of \$317,000. These increases were due to our increase in technical full-time equivalent employees, investments in our corporate infrastructure and fiscal 2019 having one additional week of activity than fiscal 2018.

Reimbursable Expenses

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Reimbursable expenses	\$ 25,809	\$ 24,884	3.7%
Percentage of total revenues	6.2%	6.6%	

The amount of reimbursable expenses will vary from year to year depending on the nature of our projects.

General and Administrative Expenses

(In thousands except percentages)	Fiscal Years		Percent Change
	2019	2018	
General and administrative expenses	\$ 20,520	\$ 17,532	17.0%
Percentage of total revenues	4.9%	4.6%	

The increase in general and administrative expenses during 2019 was primarily due to an increase in travel and meals of \$1,724,000, an increase in marketing and promotion of \$334,000, an increase in bad debt of \$259,000 and several other individually insignificant increases. The increase in travel and meals was due to a firm-wide managers meeting held during 2019, an increase in technical full-time equivalent employees, an increase in business development and professional development activities and fiscal 2019 having one additional week of activity than fiscal 2018. The increase in marketing and promotion was due to an increase in business development activities.

Operating Income

(In thousands except percentages)	Fiscal Years		Percent Change
	2019	2018	
Engineering and other scientific	\$ 110,822	\$ 100,307	10.5%
Environmental and health	26,589	23,824	11.6%
Total segment operating income	137,411	124,131	10.7%
Corporate operating expense	(52,300)	(32,675)	60.1%
Total operating income	\$ 85,111	\$ 91,456	-6.9%

The increase in operating income for our Engineering and Other Scientific segment during 2019 as compared to 2018 was due to an increase in revenues. The increase in revenues was due to an increase in billable hours and an increase in billing rates. We continued to see strong demand for our services related to product recalls, including assignments from the consumer products and automotive industries. Proactive services continued to expand as companies sought our interdisciplinary advice throughout the product life cycle, consistent with the increased importance placed on understanding how users interact with complex technologies.

The increase in operating income for our Environmental and Health segment during 2019 as compared to 2018 was due to an increase in revenues. The increase in revenues was due to an increase in billable hours and an increase in billing rates. The increase in billable hours was due to the expansion of our chemical regulation & food safety proactive services.

Certain operating expenses are excluded from the Company's measure of segment operating income. These expenses include the costs associated with our human resources, finance, information technology, and business development groups; the deferred compensation expense/benefit due to the change in value of assets associated with our deferred compensation plan; stock-based compensation associated with restricted stock unit and stock option awards; and the change in our allowance for contract losses and doubtful accounts.

The increase in corporate operating expenses during 2019 as compared to 2018 was primarily due to an increase in deferred compensation expense. During 2019, deferred compensation expense increased \$16,734,000, with a corresponding increase to other income, net, as compared to the prior year, due to the change in value of assets associated with our deferred compensation plan. This increase consisted of an increase in the value of plan assets of \$12,834,000 during 2019 as compared to a decrease in the value of plan assets of \$3,900,000 during 2018. The increase in corporate operating expenses was also due to an increase in travel and meals due to a firm-wide managers meeting held during 2019, an increase in stock-based compensation associated with restricted stock unit grants, and increases in expenses for our human resources, finance, information technology, and business development groups due to increases in technical full-time equivalent employees, investments in our corporate infrastructure and fiscal 2019 having one additional week of activity than fiscal 2018.

Other Income

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Engineering and other scientific	\$ 110,822	\$ 100,307	10.5%
Environmental and health	26,589	23,824	11.6%

Other income consists primarily of interest income earned on available cash, cash equivalents and short-term investments, changes in the value of assets associated with our deferred compensation plan and rental income from leasing excess space in our Silicon Valley facility. The increase in other income was primarily due to the change in value of assets associated with our deferred compensation plan and an increase in interest income, partially offset by an increase in loss on foreign exchange. During 2019, other income increased \$16,734,000 with a corresponding increase to deferred compensation expense as compared to 2018. This change consisted of an increase in the value of the plan assets of \$12,834,000 during 2019 as compared to a decrease in the value of the plan assets of \$3,900,000 during 2018. The increase in interest income of \$1,161,000 was due to higher average balances and higher interest rates for our cash equivalents and short-term investments. During 2019, we recognized a foreign currency exchange loss of \$601,000 associated with the planned divestiture of our German subsidiary.

Income Taxes

(In thousands except percentages)

	Fiscal Years		Percent Change
	2019	2018	
Income taxes	\$ 21,730	\$ 21,063	3.2%
Percentage of total revenues	5.2%	5.5%	
Effective tax rate	20.9%	22.6%	

The decrease in our effective tax rate was due to an increase in the excess tax benefit associated with stock-based awards partially offset by a tax charge associated with the planned divestiture of our German subsidiary. The excess tax benefit associated with stock-based awards increased to \$8,067,000 during 2019 as compared to \$4,154,000 during 2018. During 2019, we recognized a tax charge of \$956,000 associated with the planned divestiture of our German subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

(In thousands)	Fiscal Years		
	2020	2019	2018
Net cash provided by (used in):			
Operating activities	\$ 103,312	\$ 108,059	\$ 91,188
Investing activities	\$ 5,024	\$ 4,269	\$ (25,820)
Financing activities	\$ (88,355)	\$ (63,414)	\$ (62,500)

We financed our business in 2020 through available cash and cash flows from operating activities. We invest our excess cash in cash equivalents and short-term investments. As of January 1, 2021, our cash, cash equivalents and short-term investments were \$242,526,000 as compared to \$231,601,000 at January 3, 2020. We believe our existing balances of cash, cash equivalents and short-term investments will be sufficient to satisfy our working capital needs, capital expenditures, outstanding commitments, stock repurchases, dividends and other liquidity requirements over at least the next 12 months.

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

Net cash provided by operating activities was \$103.3 million for 2020 as compared to \$108.1 million and \$91.2 million in 2019 and 2018, respectively.

During 2020, 2019 and 2018, net cash provided by/used in investing activities was primarily related to the purchase and maturity of short-term investments and capital expenditures. During 2019 we substantially completed construction of our office and laboratory facilities in Natick, Massachusetts. Total capital expenditures associated with this facility were \$15.2 million during 2019. During 2018, we purchased 2.9 acres of land in Natick, Massachusetts, and started construction of our office and laboratory facilities. The total purchase price for the land was \$5.2 million and our total capital expenditures during 2018 associated with the construction were \$5.3 million.

The increase in net cash used in financing activities during 2020 as compared to 2019 was due to an increase in our quarterly dividend payment and an increase in repurchases of our common stock. The increase in net cash used in financing activities during 2019 as compared to 2018 was due to an increase in our quarterly dividend payment partially offset by a decrease in repurchases of our common stock.

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

The following schedule summarizes our principal contractual commitments as of January 1, 2021 (in thousands):

Fiscal year	Operating lease commitments
2021	6,555
2022	5,340
2023	3,672
2024	2,252
2025	1,491
Thereafter	2,973
	<u>\$ 22,283</u>

The above table does not reflect unrecognized tax benefits of \$1,873,000, the timing of which is uncertain. Refer to “*Note 7: Income Taxes*” of the *Notes to Consolidated Financial Statements* for additional discussion on unrecognized tax benefits.

We maintain nonqualified deferred compensation plans for the benefit of a select group of highly compensated employees. Vested amounts due under the plans of \$83,961,000 were recorded as a long-term liability on our consolidated balance sheet at January 1, 2021. Vested amounts due under the plans of \$5,016,000 were recorded as a current liability on our consolidated balance sheet at January 1, 2021. Company assets that are earmarked to pay benefits under the plans are held in a rabbi trust and are subject to the claims of our creditors. As of January 1, 2021, invested amounts under the plans of \$83,731,000 were recorded as a long-term asset on our consolidated balance sheet. As of January 1, 2021, invested amounts under the plans of \$5,016,000 were recorded as a current asset on our consolidated balance sheet.

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

Off-Balance Sheet Arrangements

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

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles (“Non-GAAP”) financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. Generally, a Non-GAAP financial measure is a numerical measure of a company’s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We closely monitor two financial measures, EBITDA and EBITDAS, which meet the definition of Non-GAAP financial measures. We define EBITDA as net income before income taxes, interest income, depreciation and amortization. We define EBITDAS as EBITDA before stock-based compensation. We regard EBITDA and EBITDAS as useful measures of operating performance and cash flow to complement operating income, net income and other GAAP financial performance measures. Additionally, management believes that EBITDA and EBITDAS provide meaningful comparisons of past, present and future operating results. These measures are used to evaluate our financial results, develop budgets and determine employee compensation. These measures, however, should be considered in addition to, and not as a substitute or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of the Non-GAAP measures to the nearest comparable GAAP measure is set forth below.

The following table shows EBITDA as a percentage of revenues before reimbursements for 2020, 2019 and 2018:

(in thousands, except percentages)	Fiscal Years		
	2020	2019	2018
Revenues before reimbursements	\$ 378,412	\$ 391,390	\$ 354,639
EBITDA	\$ 102,102	\$ 107,084	\$ 96,858
EBITDA as a % of revenues before reimbursements	27.0%	27.4%	27.3%

The decrease in EBITDA as a percentage of revenues before reimbursements for 2020 as compared to 2019 was due to a 3% decrease in revenues before reimbursements, partially offset by a 37% decrease in general and administrative expenses primarily due to the business and travel restrictions associated with the COVID-19 pandemic.

The slight increase in EBITDA as a percentage of revenues before reimbursements for 2019 as compared to 2018 was due to 10% growth in revenues before reimbursements, partially offset by a 17% increase in general and administrative expenses primarily due to a firm-wide managers’ meeting during 2020.

The following table is a reconciliation of EBITDA and EBITDAS to the most comparable GAAP measure, net income, for 2020, 2019 and 2018:

(in thousands)	Fiscal Years		
	2020	2019	2018
Net Income	\$ 82,552	\$ 82,460	\$ 72,254
Add back (subtract):			
Income taxes	14,384	21,730	21,063
Interest income	(1,705)	(3,912)	(2,751)
Depreciation and amortization	6,871	6,806	6,292
EBITDA	102,102	107,084	96,858
Stock-based compensation	17,278	17,466	16,993
EBITDAS	\$ 119,380	\$ 124,550	\$ 113,851

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Exponent is exposed to interest rate risk associated with our balances of cash, cash equivalents and short-term investments. We manage our interest rate risk by maintaining an investment portfolio primarily consisting of debt instruments with high credit quality and relatively short average effective maturities in accordance with the Company's investment policy. The maximum effective maturity of any issue in our portfolio of cash equivalents and short-term investments is 3 years and the maximum average effective maturity of the portfolio cannot exceed 12 months.

If interest rates were to instantaneously increase or decrease by 100 basis points, the change in the fair value of our portfolio of cash equivalents and short-term investments would not have a material impact on our financial statements. We do not use derivative financial instruments in our investment portfolio. Notwithstanding our efforts to manage interest rate risk, there can be no assurances that we will be adequately protected against the risks associated with interest rate fluctuations.

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

At January 1, 2021, we had net assets of approximately \$16.9 million with a functional currency of the British Pound, net assets of approximately \$5.9 million with a functional currency of the Chinese Yuan, and net assets of approximately \$5.5 million with a functional currency of the Hong Kong Dollar associated with our operations in the United Kingdom, China, and Hong Kong respectively.

We also have foreign currency risk related to foreign currency transactions and monetary assets and liabilities denominated in currencies that are not the functional currency. We have experienced and will continue to experience fluctuations in our net income as a result of gains (losses) on these foreign currency transactions and the re-measurement of monetary assets and liabilities. At January 1, 2021, we had net assets denominated in the non-functional currency of approximately \$6.5 million.

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

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

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13(a)-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance, but not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of January 1, 2021.

(c) Changes in Internal Control Over Financial Reporting.

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

Item 9B. Other Information

None.

PART III

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

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement for its 2021 Annual Meeting of Stockholders (the "Proxy Statement"). See Part 1, Item 1 of this Annual Report on Form 10-K for information regarding the executive officers of the Company.

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

1. Financial Statements

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

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	40
Consolidated Statements of Income for the years ended January 1, 2021, January 3, 2020 and December 28, 2018	42
Consolidated Statements of Comprehensive Income for the years ended January 1, 2021, January 3, 2020 and December 28, 2018	43
Consolidated Balance Sheets as of January 1, 2021 and January 3, 2020	44
Consolidated Statements of Stockholders' Equity for the years ended January 1, 2021, January 3, 2020 and December 28, 2018	45
Consolidated Statements of Cash Flows for the years ended January 1, 2021, January 3, 2020 and December 28, 2018	46
Notes to Consolidated Financial Statements	47

2. Financial Statement Schedules

The following financial statement schedule of Exponent, Inc. for the years ended January 1, 2021, January 3, 2020 and December 28, 2018 is filed as part of this Report and should be read in conjunction with the consolidated financial statements of Exponent, Inc. and subsidiaries:

	<u>Page</u>
Schedule II - Valuation and Qualifying Accounts	69

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

3. Exhibits

	<u>Page</u>
(a) Exhibit Index	70

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Exponent, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Exponent, Inc. and subsidiaries (the Company) as of January 1, 2021 and January 3, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 1, 2021, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 1, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 1, 2021 and January 3, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended January 1, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of December 29, 2018 due to the adoption of FASB Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting

includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Collectibility of accounts receivable

As discussed in Notes 1 and 6 to the consolidated financial statements, the Company's allowance for contract losses and doubtful accounts was \$4.0 million as of January 1, 2021. The Company's accounts receivable, net was \$111.6 million as of January 1, 2021 which represents 19% of total assets and 28% of revenue for the year ended January 1, 2021. As discussed in Note 1, the Company maintains allowances to estimate their ability to collect financial obligations from customers. The Company records a specific allowance in circumstances where the Company is aware of a dispute with a specific customer or a specific customer's inability to meet its financial obligations.

We identified the assessment of the collectibility of accounts receivable as a critical audit matter. Specifically, the specific allowance is an estimate which involves assessing the likelihood of collection of a customer's accounts receivable by considering various factors such as nature of the dispute, communications from the customer, historical collections, and number of days accounts receivables have been outstanding. Subjective auditor judgment was involved in evaluating the relevance and reliability of the evidence obtained in evaluating these factors.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter. This included controls related to the Company's assessment of the specific allowance. We investigated significant fluctuations in the specific allowance as compared to gross accounts receivable and the prior year specific allowance. For a selection of customer invoices and projects, we inquired of Company personnel to evaluate the rationale for establishing a specific allowance for certain customers and assessed the Company's estimate of the specific customer allowance by evaluating the underlying contractual documents, historical collection trends, communications with customers, number of days accounts receivable have been outstanding, and other additional factors. We also evaluated subsequent collections occurring after the balance sheet date for the selected customer invoices and projects and considered the impact of potential subsequent events on the estimate of the specific customer allowance.

/s/ KPMG, LLP

We have served as the Company's auditor since 1987.

San Francisco, California
February 26, 2021

Exponent, Inc. and Subsidiaries
Consolidated Statements of Income

(In thousands, except per share data)	Fiscal Years		
	2020	2019	2018
Revenues:			
Revenues before reimbursements	\$ 378,412	\$ 391,390	\$ 354,639
Reimbursements	21,488	25,809	24,884
Revenues	<u>399,900</u>	<u>417,199</u>	<u>379,523</u>
Operating expenses:			
Compensation and related expenses	250,041	252,197	215,052
Other operating expenses	32,234	33,562	30,599
Reimbursable expenses	21,488	25,809	24,884
General and administrative expenses	12,888	20,520	17,532
Total operating expenses	<u>316,651</u>	<u>332,088</u>	<u>288,067</u>
Operating income	83,249	85,111	91,456
Other income:			
Interest income	1,705	3,912	2,751
Miscellaneous income (loss), net	11,982	15,167	(890)
Income before income taxes	<u>96,936</u>	<u>104,190</u>	<u>93,317</u>
Provision for income taxes	14,384	21,730	21,063
Net income	<u>\$ 82,552</u>	<u>\$ 82,460</u>	<u>\$ 72,254</u>
Net income per share:			
Basic	\$ 1.58	\$ 1.56	\$ 1.37
Diluted	\$ 1.55	\$ 1.53	\$ 1.33
Shares used in per share computations:			
Basic	52,388	52,691	52,906
Diluted	53,323	53,884	54,168
Cash dividends declared per common share	\$ 0.76	\$ 0.64	\$ 0.52

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

(In thousands)	Fiscal Years		
	2020	2019	2018
Net income	\$ 82,552	\$ 82,460	\$ 72,254
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments, net of tax of \$0, \$0, and \$0, respectively	65	145	(1,015)
Reclassification adjustment for currency translation adjustments on planned disposal of a subsidiary, net of tax of \$0, included in miscellaneous income, net on the consolidated statement of income	—	601	—
Unrealized gain/(loss) arising during the period on investments, net of tax of \$79, \$(114), and \$(63), respectively	(237)	347	191
Comprehensive income	\$ 82,380	\$ 83,553	\$ 71,430

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except par value)	January 1, 2021	January 3, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 197,525	\$ 176,436
Short-term investments	45,001	55,165
Accounts receivable, net of allowance for contract losses and doubtful accounts of \$3,995 and \$4,295, respectively	111,565	120,138
Prepaid expenses and other current assets	12,741	12,305
Total current assets	366,832	364,044
Property, equipment and leasehold improvements, net	59,823	61,587
Operating lease right-of-use asset	19,322	23,003
Goodwill	8,607	8,607
Deferred income taxes	40,539	36,821
Deferred compensation plan assets	83,731	68,400
Other assets	1,242	949
Total assets	\$ 580,096	\$ 563,411
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,327	\$ 18,583
Accrued payroll and employee benefits	83,194	86,723
Deferred revenues	11,800	12,710
Operating lease liability	5,987	5,944
Total current liabilities	117,308	123,960
Other liabilities	2,986	2,669
Deferred compensation plan liabilities	83,961	68,373
Operating lease liability	14,343	18,158
Total liabilities	\$ 218,598	\$ 213,160
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 2,000 shares authorized; no shares outstanding	—	—
Common stock, \$0.001 par value; 120,000 shares authorized; 65,707 shares issued	66	66
Additional paid-in capital	265,328	244,935
Accumulated other comprehensive income/(loss)		
Investment securities, available for sale	65	302
Foreign currency translation adjustments	(1,997)	(2,062)
	(1,932)	(1,760)
Retained earnings	421,809	384,668
Treasury stock, at cost: 13,903 and 13,951 shares held, respectively	(323,773)	(277,658)
Total stockholders' equity	361,498	350,251
Total liabilities and stockholders' equity	\$ 580,096	\$ 563,411

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 29, 2017	65,707	\$ 66	\$ 210,230	\$ (2,029)	\$ 303,990	14,169	\$ (223,169)	\$ 289,088
Employee stock purchase plan	—	—	1,161	—	—	(32)	313	1,474
Amortization of unrecognized stock-based compensation	—	—	8,550	—	—	—	—	8,550
Purchase of treasury shares	—	—	—	—	—	562	(27,915)	(27,915)
Foreign currency translation adjustments	—	—	—	(1,015)	—	—	—	(1,015)
Grant of restricted stock units to settle accrued bonus	—	—	7,643	—	—	—	—	7,643
Settlement of restricted stock units	—	—	(1,107)	—	(5,892)	(491)	(1,840)	(8,839)
Unrealized gain on investments	—	—	—	191	—	—	—	191
Dividends and dividend equivalent rights	—	—	806	—	(28,328)	—	—	(27,522)
Net income	—	—	—	—	72,254	—	—	72,254
Balance at December 28, 2018	65,707	\$ 66	\$ 227,283	\$ (2,853)	\$ 342,024	14,208	\$ (252,611)	\$ 313,909
Employee stock purchase plan	—	—	1,384	—	—	(27)	284	1,668
Exercise of stock options	—	—	(141)	—	—	(166)	1,702	1,561
Amortization of unrecognized stock-based compensation	—	—	8,710	—	—	—	—	8,710
Purchase of treasury shares	—	—	—	—	—	342	(21,957)	(21,957)
Foreign currency translation adjustments	—	—	—	145	—	—	—	145
Reclassification adjustment for currency translation adjustments on planned disposal of a subsidiary	—	—	—	601	—	—	—	601
Grant of restricted stock units to settle accrued bonus	—	—	7,947	—	—	—	—	7,947
Settlement of restricted stock units	—	—	(961)	—	(5,146)	(406)	(5,076)	(11,183)
Unrealized gain on investments	—	—	—	347	—	—	—	347
Dividends and dividend equivalent rights	—	—	713	—	(34,670)	—	—	(33,957)
Net income	—	—	—	—	82,460	—	—	82,460
Balance at January 3, 2020	65,707	\$ 66	\$ 244,935	\$ (1,760)	\$ 384,668	13,951	\$ (277,658)	\$ 350,251
Employee stock purchase plan	—	—	1,536	—	—	(24)	255	1,791
Exercise of stock options	—	—	1,996	—	—	(284)	2,944	4,940
Amortization of unrecognized stock-based compensation	—	—	9,165	—	—	—	—	9,165
Purchase of treasury shares	—	—	—	—	—	636	(40,049)	(40,049)
Foreign currency translation adjustments	—	—	—	65	—	—	—	65
Grant of restricted stock units to settle accrued bonus	—	—	8,645	—	—	—	—	8,645
Settlement of restricted stock units	—	—	(1,460)	—	(4,538)	(376)	(9,265)	(15,263)
Unrealized loss on investments	—	—	—	(237)	—	—	—	(237)
Dividends and dividend equivalent rights	—	—	511	—	(40,873)	—	—	(40,362)
Net income	—	—	—	—	82,552	—	—	82,552
Balance at January 1, 2021	<u>65,707</u>	<u>\$ 66</u>	<u>\$ 265,328</u>	<u>\$ (1,932)</u>	<u>\$ 421,809</u>	<u>13,903</u>	<u>\$ (323,773)</u>	<u>\$ 361,498</u>

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)	Fiscal Years		
	2020	2019	2018
Cash flows from operating activities:			
Net income	\$ 82,552	\$ 82,460	\$ 72,254
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, equipment and leasehold improvements	6,871	6,806	6,292
Amortization of premiums and accretion of discounts on short-term investments	(163)	(516)	(114)
Deferred rent expense	—	—	175
Provision for contract losses and doubtful accounts	1,849	2,224	1,848
Stock-based compensation	17,278	17,466	16,993
Deferred income tax provision	(3,639)	(2,845)	(3,715)
Changes in operating assets and liabilities:			
Accounts receivable	6,724	(16,548)	2,438
Prepaid expenses and other current assets	(9,075)	(3,343)	(11,047)
Change in operating leases	(91)	205	—
Accounts payable and accrued liabilities	(2,646)	6,715	(4,620)
Accrued payroll and employee benefits	4,562	11,891	9,820
Deferred revenues	(910)	3,544	864
Net cash provided by operating activities	103,312	108,059	91,188
Cash flows from investing activities:			
Capital expenditures	(4,987)	(23,038)	(16,298)
Purchase of short-term investments	(39,989)	(38,693)	(52,522)
Maturity of short-term investments	50,000	66,000	43,000
Net cash provided by/(used in) investing activities	5,024	4,269	(25,820)
Cash flows from financing activities:			
Payroll taxes for restricted stock units	(15,263)	(11,183)	(8,839)
Repurchase of common stock	(40,049)	(21,957)	(27,915)
Exercise of stock-based payment awards	6,732	3,229	1,474
Dividends and dividend equivalent rights	(39,775)	(33,503)	(27,220)
Net cash used in financing activities	(88,355)	(63,414)	(62,500)
Effect of foreign currency exchange rates on cash and cash equivalents			
	1,108	463	(603)
Net increase in cash and cash equivalents	21,089	49,377	2,265
Cash and cash equivalents at beginning of year	176,436	127,059	124,794
Cash and cash equivalents at end of year	\$ 197,525	\$ 176,436	\$ 127,059

See accompanying notes to the Consolidated Financial Statements.

Exponent, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

Exponent, Inc. together with its subsidiaries (collectively referred to as the “Company”) is a science and engineering consulting firm that provides solutions to complex problems. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The Company operates on a 52-53 week fiscal year with each year ending on the Friday closest to December 31st. Fiscal period 2020 included 52 weeks of activity and ended on January 1, 2021. Fiscal period 2019 included 53 weeks of activity and ended on January 3, 2020. Fiscal period 2018 included 52 weeks of activity and ended on December 28, 2018. Fiscal period 2021 is 52 weeks and will end on December 31, 2021.

Stock Split

On May 31, 2018, the Company’s stockholders approved an amendment to the Company’s certificate of incorporation to (i) increase the number of authorized shares of common stock to 120,000,000 and (ii) effect a two-for-one stock split. As a result of the stock split, each shareholder of record at the close of business on May 31, 2018, received one additional share of common stock for each share of common stock owned by such stockholder. Restricted stock unit awards and stock option awards have also been adjusted to reflect the two-for-one stock split. For periods prior to the stock split, all share and per share data in the Company’s consolidated financial statements and related notes have been retroactively adjusted to reflect the stock split.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are used for, but not limited to, revenue recognition, allowance for contract losses and doubtful accounts, stock-based compensation, income taxes, goodwill, the useful life of property, equipment and leasehold improvements, and operating lease liabilities. Actual results could differ from those estimates.

Foreign Currency Translation

The Company translates the assets and liabilities of foreign subsidiaries, whose functional currency is the local currency, at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rates of exchange prevailing during the year. The adjustment resulting from translating the financial statements of such foreign subsidiaries is included in accumulated other comprehensive income/(loss), which is reflected as a separate component of stockholders’ equity.

Cash Equivalents

Cash equivalents consist of highly liquid investments such as money market mutual funds, commercial paper and debt securities with original remaining maturities of three months or less from the date of purchase.

Short-term Investments

Short-term investments consist of debt securities classified as available-for-sale and are carried at their fair value as of the balance sheet date. Short-term investments generally mature between three months and three years from the purchase date. Investments with maturities beyond one year are classified as short-term based on their highly liquid nature and because such marketable securities represent investments readily available for current operations.

The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains or losses are determined on the specific identification method and are reflected in other income. Net unrealized gains and losses are recorded directly in accumulated other comprehensive income/(loss) except for unrealized losses that are deemed to be other-than-temporary, which are reflected in net income.

Investments are reviewed on a regular basis to evaluate whether or not any security has experienced an other-than temporary decline in fair value. When assessing investments for other-than-temporary declines in fair value, the Company considers the significance of the decline in value as a percentage of the original cost, how long the market value of the investment has been less than its original cost, any news that has been released specific to the investee, and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis.

Allowances for Contract Losses and Doubtful Accounts

The Company maintains allowances for estimated losses resulting from the inability of customers to meet their financial obligations or for disputes that affect the Company's ability to fully collect amounts due. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations or aware of a dispute with a specific customer, a specific allowance is recorded to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers the Company recognizes allowances for doubtful accounts based upon historical write-offs, customer concentration, customer creditworthiness, current economic conditions, aging of amounts due and changes in customer payment terms.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method. Buildings are depreciated over their estimated useful lives ranging from thirty to forty years. Equipment is depreciated over its estimated useful life, which generally ranges from two to seven years. Leasehold improvements are amortized over the shorter of their estimated useful lives, generally seven years, or the term of the related lease.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has not recognized impairment losses on any long-lived assets in 2020, 2019 or 2018.

Goodwill

The Company assesses the impairment of goodwill annually and whenever events or changes in circumstances indicate that the carrying amount may be impaired. The Company's annual goodwill impairment review is completed during the fourth quarter of each year. The Company evaluates goodwill for each reporting unit for impairment by assessing qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. The Company considers events and circumstances, including but not limited to, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in management or key personnel, changes in strategy, changes in customers, a change in the composition or carrying amount of a reporting unit's net assets and changes in the price of its common stock. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then the quantitative goodwill impairment test is not performed.

The Company completed its annual assessment for all reporting units with goodwill for 2020 and determined, after assessing the totality of the qualitative factors, that it is more likely than not that the fair value of each reporting unit is greater than its respective carrying amount. Accordingly, there was no indication of impairment of goodwill for any of the Company's reporting units and the quantitative goodwill impairment test was not performed. The Company did not recognize any goodwill impairment losses in 2020, 2019 or 2018.

Deferred Revenues

Deferred revenues represent amounts billed to clients in advance of services provided.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis and the financial reporting basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities from changes in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. An uncertain tax position is recognized if it is determined that it is more likely than not to be sustained upon examination. The tax position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as income tax expense. Accrued interest and penalties are insignificant at January 1, 2021 and January 3, 2020.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, other assets and accounts payable. Cash, cash equivalents and short-term investments are recorded at fair value. The carrying amount of the Company's accounts receivable, other assets and accounts payable approximates their fair values due to their short maturities.

Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period of the entire award. The Company accounts for forfeitures of stock-based awards when they occur.

Net Income Per Share

Basic per share amounts are computed using the weighted-average number of common shares outstanding during the period. Dilutive per share amounts are computed using the weighted-average number of common shares outstanding and potentially dilutive securities, using the treasury stock method if their effect would be dilutive.

The following schedule reconciles the denominators of the Company's calculation for basic and diluted net income per share:

(In thousands)	Fiscal Years		
	2020	2019	2018
Shares used in basic per share computation	52,388	52,691	52,906
Effect of dilutive common stock options outstanding	333	458	403
Effect of unvested restricted stock units outstanding	602	735	859
Shares used in diluted per share computation	53,323	53,884	54,168

Common stock options to purchase 35,604 shares were excluded from the diluted per share calculation for 2020 due to their anti-dilutive effect. There were no equity awards excluded from the diluted per share calculation for 2019 and 2018.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) established Topic 326, *Measurement of Credit Losses on Financial Instruments*, by issuing Accounting Standard Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of the expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost where there is a contractual right to receive cash, including, accounts receivables, loan receivables and held-to-maturity debt securities. The Company adopted ASU No. 2016-13 in the first quarter of 2020 and the impact of the adoption was not material to the Company’s consolidated financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) established Topic 842, *Leases*, by issuing Accounting Standards Update (“ASU”) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model (“ROU”) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the ASU as of the beginning of its first quarter of 2019. A modified retrospective transition approach is required, requiring the application of the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company adopted the new standard on December 29, 2018, using the effective date as the date of initial application. Consequently, financial information was not updated and the disclosures required under the new standard were not provided for dates and periods before December 29, 2018.

The new standard provides a number of optional practical expedients in transition. The Company elected the ‘package of practical expedients’, which permits it not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. The Company elected the practical expedient to include both lease and non-lease components as a single component and account for it as a lease for all asset classes. The Company also elected to apply the short-term lease exception for all leases. Under the short-term lease exception, the Company will not recognize ROU assets or lease liabilities for leases that, at the acquisition date, have a remaining lease term of 12 months or less.

The ASU had a material impact to the Company’s consolidated balance sheet, but did not have an impact on its consolidated statement of income. The most significant impact was the recognition of ROU assets and lease liabilities for its operating leases.

Recently Accounting Pronouncements Not Yet Effective

There are no new accounting pronouncements that have significance, or potential significance, to the Company’s consolidated financial statements.

Note 2: Revenue Recognition

Substantially all of the Company’s engagements are performed under time and materials or fixed-price arrangements. For time and materials contracts, the Company utilizes the practical expedient under Accounting Standards Codification 606 – *Revenue from Contracts with Customers*, which states, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value of the entity’s performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the entity may recognize revenue in the amount to which the entity has a right to invoice.

The following table discloses the percent of the Company's revenue generated from time and materials contracts:

	Fiscal Years		
	2020	2019	2018
Engineering & other scientific	61%	66%	64%
Environmental and health	19%	18%	18%
Total time and materials revenues	80%	84%	82%

For fixed-price contracts the Company recognizes revenue over time because of the continuous transfer of control to the customer. The customer typically controls the work in process as evidenced either by contractual termination clauses or by the Company's rights to payment for work performed to date to deliver services that do not have an alternative use to the Company. Revenue for fixed-price contracts is recognized based on the relationship of incurred labor hours at standard rates to the Company's estimate of the total labor hours at standard rates it expects to incur over the term of the contract. The Company believes this methodology achieves a reliable measure of the revenue from the consulting services it provides to its customers under fixed-price contracts given the nature of the consulting services the Company provides.

The following table discloses the percent of the Company's revenue generated from fixed price contracts:

	Fiscal Years		
	2020	2019	2018
Engineering & other scientific	19%	15%	17%
Environmental and health	1%	1%	1%
Total fixed price revenues	20%	16%	18%

Deferred revenues represent amounts billed to clients in advance of services provided. During 2020, \$8,815,000 of revenues were recognized that were included in the deferred revenue balance at January 3, 2020. During 2019, \$5,754,000 of revenue were recognized that were included in the deferred revenue balance at December 28, 2018. During 2018, \$6,067,000 of revenues were recognized that were included in the deferred revenue balance at December 29, 2017.

Reimbursements, including those related to travel and other out-of-pocket expenses, and other similar third-party costs such as the cost of materials and certain subcontracts, are included in revenues, and an equivalent amount of reimbursable expenses are included in operating expenses. Any mark-up on reimbursable expenses is included in revenues before reimbursements. The Company reports revenues net of subcontractor fees for certain subcontracts where the Company has determined that it is acting as an agent because its performance obligation is to arrange for the provision of goods or services by another party. The total amount of subcontractor fees not included in revenues because the Company was acting as an agent were \$9,408,000, \$14,409,000 and \$23,174,000 during 2020, 2019 and 2018, respectively.

Note 3: Cash, cash equivalents and short-term investments

Cash, cash equivalents and short-term investments consisted of the following as of January 1, 2021:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Classified as current assets:				
Cash	\$ 146,083	\$ —	\$ —	\$ 146,083
Cash equivalents:				
Money market securities	51,442	—	—	51,442
Total cash equivalents	51,442	—	—	51,442
Total cash and cash equivalents	197,525	—	—	197,525
Short-term investments:				
U.S. Treasury securities	44,993	8	—	45,001
Total short-term investments	44,993	8	—	45,001
Total cash, cash equivalents and short-term investments	<u>\$ 242,518</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ 242,526</u>

Cash, cash equivalents and short-term investments consisted of the following as of January 3, 2020:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Classified as current assets:				
Cash	\$ 135,225	\$ —	\$ —	\$ 135,225
Cash equivalents:				
Money market securities	41,211	—	—	41,211
Total cash equivalents	41,211	—	—	41,211
Total cash and cash equivalents	176,436	—	—	176,436
Short-term investments:				
U.S. Treasury securities	54,841	324	—	55,165
Total short-term investments	54,841	324	—	55,165
Total cash, cash equivalents and short-term investments	<u>\$ 231,277</u>	<u>\$ 324</u>	<u>\$ —</u>	<u>\$ 231,601</u>

Note 4: Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including available-for-sale fixed income securities, trading fixed income and equity securities held in its deferred compensation plan and the liability associated with its deferred compensation plan. There have been no transfers between fair value measurement levels during 2020, 2019 and 2018. Any transfers between fair value measurement levels would be recorded on the actual date of the event or change in circumstances that caused the transfer. The fair value of these certain financial assets and liabilities was determined using the following inputs at January 1, 2021 (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market securities (1)	\$ 51,442	\$ 51,442	\$ —	\$ —
Fixed income available for sale securities (2)	45,001	—	45,001	—
Fixed income trading securities held in deferred compensation plan (3)	26,274	26,274	—	—
Equity trading securities held in deferred compensation plan (3)	62,473	62,473	—	—
Total	\$ 185,190	\$ 140,189	\$ 45,001	\$ —
Liabilities				
Deferred compensation plan (4)	88,977	88,977	—	—
Total	\$ 88,977	\$ 88,977	\$ —	\$ —

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

(2) Included in short-term investments on the Company's consolidated balance sheet.

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

(4) Included in accounts payable and accrued liabilities and deferred compensation plan liabilities on the Company's consolidated balance sheet.

The fair value of these certain financial assets and liabilities was determined using the following inputs at January 3, 2020 (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market securities (1)	\$ 41,211	\$ 41,211	\$ —	\$ —
Fixed income available for sale securities (2)	55,165	—	55,165	—
Fixed income trading securities held in deferred compensation plan (3)	22,010	22,010	—	—
Equity trading securities held in deferred compensation plan (3)	53,924	53,924	—	—
Total	\$ 172,310	\$ 117,145	\$ 55,165	\$ —
Liabilities				
Deferred compensation plan (4)	76,357	76,357	—	—
Total	\$ 76,357	\$ 76,357	\$ —	\$ —

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

(2) Included in short-term investments on the Company's consolidated balance sheet.

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

(4) Included in accounts payable and accrued liabilities and deferred compensation plan liabilities on the Company's consolidated balance sheet.

Fixed income available-for-sale securities as of January 1, 2021 and January 3, 2020 represent primarily obligations of the United States Treasury. Fixed income and equity trading securities represent mutual funds held in the Company's deferred compensation plan. See Note 11 for additional information about the Company's deferred compensation plan.

At January 1, 2021 all short-term fixed income securities classified as short-term investments were due to mature within one year.

At January 1, 2021 and January 3, 2020, the Company did not have any assets or liabilities valued using significant unobservable inputs.

The following financial instruments are not measured at fair value on the Company's consolidated balance sheet at January 1, 2021 but require disclosure of their fair values: accounts receivable, other assets and accounts payable. The estimated fair value of such instruments at January 1, 2021 approximates their carrying value as reported on the consolidated balance sheet.

There were no other-than-temporary impairments or credit losses related to available-for-sale securities during 2020, 2019 and 2018.

Note 5: Property, Equipment and Leasehold Improvements

(In thousands)	Fiscal Years	
	2020	2019
Property:		
Land	\$ 18,339	\$ 18,339
Buildings	62,324	60,437
Construction in progress	650	1,133
Equipment:		
Machinery and equipment	48,728	47,628
Office furniture and equipment	10,500	10,504
Leasehold improvements	13,201	13,653
	153,742	151,694
Less accumulated depreciation and amortization	93,919	90,107
Property, equipment and leasehold improvements, net	\$ 59,823	\$ 61,587

Depreciation and amortization for 2020, 2019 and 2018 was \$6,871,000, \$6,806,000 and \$6,292,000, respectively.

Note 6: Other Significant Balance Sheet Components**Account receivable, net**

(In thousands)	Fiscal Years	
	2020	2019
Billed accounts receivable	\$ 80,298	\$ 85,579
Unbilled accounts receivable	35,262	38,854
Allowance for contract losses and doubtful accounts	(3,995)	(4,295)
Total accounts receivable, net	\$ 111,565	\$ 120,138

Accounts payable and accrued liabilities

(In thousands)	Fiscal Years	
	2020	2019
Accounts payable	\$ 3,279	\$ 4,644
Accrued liabilities	13,048	13,939
Total accounts payable and other accrued liabilities	\$ 16,327	\$ 18,583

Accrued payroll and employee benefits

(In thousands)	Fiscal Years	
	2020	2019
Accrued bonuses payable	\$ 51,126	\$ 54,471
Accrued 401(k) contributions	9,127	8,878
Accrued vacation	13,174	10,896
Deferred compensation plan	5,016	7,984
Other accrued payroll and employee benefits	4,751	4,494
Total accrued payroll and employee benefits	\$ 83,194	\$ 86,723

Other accrued payroll and employee benefits consist primarily of accrued wages, payroll taxes and disability insurance programs. A portion of accrued bonuses payable will be settled by issuing fully vested restricted stock units. See Note 9 and Note 16 for additional information.

Note 7: Income Taxes

Income before income taxes includes income from foreign operations of \$10,092,000, \$8,017,000 and \$8,005,000 for 2020, 2019 and 2018, respectively.

Total income tax expense for 2020, 2019 and 2018 consisted of the following:

(In thousands)	Fiscal Years		
	2020	2019	2018
Current			
Federal	\$ 11,553	\$ 16,498	\$ 16,487
Foreign	1,873	1,523	1,624
State	4,597	6,554	6,667
	<u>18,023</u>	<u>24,575</u>	<u>24,778</u>
Deferred			
Federal	(2,766)	(1,727)	(2,604)
State	(873)	(1,118)	(1,111)
	<u>(3,639)</u>	<u>(2,845)</u>	<u>(3,715)</u>
Total	<u>\$ 14,384</u>	<u>\$ 21,730</u>	<u>\$ 21,063</u>

The Company's effective tax rate differs from the statutory federal tax rate of 21% as shown in the following schedule:

(In thousands)	Fiscal Years		
	2020	2019	2018
Tax at federal statutory rate	\$ 20,357	\$ 21,880	\$ 19,597
State taxes, net of federal benefit	2,942	4,129	4,391
Divestiture of foreign subsidiary	46	956	—
Nondeductible officer compensation	907	759	—
Non-deductible expenses	118	345	335
Non-deductible stock-based compensation	(14)	2	20
Excess tax benefit from equity incentive plans	(9,725)	(6,394)	(3,310)
Difference between statutory rate and foreign effective tax rate	(486)	(341)	(217)
Other	239	394	247
Tax expense	<u>\$ 14,384</u>	<u>\$ 21,730</u>	<u>\$ 21,063</u>
Effective tax rate	<u>14.8%</u>	<u>20.9%</u>	<u>22.6%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at January 1, 2021 and January 3, 2020 are presented in the following schedule:

(In thousands)	Fiscal Years	
	2020	2019
Deferred tax assets:		
Accrued liabilities and allowances	\$ 16,841	\$ 15,658
Deferred compensation plan	31,619	28,463
Operating leases	5,758	6,867
Total deferred tax assets	<u>\$ 54,218</u>	<u>\$ 50,988</u>
Deferred tax liabilities:		
State taxes	\$ (1,969)	\$ (1,624)
Deductible goodwill	(2,091)	(2,104)
Operating leases	(5,758)	(6,867)
Property, equipment and leasehold improvements	(81)	(84)
Unrealized gain of deferred compensation plan assets	(3,545)	(2,339)
Divestiture of foreign subsidiary	—	(956)
Other	(235)	(193)
Total deferred tax liabilities	<u>(13,679)</u>	<u>(14,167)</u>
Net deferred tax assets	<u>\$ 40,539</u>	<u>\$ 36,821</u>

Management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets.

The Company is entitled to a deduction for federal and state tax purposes with respect to employees' stock award activity. The net deduction in taxes otherwise payable arising from that deduction has been recorded as an income tax benefit. For 2020, 2019 and 2018, the net deduction in tax payable arising from employees' stock award activity was \$12,258,000, \$8,067,000 and \$4,154,000, respectively.

The Company and its subsidiaries file income tax returns in the United States federal jurisdiction, California and various other state and foreign jurisdictions. The Company is no longer subject to United States federal income tax examination for years prior to 2017. The Company is no longer subject to California franchise tax examinations for years prior to 2016. The California Franchise Tax Board is currently examining the Company's 2017 and 2018 returns. With few exceptions, the Company is no longer subject to state and local or non-United States income tax examination by tax authorities for years prior to 2016.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 28, 2018	\$	1,748,000
Additions based on tax positions related to the current year		515,000
Reductions due to lapse of statute of limitations		(340,000)
Balance at January 3, 2020	\$	1,923,000
Additions based on tax positions related to the current year		275,000
Reductions due to lapse of statute of limitations		(325,000)
Balance at January 1, 2021	\$	<u>1,873,000</u>

Unrecognized tax benefits are included in other liabilities in the accompanying balance sheet. To the extent these unrecognized tax benefits are ultimately recognized, they will impact the effective tax rate by \$1,514,000 in a future period. There are no uncertain tax positions whose resolution in the next 12 months is expected to materially affect operating results.

Note 8: Stockholders' Equity**Preferred Stock**

The Company has authorized 2,000,000 shares of undesignated preferred stock with a par value of \$0.001 per share. None of the preferred shares were issued and outstanding at January 1, 2021 and January 3, 2020.

Dividends

The Company declared and paid cash dividends per share of common stock during the periods presented as follows:

	Fiscal Years	
	2020	
	Dividends Per Share	Amount (in thousands)
First Quarter	\$ 0.190	\$ 9,913
Second Quarter	\$ 0.190	9,801
Third Quarter	\$ 0.190	9,808
Fourth Quarter	\$ 0.190	9,839
		<u>\$ 39,361</u>

	Fiscal Years	
	2019	
	Dividends Per Share	Amount (in thousands)
First Quarter	\$ 0.160	\$ 8,240
Second Quarter	\$ 0.160	8,306
Third Quarter	\$ 0.160	8,323
Fourth Quarter	\$ 0.160	8,280
		<u>\$ 33,149</u>

Treasury Stock

Net losses related to the re-issuance of treasury stock to settle restricted stock unit and stock option awards of \$4,538,000, \$5,146,000 and \$5,892,000 were recorded as a reduction to retained earnings during 2020, 2019 and 2018, respectively.

Repurchase of Common Stock

The Company repurchased 636,000 shares of its common stock for \$40,049,000 during 2020. The Company repurchased 342,000 shares of its common stock for \$21,957,000 during 2019. The Company repurchased 562,000 shares of its common stock for \$27,915,000 during 2018. On May 29, 2020, the Board of Directors authorized \$45,000,000 for the repurchase of the Company's common stock. On January 31, 2019 the Board of Directors authorized \$75,000,000 for the repurchase of the Company's common stock. These repurchase programs have no expiration dates. As of January 1, 2021, the Company had remaining authorization under its stock repurchase plan of \$75,455,000 to repurchase shares of common stock.

Note 9: Stock-Based Compensation

On May 29, 2008, the Company's stockholders approved the 2008 Equity Incentive Plan and the 2008 Employee Stock Purchase Plan ("ESPP"). The 2008 Equity Incentive Plan and ESPP were previously adopted by the Company's Board of Directors on April 8, 2008, subject to stockholder approval.

The 2008 Equity Incentive Plan allows for the award of stock options, stock awards (including stock units, stock grants and stock appreciation rights or other similar equity awards) and cash awards to officers, employees, consultants and non-employee members of the Board of Directors. The total number of shares reserved for issuance under the 2008 Equity Incentive Plan was 11,856,300 shares of common stock, subject to adjustment resulting from a stock split or the payment of a stock dividend or any other increase or decrease in the number of issued shares of the Company's stock effected without receipt of consideration by the Company. As of January 1, 2021, 1,817,364 shares were available for grant under the 2008 Equity Incentive Plan.

The ESPP allows for officers and employees to purchase common stock through payroll deductions of up to 15% of a participant's eligible compensation. Shares of common stock are purchased under the ESPP at 95% of the fair market value of the Company's common stock on each purchase date. Subject to adjustment resulting from a stock split or the payment of a stock dividend or any other increase or decrease in the number of issued shares of the Company's stock effected without receipt of consideration by the Company, the total number of shares reserved for issuance under the ESPP was 1,200,000 shares of common stock. As of January 1, 2021, 362,171 shares were available for grant. Weighted average purchase prices for shares sold under the ESPP plan in 2020, 2019 and 2018 were \$73.22, \$60.32 and \$45.26, respectively.

Restricted Stock Units

The Company grants restricted stock units to employees and outside directors. These restricted stock unit grants are designed to attract and retain employees, and to better align employee interests with those of the Company's stockholders. For a select group of employees, up to 40% of their annual bonus is settled with fully vested restricted stock unit awards. Under these fully vested restricted stock unit awards, the holder of each award has the right to receive one share of the Company's common stock for each fully vested restricted stock unit four years from the date of grant. Each individual who received a fully vested restricted stock unit award is 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, at which time the holder of each award will have the right to receive one share of the Company's common stock for each restricted stock unit award, provided the holder of each award has met certain employment conditions. In the case of retirement at 59 ½ years or older, all unvested restricted stock unit awards will continue to vest provided the holder of each award does all consulting work through the Company and does not become an employee for a past or present client, beneficial party or competitor of the Company.

All restricted stock units granted have dividend equivalent rights ("DER"), which entitle holders of restricted stock units 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 unvested restricted stock units. DER are accumulated and paid when the underlying shares vest and are forfeited if the underlying shares are forfeited.

The value of these restricted stock unit awards is determined based on the market price of the Company's common stock on the date of grant. The value of fully vested restricted stock unit awards issued is recorded as a reduction to accrued bonuses. The portion of bonus expense that the Company expects to settle with fully vested restricted stock unit awards is recorded as stock-based compensation during the period the bonus is earned. For 2020, 2019 and 2018, the Company recorded stock-based compensation expense associated with accrued bonus awards of \$8,112,000, \$8,756,000 and \$8,443,000 respectively.

The Company recorded stock-based compensation expense associated with the unvested restricted stock unit awards of \$8,472,000, \$8,127,000 and \$7,653,000 during 2020, 2019 and 2018, respectively. The total fair value of restricted stock unit awards vested during 2020, 2019, and 2018 was \$31.3 million, \$25.6 million and \$23.2 million, respectively. The weighted-average grant date fair values of restricted stock unit awards granted during 2020, 2019 and 2018 were \$68.21, \$57.08 and \$40.61, respectively.

The number of unvested restricted stock unit awards outstanding as of January 1, 2021 is as follows (1):

	Number of awards outstanding	Weighted-average grant date fair value	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in thousands) (2)
Balance as of January 3, 2020	886,295	\$ 35.16		
Awards granted	273,348	68.21		
Awards vested	(425,983)	38.31		
Awards forfeited	(8,866)	42.65		
Exercisable at January 1, 2021	<u>724,794</u>	<u>\$ 45.68</u>	<u>1.4</u>	<u>\$ 65,253</u>

(1) Does not include employee stock purchase plans or stock option plans.

(2) The intrinsic value is calculated as the market value as of the end of the fiscal period. As reported by the NASDAQ Global Select Market, the market value as of January 1, 2021 was \$90.03.

Stock Options

The Company currently grants stock options under the 2008 Equity Incentive Plan. Options are granted for terms of ten years and generally vest ratably over a four-year period from the grant date. The Company grants options at exercise prices equal to the fair value of the Company's common stock on the date of grant. All stock options have dividend equivalent rights, which entitle holders of stock options to the same dividend value per share as holders of common stock. DER are subject to the same vesting terms as the corresponding stock options. DER are accumulated and paid in cash when the underlying stock options vest and are forfeited if the underlying stock options do not vest. During 2020, 2019 and 2018, the Company recorded stock-based compensation expense of \$694,000, \$583,000 and \$897,000, respectively, associated with stock options.

Option activity is as follows (1):

	Number of shares outstanding	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in thousands)
Balance as of January 3, 2020	662,149	\$ 26.23		
Options granted	40,000	79.43		
Options forfeited and expired	—	—		
Options exercised	(283,755)	17.41		
Balance at January 1, 2021	<u>418,394</u>	<u>\$ 37.29</u>	<u>6.56</u>	<u>\$ 22,066</u>
Exercisable at January 1, 2021	<u>263,894</u>	<u>\$ 29.24</u>	<u>5.89</u>	<u>\$ 16,042</u>

(1) Does not include restricted stock or employee stock purchase plans.

The total intrinsic value of options exercised during 2020, 2019 and 2018 was \$18,211,000, \$9,651,000 and \$0, respectively. The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the fiscal year ended January 1, 2021, and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on January 1, 2021. This amount changes based on the fair-value of the Company's stock.

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

The Company used historical exercise and post-vesting forfeiture and expiration data to estimate the expected term of options granted. The historical volatility of the Company's common stock over a period of time equal to the expected term of the options granted was used to estimate expected volatility. The risk-free interest rate used in the option-pricing model was based on United States Treasury zero coupon issues with remaining terms similar to the expected term on the options. The dividend yield assumption considers the expectation of continued declaration of dividends, offset by option holders' dividend equivalent rights. All stock-based payment awards are recognized on a straight-line basis over the requisite service periods of the awards.

The assumptions used to value option grants for 2020, 2019 and 2018 are as follows:

	Stock Option Plan		
	Fiscal Years		
	2020	2019	2018
Expected term (in years)	5.8	5.7	5.9
Risk-free interest rate	1.48%	2.52%	2.74%
Volatility	23%	23%	23%
Dividend yield	0%	0%	0%

The weighted-average grant date fair value of options granted during 2020, 2019 and 2018 were \$19.73, \$15.16 and \$10.59, respectively.

The amount of stock-based compensation expense and the related income tax benefit recognized in the Company's consolidated statements of income for 2020, 2019 and 2018 is as follows:

(In thousands)	Fiscal Years		
	2020	2019	2018
Compensation and related expenses:			
Restricted stock units	\$ 15,946	\$ 16,320	\$ 15,561
Stock option grants	694	583	897
Sub-total	16,640	16,903	16,458
General and administrative expenses:			
Restricted stock units	638	563	535
Sub-total	638	563	535
Total stock-based compensation expense	\$ 17,278	\$ 17,466	\$ 16,993
Income tax benefit	\$ 12,258	\$ 8,067	\$ 4,467

As of January 1, 2021, there was \$10,485,000 of unrecognized compensation cost, expected to be recognized over a weighted average period of 2.5 years, related to unvested restricted stock unit awards and \$1,202,000 of unrecognized compensation cost, expected to be recognized over a weighted average period of 2.5 years, related to unvested stock options.

Note 10: Retirement Plans

The Company provides a defined contribution retirement plan for its employees whereby the Company contributes to each eligible employee's account 7% of the employee's eligible base salary plus overtime. The employee does not need to make a contribution to the plan to be eligible for the Company's 7% contribution. To be eligible under the plan, an employee must be at least 21 years of age and be either a full-time or part-time salaried employee. The 7% Company contribution will vest 20% per year for the first 5 years of employment and then immediately thereafter. The Company's expenses related to this plan were \$9,752,000, \$9,073,000, and \$8,419,000 in 2020, 2019, and 2018, respectively.

Note 11: Deferred Compensation Plans

The Company maintains nonqualified deferred compensation plans for the benefit of a select group of highly compensated employees. Under these plans, participants may elect to defer up to 100% of their compensation. Company assets that are earmarked to pay benefits under the plans are held in a rabbi trust and are subject to the claims of the Company's creditors. As of January 1, 2021, and January 3, 2020, the invested amounts under the plans totaled \$88,747,000 and \$75,934,000, respectively. These assets are classified as trading securities and are recorded at fair market value with changes recorded as adjustments to other income.

As of January 1, 2021, and January 3, 2020, vested amounts due under the plans totaled \$88,977,000 and \$76,357,000, respectively. Changes in the liability are recorded as adjustments to compensation expense. During 2020, 2019 and 2018, the Company recognized compensation expense/(gain) of \$8,028,000, \$12,834,000 and \$(3,900,000), respectively, as a result of changes in the market value of the trust assets with the same amount being recorded as other income.

Note 12: Leases

The Company determines if an arrangement is a lease at the inception of the arrangement. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and long-term operating lease liabilities in the Company's consolidated balance sheet. The Company does not have any finance leases as of January 1, 2021.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate, based on the information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The amortization of operating lease ROU assets and the change in operating lease liabilities is disclosed as a single line item in the consolidated statement of cash flows.

The Company leases office, laboratory, and storage space in 13 states and the District of Columbia, as well as in China, Hong Kong, Singapore, Switzerland and the United Kingdom. Leases for these office, laboratory, and storage facilities have terms generally ranging between one and ten years. Some of these leases include options to extend or terminate the lease, none of which are currently included in the lease term as the Company has determined that exercise of these options is not reasonably certain.

The Company has a Test and Engineering Center on 147 acres of land in Phoenix, Arizona. The Company leases this land from the state of Arizona under a 30-year lease agreement that expires in January of 2028 and has options to renew for two fifteen-year periods. As of January 1, 2021, the Company has determined that exercise of the renewal options is not reasonably certain and thus the extension is not included in the lease term.

The Company's equipment leases are included in the ROU asset and liability balances but are not material.

The components of lease expense included in other operating expenses on the consolidated statement of income were as follows:

(In thousands)	Fiscal Year	Fiscal Year
	2020	2019
Operating lease cost	\$ 6,973	\$ 7,395
Variable lease cost	1,158	1,479
Short-term lease cost	573	405

Supplemental cash flow information related to operating leases was as follows:

(In thousands)	Fiscal Year	Fiscal Year
	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,968	\$ 7,522

Supplemental balance sheet information related to operating leases was as follows:

	Fiscal Year	Fiscal Year
	2020	2019
Weighted Average Remaining Lease Term	4.5 years	5.2 years
Weighted Average Discount Rate	4.2%	4.4%

Maturities of operating lease liabilities as of January 1, 2021:

(In thousands)	Operating Leases
2021	6,555
2022	5,340
2023	3,672
2024	2,252
2025	1,491
2026	1,507
2027	1,466
Total lease payments	\$ 22,283
Less imputed interest	(1,953)
Total lease liability	\$ 20,330

Note 13: Commitments & Contingencies

The Company is a party to various legal actions from time to time and may be contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which the Company believes, after consultation with legal counsel, will not have a material adverse effect on its financial condition, results of operations or liquidity. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results. All legal costs associated with litigation are expensed as incurred.

Note 14: Miscellaneous Income, Net

Miscellaneous income, net, consisted of the following:

(In thousands)	Fiscal Years		
	2020	2019	2018
Rental income	\$ 3,351	\$ 3,141	\$ 2,823
Gain (loss) on deferred compensation investments	8,028	12,834	(3,900)
Gain (loss) on foreign exchange	592	(840)	167
Other	11	32	20
Total	<u>\$ 11,982</u>	<u>\$ 15,167</u>	<u>\$ (890)</u>

Note 15: Industry and Client Credit Risk

The Company serves clients in various segments of the economy. During 2020, the Company provided services representing approximately 24%, 16%, 14% and 13% to clients in the consumer products industry, energy and utilities industries, the transportation industry and the chemical industry, respectively.

No single client comprised more than 10% of the Company's revenues during 2020 or 2019. One client comprised 12% of the Company's revenues during 2018. No other single client comprised more than 10% of the Company's revenues during 2018. No single client comprised more than 10% of the Company's accounts receivable at January 1, 2021 and January 3, 2020.

Note 16: Supplemental Cash Flow Information

The following is supplemental disclosure of cash flow information:

(In thousands)	Fiscal Years		
	2020	2019	2018
Cash paid during the year:			
Income taxes	\$ 20,118	\$ 21,364	\$ 28,636
Non-cash investing and financing activities:			
Unrealized gain (loss) on investments	(237)	347	191
Vested stock unit awards granted to settle accrued bonus	8,645	7,947	7,643
Accrual for capital expenditures	602	482	1,231
Right-of-use asset obtained in exchange for operating lease obligation	2,436	29,480	-

Note 17: Segment Reporting

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

Segment information is presented for selected data from the statements of income and statements of cash flows for 2020, 2019 and 2018. Segment information for selected data from the balance sheets is presented for the fiscal years ended January 1, 2021 and January 3, 2020. The Company's CEO, the chief operating decision maker, does not review total assets in her evaluation of segment performance and capital allocation.

Revenues

(In thousands)	Fiscal Years		
	2020	2019	2018
Engineering and Other Scientific	\$ 319,346	\$ 339,796	\$ 306,265
Environmental and Health	80,554	77,403	73,258
Total revenues	<u>\$ 399,900</u>	<u>\$ 417,199</u>	<u>\$ 379,523</u>

Operating Income

(In thousands)	Fiscal Years		
	2020	2019	2018
Engineering and Other Scientific	\$ 100,616	\$ 110,822	\$ 100,307
Environmental and Health	26,728	26,589	23,824
Total segment operating income	127,344	137,411	124,131
Corporate operating expense	(44,095)	(52,300)	(32,675)
Total operating income	<u>\$ 83,249</u>	<u>\$ 85,111</u>	<u>\$ 91,456</u>

Certain operating expenses are excluded from the Company's measure of segment operating income. These expenses include the costs associated with the Company's human resources, finance, information technology, and business development groups; the deferred compensation expense/benefit due to the change in value of assets associated with the Company's deferred compensation plan; stock-based compensation associated with restricted stock unit and stock option awards; and the change in the Company's allowance for contract losses and doubtful accounts.

Capital Expenditures

(In thousands)	Fiscal Years		
	2020	2019	2018
Engineering and Other Scientific	\$ 2,237	\$ 4,675	\$ 4,528
Environmental and Health	102	104	199
Total segment capital expenditures	2,339	4,779	4,727
Corporate capital expenditures	2,768	17,511	12,654
Total capital expenditures	<u>\$ 5,107</u>	<u>\$ 22,290</u>	<u>\$ 17,381</u>

Certain capital expenditures associated with the Company's corporate cost centers and the related depreciation are excluded from the Company's segment information. The high level of corporate capital expenditures during 2018 and 2019 was due to the land purchase and construction costs associated with the Company's office and laboratory facilities in Natick, Massachusetts.

Depreciation and Amortization

(In thousands)	Fiscal Years		
	2020	2019	2018
Engineering and Other Scientific	\$ 4,239	\$ 4,827	\$ 4,435
Environmental and Health	196	206	171
Total segment depreciation and amortization	4,435	5,033	4,606
Corporate depreciation and amortization	2,436	1,773	1,686
Total depreciation and amortization	<u>\$ 6,871</u>	<u>\$ 6,806</u>	<u>\$ 6,292</u>

Information regarding the Company's operations in different geographical areas:

Property, Equipment and Leasehold Improvements, net

(In thousands)	Fiscal Years	
	2020	2019
United States	\$ 58,900	\$ 60,074
Foreign Countries	923	1,513
Total	<u>\$ 59,823</u>	<u>\$ 61,587</u>

Revenues (1)

(In thousands)	Fiscal Years		
	2020	2019	2018
United States	\$ 353,565	\$ 351,856	\$ 334,422
Foreign Countries	46,335	65,343	45,101
Total	<u>\$ 399,900</u>	<u>\$ 417,199</u>	<u>\$ 379,523</u>

(1) Geographic revenues are allocated based on the location of the client.

Below is a breakdown of goodwill, reported by segment as of January 1, 2021 and January 3, 2020:

(In thousands)	Environmental and Health	Engineering and Other Scientific	Total
Goodwill	\$ 8,099	\$ 508	\$ 8,607

There were no changes in the carrying amount of goodwill for 2020, 2019 and 2018. There were no goodwill impairments or gains or losses on disposals for any portion of the Company's reporting units during 2020, 2019 and 2018.

Note 18: Subsequent Event

On February 4, 2021, the Company announced that its Board of Directors had declared a quarterly cash dividend of \$0.20 per share to be paid on March 26, 2021 to all common stockholders of record as of March 12, 2021.

Comparative Quarterly Financial Data (unaudited)

Summarized quarterly financial data is as follows:

(In thousands, except per share data)	2020 Quarter Ended			
	April 3, 2020	July 3, 2020	October 2, 2020	January 1, 2021
Revenues before reimbursements	\$ 99,720	\$ 87,863	\$ 93,499	\$ 97,330
Revenues	105,953	92,045	98,663	103,239
Operating income	35,988	9,120	20,407	17,734
Income before income taxes	24,055	21,414	24,638	26,829
Net income	<u>\$ 26,282</u>	<u>\$ 16,346</u>	<u>\$ 18,084</u>	<u>\$ 21,840</u>
Net income per share				
Basic	\$ 0.50	\$ 0.31	\$ 0.35	\$ 0.42
Diluted	\$ 0.49	\$ 0.31	\$ 0.34	\$ 0.41
Shares used in per share computations				
Basic	52,575	52,259	52,316	52,402
Diluted	53,657	53,139	53,209	53,260

(In thousands, except per share data)	2019 Quarter Ended			
	March 29, 2019	June 28, 2019	September 27, 2019	January 3, 2020
Revenues before reimbursements	\$ 93,401	\$ 100,263	\$ 95,506	\$ 102,220
Revenues	99,031	106,506	101,548	110,114
Operating income	15,754	24,823	23,184	21,350
Income before income taxes	23,322	28,851	25,211	26,806
Net income	<u>\$ 22,712</u>	<u>\$ 20,994</u>	<u>\$ 19,633</u>	<u>\$ 19,121</u>
Net income per share				
Basic	\$ 0.43	\$ 0.40	\$ 0.37	\$ 0.36
Diluted	\$ 0.42	\$ 0.39	\$ 0.36	\$ 0.36
Shares used in per share computations				
Basic	52,536	52,745	52,802	52,681
Diluted	53,814	53,872	54,002	53,817

Schedule II**Valuation and Qualifying Accounts**

(In thousands)	Balance at Beginning of Year	Additions		Deletions (1)		Balance at End of Year
		Provision Charged to Expense	Provision Charged to Revenues	Accounts Written- off Net of Recoveries		
Year Ended January 1, 2021						
Allowance for bad debt	\$ 945	\$ 443	\$ —	\$ (509)	\$ 879	
Allowance for contract losses	\$ 3,350	\$ —	\$ 1,406	\$ (1,640)	\$ 3,116	
Year Ended January 3, 2020						
Allowance for bad debt	\$ 847	\$ 484	\$ —	\$ (386)	\$ 945	
Allowance for contract losses	\$ 3,219	\$ —	\$ 1,740	\$ (1,609)	\$ 3,350	
Year Ended December 28, 2018						
Allowance for bad debt	\$ 917	\$ 293	\$ —	\$ (363)	\$ 847	
Allowance for contract losses	\$ 2,609	\$ —	\$ 1,940	\$ (1,330)	\$ 3,219	

(1) Balance includes currency translation adjustments.

Recoveries of accounts receivable previously written off were \$27,000, \$32,000 and \$28,000 for 2020, 2019 and 2018, respectively.

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

EXHIBIT INDEX

The following exhibits are filed as part of, or incorporated by reference into (as indicated parenthetically), the Annual Report on Form 10-K. Unless otherwise indicated all filings are under SEC File Number 000-18655:

- 3.1(i) Restated Certificate of Incorporation of the Company (incorporated by reference from the Company's Registration Statement on Form S-1 as filed on June 25, 1990, registration number 33-35562). (P)
- 3.1(ii) [Certificate of Amendment of Restated Certificate of Incorporation of the Company \(incorporated by reference from the Company's Current Report on Form 8-K filed on May 24, 2006\).](#)
- 3.1(iii) [Certificate of Amendment of Restated Certificate of Incorporation of the Company \(incorporated by reference from the Company's Current Report on Form 8-K filed on May 28, 2015\).](#)
- 3.1(iv) [Certificate of Amendment of Restated Certificate of Incorporation of the Company \(incorporated by reference from the Company's Current Report on Form 8-K filed on May 31, 2018\).](#)
- 3.2(i) [Amended and Restated Bylaws of the Company, as amended and restated May 29, 2014 \(incorporated by reference from the Company's Current Report on Form 8-K as filed on May 30, 2014\).](#)
- 4.1 Specimen copy of Common Stock Certificate of the Company (incorporated by reference from the Company's Registration Statement on Forms S-1 as filed on June 25, 1990, registration number 33-35562). (P)
- *4.2 [Description of the Registrant's Securities \(incorporated by reference from the Company's Annual Report on Form 10-K for fiscal year ended January 1, 2021\).](#)
- *10.6 [Exponent, Inc. 1998 Non-Statutory Stock Option Plan dated October 24, 1998 \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1999\).](#)
- *10.10 [Exponent, Inc. 1999 Stock Option Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999\).](#)
- *10.11 [Exponent, Inc. 1999 Restricted Stock Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999\).](#)
- 10.15 [Commercial Lease No. 03-53542 between the Company and the Arizona State Land Department, effective January 17, 1998 \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2003\).](#)
- *10.17 [Exponent Nonqualified Deferred Compensation Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004\).](#)
- *10.19 [Form of Indemnification Agreement entered into or proposed to be entered into between the Company and its officers and directors \(incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006\).](#)
- 10.20 [Services Agreement between the Company and Exponent Engineering P.C. \(incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal period ended March 31, 2006\).](#)
- *10.24 [Amendment No. 1 to Exponent, Inc. 1998 Non-Statutory Stock Option Plan dated January 29, 2007 \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006\).](#)
- *10.25 [Amendment No. 1 to Exponent, Inc. 1999 Stock Option Plan dated January 29, 2007 \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006\).](#)
- *10.26 [Amendment No. 1 to Exponent, Inc. 1999 Restricted Stock Plan dated January 29, 2007 \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006\).](#)

- *10.28 [2008 Employee Stock Purchase Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.31 [Form of Restricted Stock Unit Employee Bonus Grant Agreement under the 2008 Equity Incentive Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.32 [Form of Restricted Stock Unit Employee Matching Grant Agreement under the 2008 Equity Incentive Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.33 [Form of Restricted Stock Unit Director Grant Agreement under the 2008 Equity Incentive Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.34 [Amended and Restated Restricted Stock Unit Bonus Grant Agreement under the 1999 Restricted Stock Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.35 [Amended and Restated Restricted Stock Unit Matching Grant Agreement under the 1999 Restricted Stock Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.36 [Amended and Restated Restricted Stock Unit Director Grant Agreement under the 1999 Restricted Stock Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2009\).](#)
- *10.37 [Exponent, Inc. Amended and Restated 2008 Equity Incentive Plan \(filed as Appendix A to the Company's Schedule 14A filed on April 19, 2012\).](#)
- *10.38 [Exponent, Inc. 401\(k\) Savings Plan, as amended and restated effective January 1, 2014.](#)
- *10.39 [First Amendment to the Exponent, Inc. 401\(k\) Savings Plan \(as amended and restated January 1, 2014\).](#)
- *10.40 [Second Amendment to the Exponent, Inc. 401\(k\) Savings Plan \(as amended and restated January 1, 2014\).](#)
- *10.41 [Form of Stock Option Agreement under the 2008 Equity Incentive Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2011\).](#)
- *10.43 [Amendment to Form of Stock Option Agreement under the 2008 Equity Incentive Plan \(incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2012\).](#)
- *10.45 [Form of Indemnification Agreement entered into or proposed to be entered into between the Company and its officers and directors \(incorporated by reference from the Company's Current Report on Form 8-K as filed on May 30, 2014\).](#)
- *10.46 [Executive Compensation Clawback Policy \(incorporated by reference from the Company's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 2016\).](#)
- *10.47 [Exponent, Inc. Amended and Restated 2008 Equity Incentive Plan \(filed as Appendix A to the Company's Schedule 14A on April 18, 2017\).](#)
- *10.48 [Exponent, Inc. Amended and Restated 2008 Employee Stock Purchase Plan \(filed as Appendix B to the Company's Schedule 14A on April 18, 2017\).](#)
- 21.1 [List of subsidiaries.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a – 14\(a\) of the Securities Exchange Act of 1934.](#)

31.2	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Document.
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.
Exhibit 104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Indicates management compensatory plan, contract or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXPONENT, INC.
(Registrant)

Date: February 26, 2021

By: /s/ Richard L. Schlenker, Jr.
Richard L. Schlenker, Jr., Executive Vice President,
Chief Financial Officer and Corporate Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Catherine Ford Corrigan</u> Catherine Ford Corrigan, Ph.D.	Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2021
<u>/s/ Richard L. Schlenker, Jr.</u> Richard L. Schlenker, Jr.	Executive Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	February 26, 2021
<u>/s/ Paul R. Johnston</u> Paul R. Johnston, Ph.D.	Chairman of the Board of Directors	February 26, 2021
<u>/s/ George Brown</u> George Brown	Director	February 26, 2021
<u>/s/ Carol Lindstrom</u> Carol Lindstrom	Director	February 26, 2021
<u>/s/ Karen A. Richardson</u> Karen A. Richardson	Director	February 26, 2021
<u>/s/ John B. Shoven</u> John B. Shoven, Ph.D.	Director	February 26, 2021
<u>/s/ Debra L. Zumwalt</u> Debra L. Zumwalt	Director	February 26, 2021

EXPONENT, INC 401(k) SAVINGS PLAN

(As Amended and Restated Effective January 1, 2014)



TABLE OF CONTENTS

		Page
ARTICLE I.	INTRODUCTION	1
ARTICLE II.	DEFINITIONS	2
2.1	Account	2
2.2	Adjustment Factor	2
2.3	Administrator	2
2.4	Beneficiary	2
2.5	Board	2
2.6	Break in Service	2
2.7	Code	2
2.8	Committee	2
2.9	Company	2
2.10	Compensation	2
2.11	Contributions	3
2.12	Disability	3
2.13	Early Retirement	3
2.14	Earnings	3
2.15	Effective Date	3
2.16	Eligible Employees	3
2.17	Employee	4
2.18	Employer	4
2.19	Employer Mandatory Contributions	5
2.20	Employer Matching Contributions	5
2.21	Employment Commencement Date	5
2.22	Entry Date	5
2.23	ERISA	5
2.24	Highly Compensated Employee	5
2.25	Hour of Service	6
2.26	Leased Employee	6
2.27	Non-Highly Compensated Employee	6
2.28	Normal Retirement	6
2.29	Participant	6
2.30	Participating Employer	6
2.31	Plan	7
2.32	Plan Year	7
2.33	Qualified Matching Contributions	7
2.34	Qualified Nonelective Contributions	7
2.35	Reemployment Commencement Date	7
2.36	Regulations	7
2.37	Rollover Contributions	7
2.38	Salary Deferral Contributions	7
2.39	Section 415 Compensation	7
2.40	Severance Date	8
2.41	Spouse or Surviving Spouse	8
2.42	Trust	8
2.43	Trust Agreement	8
2.44	Trustee	8
2.45	Valuation Date	8
2.46	Year of Service	8
2.47	Other Definitions	9
ARTICLE III.	ELIGIBILITY	11
3.1	Participation	11
3.2	Reemployment	11
3.3	Change in Employment Status	11
3.4	Enrollment of Participant	11
3.5	Erroneous Participation	11
ARTICLE IV.	CONTRIBUTIONS	12
4.1	Salary Deferral Contributions	12
4.2	Roth Salary Deferral Contributions	12

TABLE OF CONTENTS
(continued)

	Page
4.3	Employer Matching Contributions and Qualified Matching Contributions 12
4.4	Employer Mandatory Contributions and Qualified Nonelective Contributions 13
4.5	Limitations on Contributions 14
4.6	Time and Manner of Payment of Contributions 14
4.7	Receipt of Assets from Another Plan 14
ARTICLE V.	ACCOUNTS 15
5.1	Participant's Accounts 15
5.2	Allocation of Contributions 15
5.3	Allocation of Earnings 15
5.4	Section 415 Limitations 16
5.5	Discrimination Testing of Salary Deferral Contributions 16
5.6	Distribution of Excess Elective Deferrals 18
5.7	Discrimination Testing of Employer Matching Contributions 19
5.8	Corrective Procedure for Discriminatory Matching Contributions 21
ARTICLE VI.	VESTING AND DISTRIBUTION OF ACCOUNTS 22
6.1	Vested Interest 22
6.2	Forfeitures 23
6.3	Early Retirement 24
6.4	Normal Retirement 24
6.5	Disability 24
6.6	Death Benefits 24
6.7	Termination of Employment 24
6.8	Commencement of Distribution 24
6.9	Special Distribution Rules for Salary Deferral Contributions and Qualified Nonelective Contributions 26
6.10	Direct Rollovers and Withholding 26
6.11	Form of Benefit 27
6.12	Minimum Distribution Requirements 27
6.13	Distribution to Minor or Incompetent 30
6.14	Beneficiary Designation 30
6.15	Spousal Consent 31
6.16	Location of Participant or Beneficiary Unknown 31
6.17	Hardship Distributions 31
6.18	Loans 33
6.19	In-Service Withdrawals at and After Normal Retirement 33
6.20	Form of Distribution 34
ARTICLE VII.	ADMINISTRATION 35
7.1	Allocation of Administrative Responsibilities 35
7.2	Powers and Duties of the Administrator 35
7.3	Powers and Duties of the Committee 35
7.4	Discretion of the Administrator and the Committee 36
7.5	Reallocation or Delegation of Responsibility 36
7.6	Committee Appointment and Governance 36
7.7	Domestic Relations Orders 38
ARTICLE VIII.	LEAVES OF ABSENCE AND TRANSFERS 40
8.1	Military Leave of Absence 40
8.2	Other Leaves of Absence 40
8.3	Transfers 40
ARTICLE IX.	TRUST PROVISIONS 42
ARTICLE X.	FEES AND EXPENSES 43
ARTICLE XI.	AMENDMENT, TERMINATION OR MERGER 44
11.1	Amendment 44
11.2	Termination 44
11.3	Merger 44
ARTICLE XII.	ADOPTION OF PLAN BY RELATED ENTITIES 46
12.1	Adoption of the Plan 46
12.2	Withdrawal 46

TABLE OF CONTENTS

(continued)

		Page
ARTICLE XIII.	CLAIMS PROCEDURE	47
13.1	Right to File Claim	47
13.2	Denial of Claim	47
13.3	Claim Review Procedure	47
13.4	Claims Procedure for Disability Benefits from the Merged Exponent, Inc. Employee Pension Plan	47
ARTICLE XIV.	TOP-HEAVY PROVISIONS	48
14.1	Purpose	48
14.2	Definitions	48
14.3	Determination of Present Values and Amounts	49
14.4	Minimum Allocation	50
ARTICLE XV.	MISCELLANEOUS	51
15.1	Legal or Equitable Action	51
15.2	Indemnification	51
15.3	No Enlargement of Plan Rights	51
15.4	No Enlargement of Employment Rights	51
15.5	Interpretation	51
15.6	Governing Law	51
15.7	Non-Alienation of Benefits	51
15.8	No Reversion	52
15.9	Conflict	52
15.10	Severability	52
15.11	Conditional Restatement	52
APPENDIX A	GUIDELINES FOR ANNUITY FORMS OF DISTRIBUTION	1
A.1.	Definitions	1
A.2.	Qualified Joint and Survivor Annuity	1
A.3.	Qualified Preretirement Survivor Annuity	2
A.4.	Election of Optional Forms of Benefit	3
A.5.	Special Payment Date	4
A.6.	Spousal Consent	4
APPENDIX B	FORM OF BENEFIT DISTRIBUTIONS FOR PARTICIPANTS COMMENCING PARTICIPATION BEFORE JANUARY 2, 1999	1
B.1.	Automatic Form of Distribution	1
B.2.	Optional Forms of Distribution	1
APPENDIX C	MERGER OF PERFORMANCE TECHNOLOGIES, INC. SAVINGS PLAN	
C.1.	Transfer of Account Balances	1
C.2.	Amount of Account Balance	1
C.3.	Investment of Account Balance	1
C.4.	Service Credit	1
C.5.	Vesting	1
C.6.	Protected Benefits	2
APPENDIX D	MERGER OF THE EXPONENT, INC. EMPLOYEE PENSION PLAN	1
D.1.	Transfer of Account Balances	1
D.2.	Amount of Account Balance	1
D.3.	Investment of Account Balance	1
D.4.	Service Credit	1
D.5.	Protected Benefits	1
D.6.	FaAA Protected Benefits	2
D.7.	In-Service Withdrawals Prohibited	2

ARTICLE I.

INTRODUCTION

Exponent, Inc. maintains the Exponent, Inc. 401(k) Savings Plan, consisting of the following provisions, for the exclusive benefit of Participants and their Beneficiaries (and for defraying reasonable administrative expenses of the Plan). The Plan was originally established effective as of March 1, 1988 as The Failure Group, Inc. 401(k) Savings Plan, and the Plan has been subsequently renamed, and amended and restated on several occasions. The Company further amends and restates the Plan, in its entirety, effective as of January 1, 2014 (except as otherwise stated herein).

Effective as of July 1, 1999, the Performance Technologies, Incorporated Savings Plan was merged with and into the Plan. Effective as of June 30, 1994, the Exponent, Inc. Employee Pension Plan (formerly named The Failure Group, Inc. Employee Pension Plan) was merged with and into the Plan. Previously, effective as of December 30, 1994, The Failure Analysis Associates Employee Pension Plan was merged with and into the Exponent, Inc. Employee Pension Plan. In all cases, the protected benefits have been preserved, as set forth in the Appendices attached hereto, for purposes of complying with Internal Revenue Code (the "Code") Section 411(d)(6).

The Plan is intended to be a tax-qualified profit sharing plan and related tax- exempt trust under Code Sections 401(a) and 501(a), and is intended to include a tax- qualified cash or deferred arrangement under Code Section 401(k) and Roth salary deferral contributions under Code Section 402A, and is intended to provide for the possibility that a matching contribution arrangement under Code Section 401(m) may be implemented at a later date. The Plan is also intended to provide participant-directed investment accounts in compliance with ERISA Section 404(c).

ARTICLE II.

DEFINITIONS

Wherever used in this Plan, the following terms shall have the meanings indicated below, unless a different meaning is plainly required by the context or if such term is defined differently for particular groups of Participants in one or more of the Appendices. The singular shall include the plural, unless the context indicates otherwise. Headings of sections are used for convenience of reference only, and in case of conflict, the text of the Plan, rather than such headings, shall control.

2.1 **Account.** “Account” means a Participant’s interest in the Trust, which may consist of any or all of the following: Salary Deferral Contributions Account, Roth Salary Deferral Contributions Account, Employer Mandatory Contributions Account, Employer Matching Contributions Account, Qualified Matching Contributions Account, Qualified Nonelective Contributions Account, Rollover Contributions Account, PTI Plan Account, Pension Plan Account, FaAA Plan Account, and such other Account(s) as the Administrator shall determine. Reference to Account herein shall include reference to any or all of the above-mentioned accounts, as applicable.

2.2 **Adjustment Factor.** “Adjustment Factor” means the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under Code Section 415(d), as applied to such items and in such manner as the Secretary of the Treasury shall provide from time to time.

2.3 **Administrator.** “Administrator” means, within the meaning of ERISA Section 3(16)(A), the Company, which also shall be a named fiduciary within the meaning of ERISA Section 402(a)(2).

2.4 **Beneficiary.** “Beneficiary” means the person or entity who is entitled to receive benefits payable from the Plan on account of a Participant’s death. (For purposes of complying with certain contracts that the Company has entered into with the City of San Francisco, “Beneficiary” includes, without limitation, a domestic partner of the Participant to the extent the Participant designates such individual as his or her Beneficiary, in accordance with the Administrator’s procedures.)

2.5 **Board.** “Board” means the Board of Directors of the Company.

2.6 **Break in Service.** “Break in Service” means:

(a) A Plan Year during which an Employee does not complete more than five hundred (500) Hours of Service. Solely for purposes of determining whether a Break in Service for participation and vesting purposes has occurred in a computation period, an individual who is absent on account of maternity or paternity leave (as described below), or on account of an authorized leave of absence (as described in Section 8.1 or 8.2), shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight (8) Hours of Service for each day of such absence.

(b) For purposes of paragraph (a) above, “maternity or paternity leave” means a period during which an Employee is absent because of (i) the pregnancy of the Employee, (ii) the birth of a child of the Employee, (iii) the placement of a child with the Employee in connection with the Employee’s adoption of the child, or (iv) the caring for a child by the Employee immediately after the birth or placement of the child.

2.7 **Code.** “Code” means the Internal Revenue Code of 1986, as amended from time to time, and applicable valid Regulations issued thereunder.

2.8 **Committee.** “Committee” means the Exponent, Inc. 401(k) Savings Plan Committee which shall assist in the day-to-day administration of the Plan pursuant to Section 7.3.

2.9 **Company.** “Company” means Exponent, Inc.

2.10 **Compensation.** “Compensation” subject to paragraphs (a) through (c) below, means all of an Employee’s base salary or wages, including Excellence Awards, overtime, vacation pay, holiday pay, severance paid in lieu of notice, and accrued vacation pay paid as a result of termination of employment. Compensation shall also include any amount which is contributed by the Employer pursuant to a salary deferral agreement and which is not includable in the gross income of the Employee under Code Section 125, 402(e)(3), 402(h) or 403(b). Compensation includes

amounts that are excluded from the Employee's taxable income by reason of Code Section 132(f)(4) relating to qualified transit benefits. Compensation shall exclude bonuses and reimbursements for moving and relocation expenses and all other forms of remuneration not specifically named herein.

- (a) Compensation shall include only that compensation which is actually paid or made available to the Employee during the Plan Year.
- (b) Compensation shall not include any amounts paid by the Company to an Employee or former Employee in connection with the settlement of a legal dispute with the Company, even if such amounts are characterized in the settlement agreement or similar document as amounts that would otherwise constitute "Compensation" under this Section 2.10.
- (c) The annual Compensation of each Employee that is taken into account under the Plan for any Plan Year shall not exceed Two Hundred Thousand Dollars (\$200,000), as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B).
- (d) The determination of the amount of Compensation shall be made by the Participating Employer (or its designee) by which the Employee is employed, in accordance with the records of the Participating Employer, and shall be conclusive.
- (e) Salary Deferral Contributions may be made only from amounts otherwise described in this Section 2.10 that constitute compensation within the meaning of Code Section 415(c)(3) and Treasury Regulation Section 1.415(c)(2).

Effective January 1, 2009, Compensation shall include differential wage payments within the meaning of Code Section 414(u)(12)(D) that are paid to an Employee by an Employer.

2.11 **Contributions.** "Contributions" means Salary Deferral Contributions, Roth Salary Deferral Contributions, Employer Mandatory Contributions, Employer Matching Contributions, Qualified Matching Contributions, and Qualified Nonelective Contributions.

2.12 **Disability.** "Disability" means the mental or physical inability of a Participant to perform his or her normal job as evidenced by the certificate of a medical examiner satisfactory to the Committee certifying that the Participant is disabled under the standards of the Company's long-term disability plan or upon an adjudication by the Social Security Administration that the Participant is disabled within the meaning of the Social Security Act.

2.13 **Early Retirement.** Except as may be specified in one or more of the Appendices, this Plan does not provide for an Early Retirement.

2.14 **Earnings.** "Earnings" means (a) interest, dividends, rents, royalties, net realized and unrealized gains and losses and other income, less (b) fees, commissions, insurance premiums and other expenses.

2.15 **Effective Date.** "Effective Date" means the original effective date of the Plan, which is March 1, 1988. The Effective Date of this Amendment and Restatement is January 1, 2014. The effective date of the Amendment and Restatement is sometimes referred to herein as the "Restatement Date."

2.16 **Eligible Employees.** "Eligible Employees" means all Employees of each Participating Employer, except:

- (a) individuals who are classified as hourly Employees by the Employer;
- (b) individuals who are classified as Temporary Employees by the Employer. "Temporary Employees" means individuals who are employed for short-term assignments, other than Employees who are credited with one thousand (1,000) Hours of Service in the twelve (12) consecutive month period measured from the date the Employee completes his or her first Hour of Service or any Plan Year which begins after the date the Employee completes his or her first Hour of Service;
- (c) Leased Employees;

(d) Employees who are non-resident aliens (within the meaning of Code Section 7701(b)(1)(B)) and who receive no earned income (within the meaning of Code Section 911(d)(2)) from the Employer which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3));

(e) Employees who are covered by a collective bargaining agreement between a union and the Employer or any employers' association under which retirement benefits were the subject of good faith bargaining, unless the agreement specifically provides for coverage of such Employees under the Plan;

(f) individuals who are classified as Consultants by the Employer, whether or not such classification is upheld upon governmental or judicial review. "Consultants" means individuals (who may also be referred to as independent contractors) who have specialized knowledge or special skills and are retained to provide advice or assistance to the Employer and who are not Employees of the Employer;

(g) individuals who are classified as Agency Workers by the Employer, whether or not such classification is upheld upon governmental or judicial review. "Agency Workers" means individuals who are employed pursuant to a written agreement with an agency or other third party for a specific job assignment or project;

(h) individuals who are classified as Interns by the Employer. "Interns" means individuals enrolled in a college and/or university, employed by the Employer and designated as Interns by the Employer. An Employee who meets the foregoing criteria shall be classified as an Intern even if he or she does not receive academic course credit from his or her college or university based upon the Intern's term of employment;

(i) individuals who are Reclassified Employees. "Reclassified Employees" means Employees who were not initially classified by the Employer as Employees, but who were subsequently reclassified as Employees by a federal, state or local group, organization or agency, or a court;

(j) individuals who are parties to an agreement that provides that they shall not be eligible to participate in the Plan, whether or not such agreement is upheld upon governmental or judicial review; or

(k) individuals who are not on the United States payroll of the Employer.

2.17 **Employee.** "Employee" means any person who is employed by, and designated as an employee, by the Employer, or who is a Leased Employee. If, however, Leased Employees constitute less than twenty percent (20%) of the non-highly compensated workforce (within the meaning of Code Section 414(n)(5)(C)(ii)), then the term "Employee" shall not include those Leased Employees who are covered by a money purchase pension plan providing:

(a) a non-integrated employer contribution rate of at least ten percent (10%) of compensation, as defined in Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from the individual's gross income under Code Section 125, 402(e)(3), 402(h), 403(b), or 408(p);

(b) immediate participation; and

(c) full and immediate vesting.

Effective January 1, 2009, to the extent required by Code Section 414(u)(12), the term "Employee" shall include an individual receiving differential wage payments (within the meaning of Code Section 414(u)(12)(D)) from an Employer.

2.18 **Employer.** "Employer" means: (a) the Company; (b) any other corporation which is a member of a controlled group of corporations (as defined under Code Section 414(b)) which includes the Company; (c) any trade or business (whether or not incorporated) which is under common control (as defined under Code Section 414(c)) with the Company; (d) any organization (whether or not incorporated) which is a member of an affiliated service group (as defined under Code Section 414(m)) which includes the Company; and (e) any other organization or entity which is required to be aggregated with the Company pursuant to Code Section 414(o). For purposes of the calculation of Annual Additions as set forth in Section 5.4, the determination of whether any entity is an Employer shall be made in accordance with Code Section 415(h).

2.19 **Employer Mandatory Contributions.** “Employer Mandatory Contributions” means Employer Contributions made by a Participating Employer under this Plan in accordance with Section 4.4.

2.20 **Employer Matching Contributions.** “Employer Matching Contributions” means Employer Contributions made by a Participating Employer under this Plan on account of Salary Deferral Contributions in accordance with Section 4.3.

2.21 **Employment Commencement Date.** “Employment Commencement Date” means the date on which an Employee first performs an Hour of Service for the Employer, within the meaning of Department of Labor Regulation Section 2530.200b- 2(a).

2.22 **Entry Date.** “Entry Date” means the first day of any Plan Year and each business day of the Company during the Plan Year.

2.23 **ERISA.** “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and applicable valid Regulations issued thereunder.

2.24 **Highly Compensated Employee.**

(a) “Highly Compensated Employee” means, for any Plan Year, an Employee in active service who meets any of the following criteria:

(i) is, at any time during the current Plan Year or the immediately preceding Plan Year, a five percent (5%) owner (as determined under Code Section 416(i)(1)) of an Employer; or

(ii) received aggregate Section 415 Compensation for the immediately preceding Plan Year in excess of Eighty Thousand Dollars (\$80,000), as adjusted by the Adjustment Factor, and is a member of the Top-Paid Group for that immediately preceding Plan Year.

(b) For purposes of this Section, the following provisions shall apply:

(i) A former Employee shall be treated as a Highly Compensated Employee if:

(A) such Employee was a Highly Compensated Employee when such Employee separated from service;

or

(B) such Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(ii) The term “Top-Paid Group” means the top twenty percent (20%) of all Employees (including any Leased Employees treated as Employees) when ranked on the basis of the Section 415 Compensation paid to such Employees for the Plan Year under consideration. However, for purposes of calculating the number of Employees in the Top-Paid Group, the following Employees shall be excluded:

(A) Employees who have completed less than six (6) months of service;

(B) Employees who normally work less than seventeen and one-half (17 1/2) hours per week;

(C) Employees who normally work six (6) months or less during the Plan Year under consideration;

(D) Employees who have not attained age twenty-one (21) as of the last day of the Plan Year under consideration; and

(E) Employees who are non-resident aliens (within the meaning of Code

Section 7701(b)(1)(B)) and who receive no earned income (within the meaning of Code Section 911(d)(2)) from the Employer which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

(c) For purposes of this Section, the Section 415 Compensation of each Employee shall be determined on an aggregate basis as if all Employers were a single employer entity paying such Section 415 Compensation. All other determinations under this Section shall be made in accordance with Code Section 414(q).

2.25 **Hour of Service.** “Hour of Service” means:

(a) Each hour for which an Employee is directly or indirectly paid or entitled to payment of wages by an Employer for the performance of duties and for reasons other than the performance of duties; provided, however, that:

(i) no more than five hundred and one (501) Hours of Service shall be credited on account of any single continuous period during which no duties are performed; and

(ii) no Hours of Service shall be credited if payment was made or due:

(A) under a plan maintained solely for the purpose of complying with applicable workers’ compensation, unemployment compensation or disability insurance laws; or

(B) solely as reimbursement for medical or medically- related expenses incurred by the Employee.

(b) An Employee on a leave of absence (pursuant to Section 8.1 or 8.2) shall be credited with Hours of Service equal to the number of regularly-scheduled working hours included in the period of such leave (subject to paragraph (a)(i)).

(c) “Hours of Service” shall, for an Employee, include each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer (such Hours of Service shall be credited for the periods to which the award or agreement pertains rather than the periods in which the award, agreement, or payment is made); provided, however, Hours of Service shall not be credited under this paragraph to the extent such credit would duplicate any hours credited above.

(d) Hours of Service shall be credited for employment with any Employer, and shall be calculated in accordance with Department of Labor Regulation Sections 2530.200b-2(b) and (c).

2.26 **Leased Employee.** “Leased Employee” means any individual who, pursuant to an agreement between the Employer and any other individual, has performed services for the Employer (or for the Employer and related individuals determined in accordance with Code Section 414(n)(6)) (“Recipient Employer”) on a substantially full- time basis for a period of at least one (1) year, and such services are performed under the primary direction of or control by the Recipient Employer.

2.27 **Non-Highly Compensated Employee.** “Non-Highly Compensated Employee” means an Employee who is not a Highly Compensated Employee.

2.28 **Normal Retirement.** “Normal Retirement” means the date on which a Participant attains age fifty-nine and one-half (59 1/2).

2.29 **Participant.** “Participant” means a current or former Eligible Employee or other individual for whom an Account is or could be maintained under the Plan.

2.30 **Participating Employer.** “Participating Employer” means the Company and any other Employer that adopts the Plan for the benefit of its Eligible Employees pursuant to Section 12.1.

- 2.31 **Plan.** “Plan” means the Exponent, Inc. 401(k) Savings Plan, as set forth herein and in amendments from time to time made hereto.
- 2.32 **Plan Year.** “Plan Year” means, effective January 1, 2002, the calendar year; that is, the twelve (12) consecutive-month period beginning with January 1 and ending each year on December 31. The Plan Year commencing December 29, 2001 shall be a short Plan Year that commences December 29, 2001 and ends on December 31, 2001.
- 2.33 **Qualified Matching Contributions.** “Qualified Matching Contributions” means discretionary Participating Employer Contributions under this Plan (in accordance with Section 4.3) or any other tax-qualified plan of the Employer, which may be treated as Salary Deferral Contributions for purposes of the ADP test.
- 2.34 **Qualified Nonelective Contributions.** “Qualified Nonelective Contributions” means discretionary Participating Employer Contributions under this Plan (in accordance with Section 4.4) or any other tax-qualified plan of the Employer, which may be treated as Salary Deferral Contributions for purposes of the ADP test, or as Employer Matching Contributions for purposes of the ACP test.
- 2.35 **Reemployment Commencement Date.** “Reemployment Commencement Date” means the first date, following a Severance Date, on which an Employee again performs one (1) Hour of Service for the Employer.
- 2.36 **Regulations.** “Regulations” means the Income Tax Regulations as prescribed by the Secretary of the Treasury from time to time under the Code, and, where the context requires, regulations prescribed by the Secretary of Labor from time to time under ERISA.
- 2.37 **Rollover Contributions.** “Rollover Contributions” means contributions under this Plan in accordance with Section 4.7.
- 2.38 **Salary Deferral Contributions.** “Salary Deferral Contributions” means Participating Employer Contributions under this Plan, made in accordance with Sections 4.1 and 4.2.
- 2.39 **Section 415 Compensation.** “Section 415 Compensation” means, except as set forth below, wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid to salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, reimbursements, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Regulation Section 1.62-2(c)). Section 415 Compensation includes any elective deferrals (as defined in Code Section 402(g)(3)), and any amount contributed or deferred by the Employer at the election of the Employee and not includable in the gross income of the Employee by reason of Code Section 125, 132(f)(4) or 457. The term “Section 415 Compensation” as defined in the preceding sentence shall include any payments made to a Participant by the later of (a) two and one-half months after the date of the Participant’s Severance Date, or (b) the end of the limitation year that includes the date of the Participant’s Severance Date, provided that, absent a Severance of employment, such payments (i) would have been paid to the Participant if the Participant had continued in employment with the Employer, and (ii) are regular compensation for services performed during the Participant’s regular working hours, compensation for services outside the Participant’s regular working hours (such as overtime or shift differential pay), commissions, bonuses or other similar compensation. Effective January 1, 2009, Section 415 Compensation shall include differential wage payments within the meaning of Code Section 414(u)(12)(D) that are paid to an Employee by an Employer. Section 415 Compensation shall not include the following:
- (a) Employer contributions to a plan of deferred compensation that are not includable in the Employee’s gross income for the taxable year in which contributed, or Employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;
 - (b) amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(c) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(d) other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in Code Section 403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

2.40 **Severance Date.** “Severance Date” means the first to occur of (a) the date that an Employee terminates employment with the Employer because he or she quits, is discharged, dies or retires, or (b) for purposes of distributions, the date that an Employee is determined to have a Disability.

2.41 **Spouse or Surviving Spouse.** “Spouse” or “Surviving Spouse” means, except as may be specified in one or more of the Appendices, the spouse or surviving spouse of a Participant; provided, however, that a former spouse shall be treated as the spouse or surviving spouse to the extent provided under a Qualified Domestic Relations Order, as described in Section 7.7.

2.42 **Trust.** “Trust” means the assets held in the trust maintained under Article IX.

2.43 **Trust Agreement.** “Trust Agreement” means the separate agreement entered into by and between the Company and the Trustee pursuant to which the Trust is held, administered and distributed.

2.44 **Trustee.** “Trustee” means the person(s) or entity named in the Trust Agreement, or any successor or successors thereto, and designated by the Company to act as trustee of the Trust, in accordance with Article IX.

2.45 **Valuation Date.** “Valuation Date” means the last day of each Plan Year and such other date(s) as the Administrator may designate from time to time.

2.46 **Year of Service.** “Year of Service” means, with respect to the calculation of an Employee’s vesting service under the Plan, a Plan Year during which the Employee is credited with at least one thousand (1,000) Hours of Service.

(a) For purposes of determining Years of Service and Breaks in Service for purposes of eligibility and vesting, the initial computation period is the twelve (12) consecutive-month period beginning on the Employee’s Employment Commencement Date.

(b) Succeeding twelve (12) consecutive-month periods commence with the first Plan Year which commences prior to the first anniversary of the Employee’s Employment Commencement Date regardless of whether the Employee is entitled to be credited with one thousand (1,000) Hours of Service during the initial computation period. An Employee who is credited with one thousand (1,000) Hours of Service in both the initial computation period and the first Plan Year which commences prior to the first anniversary of the Employee’s initial computation period shall be credited with two

(2) Years of Service for purposes of eligibility to participate and vesting.

2.47 **Other Definitions.** In addition to the definitions contained in this Section, the following terms are defined in the specified Section below:

<u>Section</u>	<u>Term</u>
5.5(a)(i)	Actual Deferral Percentage (“ADP”)
5.7(a)(i)	Actual Contribution Percentage (“ACP”)
7.7(a)(i)	Alternate Payee
5.4(b)	Annual Additions
A.1(a)	Annuity Contract
A.1(b)	Annuity Starting Date
4.1(b), 5.6(a)(i)	Catch-up Contributions
5.7(a)(ii)	Contribution Percentage
5.7(a)(iii)	Contribution Percentage Amount
6.12(a)(i)	Designated Beneficiary
14.2(a)	Determination Date
14.2(b)	Determination Period
6.10(a)(i)	Direct Rollover
6.10(a)(ii)	Distributee
6.12(a)(ii)	Distribution Calendar Year
7.7(a)(ii)	Domestic Relations Order or Order
5.6(a)(ii)	Elective Deferrals
5.7(a)(iv)	Eligible Participant
6.10(a)(iii)	Eligible Retirement Plan
6.10(a)(iv)	Eligible Rollover Distribution
5.8(a)	Excess Aggregate Contributions
5.5(a)(ii)	Excess Contributions

5.6(a)(iii)	Excess Elective Deferrals
5.1(j)	FaAA Plan Account
6.12(a)(iii)	Five Percent Owner
6.17	Hardship
7.3(b)	Investment Manager
C.6(i)	Joint and Last Survivor Life Expectancy
14.2(c)	Key Employee
6.12(a)(v)	Life Expectancy
5.4(a)	Limitation Year
7.6(b)	Member A, Member B, Member C, Member D, and Members
5.7(a)(v)	Matching Contribution
2.6(b)	Maternity and Paternity Leave
5.4(c)	Maximum Annual Addition
14.2(d)	Non-Key Employee
5.1(h)	PTI Plan Account
6.12(a)(v)	Participant's Benefit
5.1(i)	Pension Plan Account
14.2(e)	Permissive Aggregation Group
11.3(b), C.6, D.5	Protected Benefits
7.7(a)(iii)	Qualified Domestic Relations Order
A.1(c)	Qualified Joint and Survivor Annuity
A.1(d)	Qualified Preretirement Survivor Annuity
2.26	Recipient Employer
14.2(f)	Required Aggregation Group
6.12(a)(vi)	Required Beginning Date
7.7(d)(i)	Segregated Amounts
6.15(a)	Spousal Consent
A.1(g)	Straight Life Annuity
14.2(g)	Top-Heavy Plan
14.2(h)	Top-Heavy Ratio
2.24(b)(ii)	Top-Paid Group
6.12(a)(v)	Valuation Calendar Year
14.2(i)	Valuation Date

ARTICLE III.

ELIGIBILITY

3.1 **Participation.** Each individual who was a Participant in the Plan on the day before the Restatement Date and is an Eligible Employee on the Restatement Date, shall automatically continue as a Participant on the Restatement Date. Each other Eligible Employee shall become a Participant in the Plan on the Entry Date coinciding with or next following his or her Employment Commencement Date, or if later, the date that he or she attains age twenty-one (21).

3.2 **Reemployment.** If either a Participant, or an Eligible Employee who has satisfied the age requirement of Section 3.1 terminates employment with a Participating Employer and is thereafter reemployed by the Employer as an Eligible Employee, then such Employee shall become a Participant in the Plan as of the later of his or her Reemployment Commencement Date or the Entry Date on which he or she could have first become a Participant in the Plan.

3.3 **Change in Employment Status.** If a Participant ceases to be an Eligible Employee, then such Employee shall be reinstated as a Participant upon again becoming an Eligible Employee. If, however, an Employee who is not, and has never been, an Eligible Employee becomes an Eligible Employee, then such Employee shall become a Participant in the Plan upon the Entry Date coincident with or next following the later of the date on which he or she (a) becomes an Eligible Employee, or (b) satisfies the age requirement set forth in Section 3.1.

3.4 **Enrollment of Participant.** Each Eligible Employee shall comply with such enrollment procedures as the Administrator may prescribe from time to time and shall make available to the Administrator and the Trustee any information they may request. By virtue of his or her participation in the Plan, an Eligible Employee agrees, on his or her behalf and on behalf of all individuals who may make any claim arising out of, relating to, or resulting from that Eligible Employee's participation in the Plan, to be bound by all provisions of the Plan, the Trust Agreement and other related agreements.

3.5 **Erroneous Participation.**

(a) If Salary Deferral Contributions are erroneously made on behalf of an individual who is not eligible to participate in the Plan, then such Salary Deferral Contributions plus Earnings thereon shall be distributed to that individual as soon as administratively feasible after discovery of such error.

(b) If a Rollover Contribution is erroneously made by an individual who is not eligible to make a Rollover Contribution, then such Rollover Contribution plus Earnings thereon shall be distributed to that individual as soon as administratively feasible after discovery of such error.

(c) If any Contributions (other than Salary Deferral Contributions, as set forth in paragraph (a)) are erroneously made on behalf of an individual who is not entitled to such Contributions, then such erroneously made Contributions shall be forfeited and: first, returned to the Participating Employer in accordance with Section 15.8, to the extent such Contribution constitutes a mistake of fact; second, used to pay administrative expenses of the Plan for the Plan Year in which the error is discovered; third, to offset the Employer's obligation to make Employer Mandatory Contributions for the Plan Year in which the error occurs; and fourth, to allocate as Employer Matching Contributions for the Plan Year in which the error occurs.

ARTICLE IV.

CONTRIBUTIONS

4.1 Salary Deferral Contributions.

(a) Subject to the limitations of Sections 5.4 and 5.5, an Eligible Employee who has satisfied the age requirement in Section 3.1 may elect, in accordance with the procedures established from time to time by the Administrator, to have a portion of his or her Compensation contributed to his or her Salary Deferral Contributions Account. The Participant's election shall specify the amount of his or her Compensation to be contributed, which amount shall not be less than one percent (1%) and not more than sixty percent (60%) of the Participant's Compensation for payroll period; provided, however, in no event shall the dollar amount contributed on behalf of such Participant for any calendar year exceed the limit prescribed under Code Section 402(g) (Seventeen Thousand Five Hundred Dollars (\$17,500) in 2014). A Participant may elect to increase, decrease or discontinue Salary Deferral Contributions in such manner and at such time as the Administrator shall specify from time to time.

(b) A Participant who is eligible to make Salary Deferral Contributions under this Plan and who has attained age 50 before the close of the Plan Year shall be eligible to make Catch-up Contributions to his or her Salary Deferral Contributions Account in accordance with, and subject to the limitations of, Code Section 414(v) and any uniform and non-discriminatory procedures established by the Committee. Such Catch-up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such Catch-up Contributions.

(c) For purposes of the Plan, and with respect to Salary Deferral Contributions made on behalf of any Participant, such Salary Deferral Contributions shall be allocated to the Participant's Salary Deferral Contributions Account as of a given date within the Plan Year and shall relate to Compensation that would have been received by the Participant in the Plan Year but for the Participant's election to defer such Compensation.

4.2 Roth Salary Deferral Contributions.

(a) Subject to the limitations of Sections 5.4 and 5.5, an Eligible Employee who has satisfied the age requirement in Section 3.1 may elect, in accordance with the procedures established from time to time by the Administrator, to have a portion of his or her Compensation contributed as a Roth Salary Deferral Contribution to his or her Roth Salary Deferral Contributions Account. Roth Salary Deferral Contributions shall be designated irrevocably by the Eligible Employee at the time of the cash or deferred election as a Roth elective deferral that is being made in lieu of all or a portion of the Salary Deferral Contributions described in Section 4.1 the Eligible Employee is otherwise eligible to make under the Plan. Roth Salary Deferral Contributions shall be treated by the Employer as includible in the Participant's income at the time the Participant would have received that amount in cash if the Eligible Employee had not made a cash or deferred election.

(b) Except as otherwise provided herein, Roth Salary Deferral Contributions shall be treated as Salary Deferral Contributions for all purposes under the Plan.

4.3 Employer Matching Contributions and Qualified Matching Contributions.

(a) The Company may elect, subject to the provisions of paragraphs (b) and (c), that Participating Employers shall make Employer Matching Contributions to the Trust for any Plan Year. All Employer Matching Contributions shall be made in such amount, manner, form, and at such time, as prescribed by the Company from time to time. All such Employer Matching Contributions shall be allocated to the Employer Matching Contributions Accounts of all Participants who are actively employed by the Employer on the last day of the Plan Year or who are not actively employed on the last day of the Plan Year solely due to the Normal Retirement, Early Retirement, Disability or death of such Participant during the applicable Plan Year.

(b) The Employer may further elect to make an additional Matching Contribution, to be allocated as of the last day of the Plan Year to Participants as an end of the year adjustment to take into account any changes in Compensation or Participant salary deferral elections which may have occurred during the Plan Year. The amount of this additional Employer Matching Contribution shall be equal to the difference, if any, between (i) the Employer

Matching Contributions allocated to the Participant pursuant to paragraph (a), and (ii) an Employer Matching Contribution determined pursuant to any applicable formula which the Company may elect, but based on a Participant's Compensation and Salary Deferral Contributions for the Plan Year. This additional Employer Matching Contribution, if any, shall be allocated to the Employer Matching Contributions Account of all the Participants specified by the Company from time to time of all Participants actively employed by the Employer on the last day of the Plan Year, or not actively employed by the Employer on the last day of the Plan Year due to such Participant's attainment of Normal Retirement age, Disability or death during the applicable Plan Year.

(c) Employer Matching Contributions which would otherwise be made on behalf of a Participant may be reduced to the extent necessary to comply with the limitations of Sections 4.5, 5.4, 5.5 and 5.7, and the Employer shall have no obligation to contribute such amounts to the Trust.

(d) The Administrator may elect to treat all or a portion of Employer Matching Contributions for a Plan Year as Qualified Matching Contributions for purposes of the ADP Test. Such contributions, to the extent necessary, shall satisfy the requirements of Treasury Regulation Section 1.402(m)-2(a)(5).

(e) For all purposes under the Plan, Employer Matching Contributions or Qualified Matching Contributions shall be subject to the distribution limitations of Article VI. Amounts allocated to a Participant's Qualified Matching Contributions Account shall not be eligible for hardship distribution under Section 6.17.

4.4 **Employer Mandatory Contributions and Qualified Nonelective Contributions.**

(a) The Participating Employers will make Employer Mandatory Contributions to Participants employed by any Participating Employer designated by the Company. The Employer Mandatory Contributions shall be seven percent (7%) of each eligible Participant's Compensation, subject to Section 5.4, for that Plan Year.

(b) For Plan Years beginning prior to December 29, 2001, the Employer Mandatory Contributions for each Plan Year shall be allocated among the Employer Mandatory Contributions Accounts of all eligible Participants who are credited with one (1) Year of Service during the last two (2) Plan Years. For purposes of determining whether an allocation of an Employer Mandatory Contribution shall be made for the Plan Years commencing December 25, 1999 and December 30, 2000, Participants who were employed by Lockwood-Singh & Assoc. ("Lockwood") immediately prior to the Company's acquisition of Lockwood and became Employees on September 30, 2000 shall be credited under the Plan with all hours of service and years of service such Participants earned from December 26, 1998 to September 29, 2000 while employed by Lockwood. For purposes of the foregoing, the terms "hours of service" and "years of service" shall be as defined in Sections 2.25 and 2.46, respectively, except that Lockwood shall be considered the Employer. For Plan Years beginning on and after December 30, 2001, the Employer Mandatory Contributions for each Plan Year shall be allocated among the Employer Mandatory Contributions Accounts of all eligible Participants who are credited with one (1) Year of Service. For purposes of determining whether an allocation of an Employer Mandatory Contribution shall be made for the Plan Year commencing January 1, 2002, Participants who were employed by Novigen immediately prior to the Company's acquisition of Novigen and became Employees on May 20, 2002 shall be credited under the Plan with all hours of service such Participants earned from January 1, 2002 to May 19, 2002 while employed by Novigen. For purposes of the foregoing, the term "hours of service" shall be as defined in Section 2.25, except that Novigen shall be considered the Employer. Notwithstanding the foregoing, an Employee who incurs a Disability during the Plan Year or whose employment with the Employer terminates as a result of death or Normal Retirement shall, for purposes of this Section, be deemed to have completed one (1) Year of Service during that Plan Year.

(c) The Company may elect to treat all or a portion of Employer Mandatory Contributions for a Plan Year as Qualified Nonelective Contributions for purposes of the ADP test and/or the ACP test.

(d) The Employer may, with respect to a Plan Year, allocate Qualified Nonelective Contributions to such Participants and in such a manner as it deems necessary or appropriate to satisfy the requirements of the Plan. Such contributions, to the extent necessary, shall satisfy the requirements of Treasury Regulations Section 1.401(k)-2(a)(6) and 1.401(m)-2(a)(6).

(e) For all purposes of the Plan, Employer Mandatory Contributions and Qualified Nonelective Contributions shall be subject to the distribution limitations of Article VI. Amounts allocated to a Participant's Qualified Nonelective Contributions Account shall not be eligible for hardship distribution under Section 6.17.

4.5 **Limitations on Contributions.** Contributions for any Plan Year shall not exceed the maximum amount allowable as a deduction to the Employer under the provisions of Code Section 404. Notwithstanding the preceding sentence, to the extent necessary to provide Top Heavy minimum allocations, the Employer shall make Contributions, even if such Contributions exceed the amount deductible to the Employer under the provisions of Code Section 404.

4.6 **Time and Manner of Payment of Contributions.** Contributions shall be paid to the Trustee in such manner and at such time as determined by the Administrator, subject to the timing requirements of applicable law.

4.7 **Receipt of Assets from Another Plan.**

(a) If directed by the Administrator, the Trustee shall accept a transfer of assets for the benefit of an Eligible Employee or group of Eligible Employees. Such assets shall be (i) received directly from the trustee of a tax-qualified plan under Code Section 401(a) and related tax-exempt trust under Code Section 501(a); (ii) received from the Eligible Employee in accordance with Code Section 402(c) or 501(a); (iii) received from the Eligible Employee in accordance with Code Section 402(c) or 408(d)(3); or (iv) transferred in the form of a Direct Rollover from another tax-qualified plan. The Plan will accept a Direct Rollover from (A) a qualified plan described in Code Section 401(a) or 403(a) (excluding after-tax employee contributions); (B) an annuity contract described in Code Section 403(b) (excluding after-tax employee contributions); or (C) an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. The Plan will not accept a Rollover Contribution of the portion of a distribution from an individual retirement account or annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includible in gross income. Notwithstanding the foregoing, the Plan will accept a Rollover Contribution to a Roth Salary Deferral Contributions Account only if it is a direct rollover from another Roth elective deferral account under an applicable retirement plan described in Code Section 402A(e)(1) and only to the extent the rollover is permitted under the rules of Code Section 402(c).

(b) Amounts attributable to elective contributions (as defined in Regulation Section 1.401(k)-6), including amounts treated as elective contributions which are transferred in a plan-to-plan transfer, shall be subject to the distribution limitations provided in Regulation Section 1.401(k)-1(d).

ARTICLE V.

ACCOUNTS

5.1 **Participant's Accounts.** The following separate Accounts, if applicable, shall be maintained for each Participant:

- (a) **Salary Deferral Contributions.** A Participant's Salary Deferral Contributions Account shall be credited with all amounts attributable to Salary Deferral Contributions (excluding any Roth Salary Deferral Contributions) pursuant to Section 4.1.
- (b) **Roth Salary Deferral Contributions.** A Participant's Roth Salary Deferral Contributions Account shall be credited with all amounts attributable to Roth Salary Deferral Contributions pursuant to Section 4.2 and amounts rolled over to the Plan from another Roth elective deferral account under an applicable retirement plan described in Code Section 402A(e)(1).
- (c) **Employer Mandatory Contributions.** A Participant's Employer Mandatory Contributions Account shall be credited with all amounts attributable to Employer Mandatory Contributions pursuant to Section 4.4.
- (d) **Employer Matching Contributions.** A Participant's Employer Matching Contributions Account shall be credited with all amounts attributable to Employer Matching Contributions pursuant to Section 4.3.
- (e) **Qualified Matching Contributions.** A Participant's Qualified Matching Contributions Account shall be credited with all amounts attributable to Qualified Matching Contributions pursuant to Section 4.3.
- (f) **Qualified Nonelective Contributions.** A Participant's Qualified Nonelective Contributions Account shall be credited with all amounts attributable to Qualified Nonelective Contributions pursuant to Section 4.4.
- (g) **Rollover Contributions.** A Participant's Rollover Contributions Account shall be credited with all amounts transferred to the Plan pursuant to Section 4.7.
- (h) **PTI Plan Account.** A Participant's PTI Plan Account shall be maintained on behalf of each Participant whose account balance was transferred from the Performance Technologies, Incorporated Savings Plan to this Plan pursuant to the merger of that plan with and into this Plan.
- (i) **Pension Plan Account.** A Participant's Pension Plan Account shall be maintained on behalf of each Participant whose account balance was transferred from
The Failure Group, Inc. Employee Pension Plan to this Plan pursuant to the merger of that plan with and into this Plan.
- (j) **FaAA Plan Account.** A Participant's FaAA Plan Account shall be maintained on behalf of each Participant whose account balance was transferred from The Failure Analysis Associates Employee Pension Plan to this Plan pursuant to the merger of that plan with and into this Plan.
- (k) **Other Accounts.** Such other Account(s) as the Administrator shall deem necessary or appropriate.

5.2 **Allocation of Contributions.** As of each Valuation Date, the Administrator shall allocate to the Accounts of each Participant the Contributions made on his or her behalf, and, if applicable, the Rollover Contributions, since the preceding Valuation Date.

5.3 **Allocation of Earnings.**

(a) As of each Valuation Date, the Trustee shall determine the net fair market value of all assets of the Trust, and the Trustee shall then report such value to the Administrator. The Administrator shall adjust each

Account: first, to reflect any allocations made to, or any distributions or withdrawals made from, such Account since the immediately preceding Valuation Date, to the extent not previously credited or charged thereto, and second, to reflect the Earnings allocable to each Account in accordance with paragraph (b) below. If an allocation of Contributions and/or Rollover Contributions is to be made to the Accounts as of the same Valuation Date, then the adjustments required under this Section shall be made prior to such allocation.

(b) The Administrator shall maintain a separate record of all Earnings of the Trust attributable to each Participant's Account. Each Participant's Account shall be credited or charged with the Earnings attributable to the investments in such Account over the relevant period as of each Valuation Date.

5.4 **Section 415 Limitations.**

(a) **Limitation on Annual Contributions.** Notwithstanding any other provision of the Plan, except to the extent permitted under Code Section 414(v), the maximum Annual Addition (as defined in Subsection (b) of this Section 5.4) to a Participant's Account for any limitation year (which shall be the calendar year) shall in no event exceed the lesser of (a) 100% of his Section 415 Compensation for such year whether or not he is a Participant for the entire year, or (b) \$40,000 (as adjusted pursuant to Code Section 415(d)).

(b) **Definition of Annual Addition.** For the purposes of this Section 5.4, the term "Annual Addition" shall mean the sum for any calendar year of:

(i) all contributions allocated to the Participant's Account pursuant to a defined contribution plan maintained by the Employer;

(ii) all forfeitures allocated to the Participant's Account pursuant to a defined contribution plan maintained by the Employer; and

(iii) in the case of a Participant who, at any time during such year or any preceding year, is or was a key employee (as such term is defined in Code Section 416(i)), any amount attributable to medical benefits allocated to an account established on his behalf under Code Section 419A(d)(1).

(c) **Maximum Annual Additions.** For purposes of applying the limitations set forth in Subsection (a), all qualified defined contribution plans (whether or not terminated) ever maintained by the Employer shall be treated as one defined contribution plan.

(d) **Correction of Excess Annual Addition.** If the limitation on Annual Additions is exceeded with respect to any Participant for a Plan Year, such excess Annual Addition shall be corrected in accordance with the Employee Plans Compliance Resolutions System (EPCRS), as set forth in Revenue Procedure 2008-50 or any superseding guidance issued by the Internal Revenue Service or the Treasury Department.

5.5 **Discrimination Testing of Salary Deferral Contributions.**

(a) **Definitions.**

(i) "Actual Deferral Percentage" ("ADP") shall mean, for a specified group of Participants (either Highly Compensated Employees or Non-Highly Compensated Employees) for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (1) the amount of Employer contributions actually paid over to the Trust on behalf of such Participant for the Plan Year to (2) the Participant's Section 415 Compensation for such Plan Year. Employer contributions on behalf of any Participant shall include: (1) any Elective Deferrals (other than Catch-up Contributions) made pursuant to the Participant's deferral election (including Excess Elective Deferrals of Highly Compensated Employees), but excluding (a) Excess Elective Deferrals of Non-Highly Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans of this Employer and (b) Elective Deferrals that are taken into account in the Actual Contribution Percentage test (provided the ADP test is satisfied both with and without exclusion of these Elective Deferrals); and (2) Qualified Nonelective Contributions and Qualified Matching Contributions. For purposes of computing Actual Deferral Percentages, an Employee who would be a Participant but for the failure to make Elective Deferrals shall be treated as a Participant on whose behalf no Elective Deferrals are made.

(ii) “Excess Contributions” shall mean, with respect to any Plan Year, the excess of (1) the aggregate amount of Employer contributions actually taken into account in computing the ADP of Highly Compensated Employees for such Plan Year, over (2) the maximum amount of such contributions permitted by the ADP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of the ADPs, beginning with the highest of such percentages).

(b) ADP. The ADP for a Plan Year for Participants who are Highly Compensated Employees for each Plan Year and the prior year’s ADP for Participants who were Non-Highly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

(i) The ADP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ADP for Participants who were Non-Highly Compensated Employees for the prior Plan Year multiplied by 1.25; or

(ii) The ADP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ADP for Participants who were Non-Highly Compensated Employees for the prior Plan Year multiplied by 2.0, provided that the ADP for Participants who are Highly Compensated Employees does not exceed the ADP for participants who were Non-Highly Compensated Employees in the prior Plan Year by more than 2 percentage points.

(c) Special Rules.

(i) A Participant is a Highly Compensated Employee for a particular Plan Year if he or she meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Non-Highly Compensated Employee for a particular Plan Year if he or she does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

(ii) The ADP for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if treated as Elective Deferrals for purposes of the ADP test) allocated to his or her Account under two or more arrangements described in Code Section 401(k), that are maintained by the Employer, shall be determined as if such Elective Deferrals (and, if applicable, such Qualified Nonelective Contributions or Qualified Matching Contributions, or both) were made under a single arrangement. If a Highly Compensated Employee participates in two or more arrangements described in Code Section 401(k) that are maintained by the Employer and that have different plan years, all Elective Deferrals made during the Plan Year under all such arrangements shall be aggregated. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Code Section 401(k).

(iii) In the event that this Plan satisfies the requirements of Code Section 401(k), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ADP of Employees as if all such plans were a single plan. If more than 10-percent of the Employer’s Non-Highly Compensated Employees are involved in a plan coverage change as defined in Treasury Regulations Section 1.401(k)-2(c)(4), then any adjustments to the Non-Highly Compensated Employees’ ADP for the prior year will be made in accordance with such Treasury Regulations. Plans may be aggregated in order to satisfy Code Section 401(k) only if they have the same Plan Year and use the same ADP testing method.

(iv) For purposes of determining the ADP test, Elective Deferrals, Qualified Nonelective Contributions and Qualified Matching Contributions must be made before the end of the 12-month period immediately following the Plan Year to which the contributions relate.

(d) Distribution of Excess Contributions. Notwithstanding any other provision of the Plan, Excess Contributions, plus any income allocable thereto as provided in Section 5.5(e), shall be distributed no later than 12 months after the end of the Plan Year to Participants to whose Accounts such Excess Contributions were allocated for such Plan Year, except to the extent such Excess Contributions are classified as Catch-up Contributions. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of Employer contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the Highly

Compensated Employee with the largest amount of such Employer contributions and continuing in descending order until all the Excess Contributions have been allocated. To the extent a Highly Compensated Employee has not reached his or her Catch-up Contribution limit under the Plan, Excess Contributions allocated to such Highly Compensated Employee are Catch-up Contributions and will not be treated as Excess Contributions. If such excess amounts (other than Catch-up Contributions) are distributed more than 2 ½ months after the last day of the Plan Year in which such excess amounts arose, a 10-percent excise tax will be imposed on the employer maintaining the Plan with respect to such amounts. Excess Contributions shall be treated as Annual Additions under the Plan even if distributed.

(e) Determination of Income or Loss. Excess Contributions shall be adjusted for any income or loss allocable thereto to the end of the Plan Year for which such Excess Contributions were made. The income or loss allocable to Excess Contributions allocated to each Participant is the income or loss allocable to the Participant's Salary Deferral Contributions Account (and, if applicable, the Roth Salary Deferral Contributions Account, Qualified Nonelective Contributions Account or the Qualified Matching Contributions Account or both) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator is the Participant's Account balance attributable to Elective Deferrals (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the ADP test) without regard to any income or loss occurring during such Plan Year.

(f) Accounting for Excess Contributions. Excess Contributions allocated to a Participant shall be distributed from the Participant's Salary Deferral Contributions Account, Roth Salary Deferral Account, and Qualified Matching Contributions (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the ADP test) for the Plan Year. Excess Contributions shall be distributed from the Participant's Roth Salary Deferral Contributions Account only to the extent that the Excess Contributions exceed the amount of Excess Contributions in the Participant's Salary Deferral Contributions Account and Qualified Matching Contributions Account. Excess Contributions shall be distributed from the Participant's Qualified Nonelective Contributions Account only to the extent that the Excess Contributions exceed the amount of Excess Contributions in the Participant's Salary Deferral Contributions Account, Qualified Matching Contributions Account, and Roth Salary Deferral Contributions Account.

5.6 Distribution of Excess Elective Deferrals.

(a) Definitions.

(i) "Catch-up Contributions" are Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by Participants who are age 50 or over by the end of their taxable years. An otherwise applicable Plan limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch-up Contributions, such as the limits on Annual Additions, the dollar limitation on Elective Deferrals under Code Section 402(g) (not counting Catch-up Contributions) and the limit imposed by the actual deferral percentage (ADP) test under Code Section 401(k)(3). Catch-up Contributions for a Participant for a taxable year may not exceed the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(b)(i) for the taxable year. The dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) is \$5,500 for taxable years beginning in 2014 and will be adjusted in later years by the Secretary of the Treasury for cost-of-living increases under Code Section 414(v)(2)(C). Any such adjustments will be in multiples of \$500. Catch-up Contributions are not subject to the limits on Annual Additions, are not counted in the ADP test and are not counted in determining the minimum allocation under Code Section 416 (but Catch-up Contributions made in prior years are counted in determining whether the Plan is top-heavy).

(ii) "Elective Deferrals" shall mean any Employer contributions made to the Plan at the election of the Participant in lieu of cash compensation. With respect to any taxable year, a Participant's Elective Deferrals is the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under any qualified cash or deferred arrangement described in Code Section 401(k), any Roth contributions made on behalf of such Participant pursuant to an election to defer under Code Section 402A, any salary reduction simplified employee pension described in Code Section 408(k)(6), any SIMPLE IRA plan described in Code Section 408(p) and any plan described under Code Section 501(c)(18), and any employer contributions made on behalf of a participant for the purchase of an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as excess Annual Additions.

(iii) “Excess Elective Deferrals” shall mean those Elective Deferrals of a Participant that either (1) are made during the Participant’s taxable year and exceed the dollar limitation under Code Section 402(g) (including, if applicable, the dollar limitation on Catch-up Contributions defined in Code Section 414(v)) for such year; or (2) are made during a calendar year and exceed the dollar limitation under Code Section 402(g) (including, if applicable, the dollar limitation on Catch-up Contributions defined in Code Section 414(v)) for the Participant’s taxable year beginning in such calendar year, counting only Elective Deferrals made under this Plan and any other plan, contract or arrangement maintained by the Employer.

(b) Limit on Elective Deferrals. No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other plan, contract or arrangement maintained by the Employer, during any calendar year, in excess of the dollar limitation contained in Code Section 402(g) in effect for the Participant’s taxable year beginning in such calendar year. In the case of a Participant aged 50 or over by the end of the taxable year, the dollar limitation described in the preceding sentence includes the amount of Elective Deferrals that can be Catch-up Contributions. The dollar limitation contained in Code Section 402(g) is \$17,500 for taxable years beginning in 2014 and will be adjusted in later years by the Secretary of the Treasury for cost-of-living increases under Code Section 402(g)(4). Any such adjustments will be in multiples of \$500.

(c) Notification by Participant of Excess Elective Deferrals. A Participant may assign to this Plan any Excess Elective Deferrals made during a taxable year of the Participant by notifying the Administrator on or before March 1st of the year following the close of the Participant’s taxable year in which the Excess Elective Deferrals were made. A Participant is deemed to notify the Administrator of any Excess Elective Deferrals that arise by taking into account only those Elective Deferrals made to this Plan and any Other Plan of the Employer.

(d) Reimbursement of Excess Elective Deferrals and Forfeiture of Related Matching Contributions. Notwithstanding any other provision of the Plan, Excess Elective Deferrals, plus any income and minus any loss allocable thereto to the end of the Plan Year for which such Excess Elective Deferrals were made, shall be distributed no later than April 15th to any Participant to whose account Excess Elective Deferrals were assigned for the preceding year and who claims Excess Elective Deferrals for such taxable year or calendar year. Employer Matching Contributions made on account of such Excess Elective Deferrals shall be forfeited as soon as administratively feasible thereafter and applied to reduce future Employer Contributions.

(e) Determination of Income or Loss. Excess Elective Deferrals shall be adjusted for any income or loss to the end of the Plan Year for which such Excess Elective Deferrals were made. The income or loss allocable to Excess Elective Deferrals is the income or loss allocable to the Participant’s Salary Deferral Contributions Account or Roth Salary Deferral Contributions Account (as appropriate) for the taxable year multiplied by a fraction, the numerator of which is such Participant’s Excess Elective Deferrals for the year and the denominator is the Participant’s account balance attributable to Elective Deferrals without regard to any income or loss occurring during such taxable year.

5.7 Discrimination Testing of Employer Matching Contributions.

(a) Definitions.

(i) “Actual Contribution Percentage” (“ACP”) shall mean, for a specified group of participants (either Highly Compensated Employees or Non-Highly Compensated Employees) for a Plan Year, the average of the Contribution Percentages of the Eligible Participants in the group.

(ii) “Contribution Percentage” shall mean the ratio (expressed as a percentage) of the Participant’s Contribution Percentage Amounts to the Participant’s Section 415 Compensation for the Plan Year.

(iii) “Contribution Percentage Amounts” shall mean the sum of the Salary Deferral Contributions, Matching Contributions, and Qualified Matching Contributions (to the extent not taken into account for purposes of the ADP test) made under the Plan on behalf of the participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Deferrals, Excess Contributions, or Excess Aggregate Contributions. The Employer may include Qualified Nonelective Contributions in the Contribution Percentage Amounts. The Employer also may elect to use Elective Deferrals in the Contribution Percentage Amounts so long as the ADP test is met before the Elective Deferrals are used in the ACP test and continues to be met following the exclusion of those Elective Deferrals that are used to meet the ACP test.

(iv) “Eligible Participant” shall mean any Employee who is eligible to make an Elective Deferral (if the Employer takes such contributions into account in the calculation of the Contribution Percentage) , or to receive an Employer Matching Contribution (including forfeitures) or a Qualified Matching Contribution.

(v) “Matching Contribution” shall mean an Employer contribution made to this or any other defined contribution plan on behalf of a Participant on account of a participant’s Elective Deferral, under a plan maintained by the Employer.

(b) Prior Year Testing. The Actual Contribution Percentage (“ACP”) for a Plan Year for Participants who are Highly Compensated Employees for each Plan Year and the prior year’s ACP for Participants who were Non-Highly Compensated Employees for the prior Plan Year must satisfy one of the following tests:

(i) The ACP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ACP for participants who were Non-Highly Compensated Employees for the prior Plan Year multiplied by 1.25; or

(ii) The ACP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ACP for Participants who were Non-Highly Compensated Employees for the prior Plan Year multiplied by 2, provided that the ACP for Participants who are Highly Compensated Employees does not exceed the ACP for Participants who were Non-Highly Compensated Employees in the prior Plan Year by more than 2 percentage points.

(c) Special Rules.

(i) A Participant is a Highly Compensated Employee for a particular Plan Year if he or she meets the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a Non-Highly Compensated Employee for a particular Plan Year if he or she does not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

(ii) For purposes of this Section, the Contribution Percentage for any Participant who is a Highly Compensated Employee and who is eligible to have Contribution Percentage Amounts allocated to his or her account under two or more plans described in Code Section 401(a), or arrangements described in Code Section 401(k) that are maintained by the Employer, shall be determined as if the total of such Contribution Percentage Amounts was made under each plan and arrangement. If a Highly Compensated Employee participates in two or more such plans or arrangements that have different plan years, all Contribution Percentage Amounts made during the Plan Year under all such plans and arrangements shall be aggregated. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Code Section 401(m).

(iii) In the event that this Plan satisfies the requirements of Code Sections 401(m), 401(a)(4) or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this Section shall be applied by determining the ACP of Employees as if all such plans were a single plan. If more than 10-percent of the Employer’s Non-Highly Compensated Employees are involved in a plan coverage change as defined in Treasury Regulations Section 1.401(m) - 2(c)(4), then any adjustments to the Non-Highly Compensated Employees’ ADP for the prior year will be made in accordance with such Treasury Regulations. Plans may be aggregated in order to satisfy Code Section 401(m) only if they have the same Plan Year and use the same ACP testing method.

(iv) For purposes of the ACP test, Matching Contributions and Qualified Nonelective Contributions will be considered made for a Plan Year if made no later than the end of the 12 - month period beginning on the day after the close of the Plan Year. Employee Contributions are considered to have been made in the Plan Year in which contributed to the Trust Fund.

Corrective Procedure for Discriminatory Matching Contributions.

(a) **Definition - Excess Aggregate Contributions.** “Excess Aggregate Contributions” shall mean, with respect to any Plan Year, the excess of: (a) the aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over (b) the maximum Contribution Percentage Amounts permitted by the ACP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages). Such determination shall be made after first determining Excess Elective Deferrals and then determining Excess Contributions.

(b) **Distribution of Excess Aggregate Contributions.** Notwithstanding any other provision of the Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto to the end of the Plan Year for which such Excess Aggregate Contributions were made, shall be forfeited, if forfeitable, or if not forfeitable, distributed no later than 12 months after a Plan Year to Participants to whose Accounts such Excess Aggregate Contributions were allocated for such Plan Year. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all the Excess Aggregate Contributions have been allocated. If such Excess Aggregate Contributions are distributed more than 2-1/2 months after the last day of the Plan Year in which such excess amounts arose, a 10- percent excise tax will be imposed on the Employer with respect to those amounts. Excess Aggregate Contributions shall be treated as annual additions under the Plan even if distributed.

(c) **Determination of Income or Loss.** Excess Aggregate Contributions shall be adjusted for any income or loss to the end of the Plan Year for which such Excess Aggregate Contributions were made. The income or loss allocable to Excess Aggregate Contributions allocated to each Participant is the income or loss allocable to the Participant’s Employer Matching Contributions Account, Qualified Matching Contributions Account (if any, and if all amounts therein are not used in the ADP test) and, if applicable, Qualified Nonelective Contributions Account and Elective Deferral Account for the Plan Year multiplied by a fraction, the numerator of which is such Participant’s Excess Aggregate Contributions for the year and the denominator is the Participant’s Account balance(s) attributable to Contribution Percentage Amounts without regard to any income or loss occurring during such Plan Year.

(d) **Forfeitures of Excess Aggregate Contributions.** Forfeitures of Excess Aggregate Contributions shall be applied to reduce Employer contributions.

(e) **Accounting for Excess Aggregate Contributions.** Excess Aggregate Contributions allocated to a Participant shall be forfeited, if forfeitable or distributed on a pro-rata basis from the Participant’s Employer Matching Contributions Account, and Qualified Matching Contribution account (and, if applicable, one or more of the Participant’s Qualified Nonelective Contributions Account, Salary Deferral Contributions Account, and Roth Salary Deferral Contributions Account).

ARTICLE VI.

VESTING AND DISTRIBUTION OF ACCOUNTS

6.1 Vested Interest.

(a) A Participant's interest in his or her Salary Deferral Contributions Account, Roth Salary Deferral Contributions Account, Qualified Matching Contributions Account, Qualified Nonelective Contributions Account, Rollover Contributions Account, Pension Plan Account and FaAA Plan Account shall be at all times fully vested and nonforfeitable.

(b) If a Participant, with a PTI Plan Account, was employed by the Company on December 31, 1998, then such Participant's PTI Plan Account shall be at all times fully vested and nonforfeitable. If, however, a Participant with a PTI Plan Account terminated employment with the Company prior to December 31, 1998, then such Participant's vested interest in his or her PTI Plan Account shall be determined according to the vesting Schedule in Appendix C.

(c) If a Participant was employed by the Company, or any other Participating Employer who is designated by the Board to participate in making Employer Mandatory Contributions, on January 1, 1999, then such Participant's interest in his or her Employer Mandatory Contribution Account, if any, shall be at all times fully vested and nonforfeitable.

(d) A Participant's interest in his or her Employer Matching Contributions Account and, if the Participant's Employment Commencement Date was after January 1, 1999, then his or her Employer Mandatory Contributions Account shall be fully vested and nonforfeitable at the Participant's Normal Retirement, death, Disability, or upon termination of the Plan. A Participant's interest in his or her Employer Matching Contributions Account and Employer Mandatory Contributions Account (to the extent not fully vested in paragraph (c) above) which is not fully vested shall be subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

(e) In the case of an Employee who does not have a nonforfeitable right to a benefit under the Plan, Years of Service before his Break in Service shall not be taken into account for purpose of the vesting Schedule only if the number of his consecutive one (1)-year Breaks in Service equals or exceeds the greater of five or the aggregate number of his Years of Service before his Break in Service; and such aggregate number of his Years of Service before his Break in Service shall not include any Years of Service not required to be taken into account under this paragraph by reason of any prior Break in Service.

(f) If the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable percentage, or if the Plan is deemed amended by an automatic change to a Top-Heavy vesting schedule, then each Participant who is credited with three (3) Years of Service and whose Account would have vested more rapidly prior to the amendment, may irrevocably elect during the election period to have the nonforfeitable percentage of his or her Account calculated without regard to such amendment. For purposes of this Section, the election period shall begin the date the amendment is adopted, and shall end on the date sixty (60) days after the latest of (i) the date the amendment is adopted, (ii) the date the amendment becomes effective, or (iii) the date the Participant is issued written notice of the amendment by the Participating Employer or the Administrator. For each Participant who has at least three (3) Years of Service and is not 100% vested in his Employer Matching Contributions Account and Employer Mandatory Contributions Account, if any, on January 1, 2002, Years of Service for vesting purposes shall be calculated using either (i) the Company's fiscal year, that is, the twelve (12) consecutive-month period beginning each year on the Saturday which falls closest to the last day of December, and ending each year on the Friday which falls closest to the last day of December or (ii) the Company's fiscal year through December 28, 2001 and commencing January 1, 2002, the calendar year thereafter, whichever results in a larger vested percentage in the Participant's Account.

(g) For purposes of determining a Participant's vested percentage in his Employer Matching Contributions and Employer Mandatory Contributions, Participants who were employed by Novigen immediately prior to the Company's acquisition of Novigen and became Employees on May 20, 2002 shall be credited under the Plan with all hours of service and years of service such Participants earned while employed by Novigen. For purposes of the foregoing, the terms "hours of service" and "years of service" shall be as defined in Sections 2.25 and 2.46, respectively, except that Novigen shall be considered the Employer.

6.2 **Forfeitures.**

(a) If a Participant is required to take a distribution pursuant to Section 6.8 (the "cash-out rule"), then following the Participant's Severance Date, the Participant shall receive a distribution of the value of the entire vested portion of his or her Account balance in accordance with Sections 6.8 through 6.11. The nonvested portion of the Participant's Account balance shall be treated as a forfeiture as of the earlier of (i) the date on which the distribution occurs, or (ii) the last day of the Plan Year in which the Participant incurs five (5) consecutive one (1)-year Breaks in Service. For purposes of this Section, if the value of a Participant's vested Account balance is zero (0), then the Participant shall be deemed to have received a distribution of such vested Account balance as of his or her Severance Date.

(b) If a Participant has the option to elect and does elect to receive the value of his or her vested Account balance following his or her Severance Date in accordance with the requirements of Section 6.8, then the nonvested portion of the Participant's Account balance shall be treated as a forfeiture as of the earlier of (i) the date on which the distribution occurs, or (ii) the last day of the Plan Year in which the Participant incurs five (5) consecutive one (1)-year Breaks in Service.

(c) If a Participant has the option to elect and does not elect to receive the value of his or her vested Account balance following his or her Severance Date in accordance with the requirements of Section 6.8, then the nonvested portion of the Participant's Account balance shall be treated as a forfeiture as of the last day of the Plan Year in which the Participant incurs five (5) consecutive one (1)-year Breaks in Service.

(d) If a Participant is not fully vested in his or her Account, and that Participant receives a distribution in accordance with the requirements of Section 6.8 and then resumes employment with a Participating Employer, then that Participant's Employer Matching Contributions Account and Employer Mandatory Contributions Account balances shall be restored to the amount on the date of distribution; provided, however, the Participant repays to the Plan the full amount of the distribution attributable to Employer Matching Contributions and Employer Mandatory Contributions before the earlier of five (5) years after the Participant's Reemployment Commencement Date, or the date the Participant incurs five (5) consecutive one (1)-year Breaks in Service following the date of the distribution. If a Participant is deemed to receive a distribution pursuant to paragraph (a) above, and the Participant resumes employment covered under the Plan before the date the Participant incurs five (5) consecutive one (1)-year Breaks in Service, then, upon the Participant's Reemployment Commencement Date, the Employer Matching Contributions Account and Employer Mandatory Contributions Account balances of the Participant shall be restored to the amount on the date of such deemed distribution.

(e) Any amounts forfeited pursuant to this Section, Section 5.4 or Section 5.8 shall be applied first, to restore Accounts pursuant to paragraph (d) above, second to reduce the Participating Employers' obligations to make Employer Mandatory Contributions, third to reduce the Participating Employers' obligation to make Employer Matching Contributions, and fourth, to pay administrative expenses under the Plan.

6.3 **Early Retirement.** Except as may be specified in one or more of the Appendices, the Plan does not provide for any Early Retirement. If an Appendix provides for Early Retirement, then a Participant may retire as of any day on or after his or her Early Retirement. In such event, the Participant's Account shall be distributed in accordance with the applicable Appendix.

6.4 **Normal Retirement.** A Participant may retire as of any day on or after his or her Normal Retirement. In such event, the Participant's Account shall be distributed in accordance with Sections 6.8 through 6.12 or, if applicable, the Appendices.

6.5 **Disability.** If a Participant terminates employment with a Participating Employer due to Disability, then the Participant's Account shall be distributed in accordance with Sections 6.8 through 6.12 or, if applicable, the Appendices.

6.6 **Death Benefits.** If a Participant or former Participant dies before the entire vested balance of his or her Account has been distributed, then the vested balance in his or her Account shall be paid to the Participant's Beneficiary in accordance with Sections 6.8 through 6.12 or, if applicable, the Appendices.

6.7 **Termination of Employment.** Following a Participant's Severance Date, the Participant's Account shall be valued in accordance with the Administrator's procedures, and distributed in accordance with Sections 6.8 through 6.12 or, if applicable, the Appendices.

6.8 **Commencement of Distribution.**

(a) Subject to Sections 6.9 through 6.12 below, following a Participant's Severance Date, the Participant's Account shall be distributed at a date designated by the Administrator, which designation (except as provided below) shall be determined in accordance with the Administrator's procedures.

(b) Effective for distributions made prior to March 22, 1999:

(i) if the Participant's vested Account balance does not exceed Five Thousand Dollars (\$5,000) at the time of distribution (or at the time any prior distribution), then the Participant shall receive a lump sum distribution of the entire vested portion of such Account balance and the nonvested portion shall be treated as a forfeiture; or

(ii) if the Participant's vested Account balance exceeds Five Thousand Dollars (\$5,000) at the time of distribution (or at the time of any prior distribution), then the Participant, or if the Participant is deceased, the Participant's Spouse must consent in writing prior to the distribution.

(c) Effective for distributions made on or after March 22, 1999:

(i) if the Participant's vested Account balance does not exceed Five Thousand Dollars

(\$5,000) at the time of distribution, then the Participant shall receive a lump sum distribution of the entire vested portion of such Account balance and the nonvested portion shall be treated as a forfeiture. In the event of such a mandatory lump sum distribution greater than \$1,000, if the Participant does not elect to have such distribution paid directly to an “eligible retirement plan” (as defined in Section 6.10) specified by the Participant in a direct rollover or to receive the distribution directly in the manner set forth in the Plan, then the Plan Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator; or

(ii) if the Participant’s vested Account balance exceeds Five Thousand Dollars (\$5,000) at the time of distribution, then the Participant, or if the Participant is deceased, the Participant’s Spouse, must consent in writing prior to the distribution.

(iii) Notwithstanding the foregoing, if a Participant has begun to receive a distribution pursuant to an optional form of benefit under which at least one (1) scheduled periodic distribution is still payable, and if the value of the Participant’s vested Account balance exceeded Five Thousand Dollars (\$5,000) at the time of the first distribution under that optional form of benefit, then the remaining value of the Participant’s vested Account balance may not be distributed without the written consent of the Participant, or if the Participant is deceased, the Participant’s Spouse.

(d) If consent is required for a distribution, then the Participant, or if the Participant is deceased, the Participant’s Spouse, must consent in writing to the distribution before it may be made and within the one hundred eighty (180)-day period ending on the first day on which all of the events have occurred that entitle the Participant to such benefit (the “Annuity Starting Date”). If the Participant or, if applicable, the Participant’s Spouse, consents to the distribution, such distribution shall include all of the Participant’s vested Account balance. If the Participant or, if applicable, the Participant’s Spouse, does not consent in writing to the distribution, then the Participant’s vested Account balance shall be held in the Trust until the maximum period permitted under paragraph (e) below. If consent to a distribution is required hereunder, then at least thirty (30) days and not more than one hundred eighty (180) days prior to the Annuity Starting Date the Administrator shall provide the Participant or, if applicable, the Participant’s Spouse with a notice of the right to elect immediate distribution or the right to defer distribution until the Participant’s Normal Retirement.

(e) Unless the Participant elects otherwise by providing the Administrator with an executed written notice specifying the Participant’s benefit under the Plan and the commencement date for distribution of the Participant’s Account, then distribution to a Participant shall commence no later than sixty (60) days following the close of the Plan Year in which occurs the latest of:

(i) the date the Participant attains Normal Retirement;

(ii) the tenth (10th) anniversary of the date on which the Participant first commences participation in the Plan; or

(iii) the Participant’s Severance Date. Notwithstanding the foregoing, the failure of a Participant (and/or, where applicable, the Participant’s Spouse) to consent to a distribution while a benefit is immediately distributable within the meaning of this Section, shall be deemed to be an election to defer commencement of payment of any benefit.

(f) Spousal Consent shall be required for distributions. Notwithstanding the foregoing, and if the normal form of distribution specified in any of the Appendices is a Qualified Joint and Survivor Annuity, then only the affected Participant (and not his or her Spouse) need consent to the commencement of a distribution in the form of a Qualified Joint and Survivor Annuity. Neither the consent of the Participant nor the Participant’s Spouse shall be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or 415. In addition, upon termination of this Plan, to the extent the Plan does not offer an annuity option (purchased from a commercial provider) and if the Employer does not maintain another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), then the Participant’s Account balance shall, without the Participant’s consent, be distributed in a single lump sum to the Participant. However, if the Employer maintains another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), then the Participant’s Account balance shall be transferred, without the Participant’s consent, to the other plan if the Participant does not

consent to an immediate distribution.

(g) Notwithstanding anything to the contrary in the Plan, distribution of each Participant's Account shall begin no later than the Participant's Required Beginning Date regardless of whether the Participant has consented to such a distribution.

(h) If a distribution is one for which Code Sections 401(a)(11) and 417 do not apply, then such distribution may commence less than thirty (30) days after the notice required under Regulation Section 1.411(a)-11(c) is given, provided that: (i) the Administrator informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option); and (ii) the Participant, after receiving the notice, affirmatively elects a distribution and waives the thirty (30)-day period by written notice.

6.9 **Special Distribution Rules for Salary Deferral Contributions and Qualified Nonelective Contributions.** Salary Deferral Contributions and Qualified Nonelective Contributions, including Earnings thereon, shall also, as determined by the Board, be eligible for distribution upon:

(a) the transfer by the Employer to any other employer of substantially all of the assets (within the meaning of Code Section 409(d)(2)) used by the Employer in a trade or business, but only with respect to Participants who continue employment with the other employer who acquired such assets; or

(b) the transfer by the Employer of such Employer's interest in a subsidiary (within the meaning of Code Section 409(d)(2)) to any other employer, but only with respect to Participants who continue employment with such transferred subsidiary, and so long as the Company maintains this Plan.

6.10 **Direct Rollovers and Withholding.**

(a) **Definitions.**

(i) **Direct Rollover.** "Direct Rollover" means an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan for the benefit of a Distributee.

(ii) **Distributee.** "Distributee" means a Participant, a Surviving Spouse of a deceased Participant, or a Spouse entitled to payment under a Qualified Domestic Relations Order. In addition, a Participant's non-spouse Beneficiary is a Distributee with regard to the interest of a deceased Participant.

(iii) **Eligible Retirement Plan.** "Eligible Retirement Plan" means an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401(a), that accepts the Distributee's eligible rollover distribution. An "Eligible Retirement Plan" also means an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from the Plan. The definition of "Eligible Retirement Plan" also applies in the case of a distribution to a Surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, as defined in Section 7.7(iii) of the Plan. However, in the case of an Eligible Rollover Distribution made with respect to a non-spouse Beneficiary, an "Eligible Retirement Plan" shall mean an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) established for the purpose of receiving a distribution on behalf of the Participant's or former Participant's designated non-spouse Beneficiary.

(iv) **Eligible Rollover Distribution.** "Eligible Rollover Distribution" means any distribution of all or any portion of the balance credited to the Account of a Distributee, except that an Eligible Rollover Distribution does not include:

(A) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or

joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten years or more;

(B) any distribution to the extent such distribution is required under Code Section 401(a)(9); and

(C) any hardship distribution described in Code Section 401(k)(2)(B)(i)(IV) (and the Participant may not elect to have any portion of such a hardship distribution paid directly to an Eligible Retirement Plan).

(b) **General Rule.** If the Distributee of any Eligible Rollover Distribution from the Plan elects to have all or a specified portion of the Eligible Rollover Distribution paid directly to an Eligible Retirement Plan, and specifies the Eligible Retirement Plan to which the Eligible Rollover Distribution is to be paid, then the Eligible Rollover Distribution shall be paid to that Eligible Retirement Plan in a Direct Rollover. Notwithstanding the foregoing, any Eligible Rollover Distribution from a Roth Salary Deferral Contributions Account under the Plan will only be made to: (i) another Roth elective deferral account under an applicable retirement plan described in Code Section 402A(e)(1); or (ii) a Roth IRA described in Code Section 408A, and in the case of both subparagraphs (i) and (ii), only to the extent the rollover is permitted under the rules of Code Section 402(c).

(c) **Notice.** Not earlier than 180 days or later than 30 days before the payment of an eligible rollover distribution (or such other time as is prescribed by Treasury regulations or rulings), the Company shall provide a written notice to the Distributee describing his or her rights under this Section and such other information required to be provided under Code Section 402(f).

6.11 **Form of Benefit.**

(a) **Normal Form of Benefit.** Unless specified in one or more of the Appendices, benefits shall be paid to the Participant or the Participant's Beneficiary in the form of a single lump sum, unless the Participant elects otherwise.

(b) **Optional Forms of Benefit.** The Participant may elect substantially- equal annual installments over either (i) the life expectancy of the Participant or the joint life expectancies of the Participant and his or her Beneficiary; or (ii) a specified period of years which shall not exceed the Life Expectancy of the Participant or the joint Life Expectancies of the Participant and his or her Beneficiary, provided, however, Life Expectancy(ies) shall not be recalculated.

6.12 **Minimum Distribution Requirements.**

(a) **Definitions.**

(i) **Designated Beneficiary.** "Designated Beneficiary" means the individual who is designated as the Participant's Beneficiary and is the designated beneficiary under Code Section 401(a)(9) and Regulation Section 1.401(a)(9)-1, Q&A-4.

(ii) **Distribution Calendar Year.** "Distribution Calendar Year" means a calendar year for which a minimum distribution is required.

(iii) **Five Percent Owner.** "Five Percent Owner" means a Participant who is a five percent owner as defined in Code Section 416(i) at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 ½.

(iv) Life Expectancy. “Life Expectancy” means life expectancy as computed by use of the Single Life Table in Regulation Section 1.401(a)(9)-9.

(v) Participant’s Benefit. Participant’s Benefit means the Participant’s Account balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (“Valuation Calendar Year”) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the Valuation Calendar Year after the Valuation Date and decreased by distributions made in the Valuation Calendar Year after the Valuation Date. The Account balance for the Valuation Calendar Year includes any amounts rolled over or transferred to the Plan either in the Valuation Calendar Year or in the Distribution Calendar Year if distributed or transferred in the Valuation Calendar Year.

(vi) Required Beginning Date. “Required Beginning Date” means for Five Percent Owners, the first day of April following the calendar year in which the Participant attains age 70 ½. Once begun, distributions to a Five Percent Owner under this Section must continue to be distributed, even if the Participant ceases to be a Five Percent Owner in a subsequent year. For Non-Five Percent Owners, “Required Beginning Date” means:

(A) Participants who are not Five Percent Owners, but who Attain Age 70 ½ prior to January 1, 1996. The first day of April in the calendar year following the calendar year in which the Participant attains age 70 ½.

(B) Participants who are not Five Percent Owners and who Attain Age 70 ½, between January 1, 1996 and December 31, 1998. The first day of April in the calendar year following the calendar year in which the later of attainment of age 70 1/2, or the Participant’s Severance Date occurs; provided, however, that an Employee whose Severance Date has not occurred may irrevocably elect, in writing, to defer distribution until that Employee’s Severance Date.

(C) Participants who are not Five Percent Owners and who Attain Age 70 ½, after December 31, 1998. The first day of April in the calendar year following the calendar year in which occurs the Participant’s Severance Date.

(b) Time and Manner of Distribution.

(i) Required Beginning Date. The Participant’s entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant’s Required Beginning Date.

(ii) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant’s entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant’s Surviving Spouse is the Participant’s sole Designated Beneficiary, then except as provided in Section 6.12(e), distributions to the Surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 ½, if later.

(B) If the Participant’s Surviving Spouse is not the Participant’s sole Designated Beneficiary, then except as provided in Section 6.12(e), distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant’s death, the Participant’s entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant’s death.

(D) If the Participant’s Surviving Spouse is the Participant’s sole Designated Beneficiary and the Surviving Spouse dies after the Participant but before distributions to the Surviving Spouse begin, this Section 6.12(b)(ii), other than Section 6.12(b)(ii)(A), will apply as if the Surviving Spouse were the Participant. If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before

the Participant's Required Beginning Date (or to the Participant's Surviving Spouse before the date distributions are required to begin to the Surviving Spouse under Section 6.12(b)(ii)(A)), the date distributions are considered to begin is the date distributions actually commence.

(iii) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 6.12(c) and 6.12(d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury Regulations.

(c) Required Minimum Distributions During Participant's Lifetime.

(i) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of the quotient obtained by dividing the Participant's Benefit by the distribution period in the Uniform Lifetime Table set forth in Regulation Section 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year, or if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's Benefit by the number in the Joint and Last Survivor Table set forth in Regulation Section 1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

(ii) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 6.12(c) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

(iii) Special Rule for 2009 Required Minimum Distributions. Notwithstanding the foregoing provisions of this Section 6.12, a Participant who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are (a) equal to the 2009 RMDs or (b) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's Designated Beneficiary, or for a period of at least ten years ("Extended 2009 RMDs"), will not receive those distributions for 2009.

(d) Required Minimum Distributions After Participant's Death.

(i) Death On or After Date Distributions Begin - Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Benefit by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

(A) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) If the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the Surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the Surviving Spouse's age as of the Spouse's birthday in that year. For Distribution Calendar Years after the year of the Surviving Spouse's death, the remaining Life Expectancy of the Surviving Spouse is calculated using the age of the Surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(C) If the Participant's Surviving Spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) Death On or After Date Distributions Begin - No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Benefit by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(iii) Death Before Date Distributions Begin - Participant Survived by Designated Beneficiary. Except as provided in Section 6.12(e), if the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Benefit by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Sections 6.12(d)(i) and (ii).

(iv) Death Before Date Distributions Begin - No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(v) Death Before Date Distributions Begin - Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, and the Surviving Spouse dies before distributions are required to begin to the Surviving Spouse under Section 6.12(b)(ii)(A), Section 6.12(d)(iii) will apply as if the Surviving Spouse were the Participant.

(e) Election to Allow Participants or Beneficiaries to Elect 5-Year Rule. Participants or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in Sections 6.12(b)(ii)(A), 6.12(b)(ii)(B), 6.12(d)(iii) and 6.12(d)(iv) applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 6.12(b)(ii), or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, Surviving Spouse's) death. If neither the Participant nor Beneficiary makes an election, distributions will be made in accordance with Sections 6.12(b)(ii)(A), 6.12(b)(ii)(B), 6.12(d)(iii) and 6.12(d)(iv).

6.13 Distribution to Minor or Incompetent. If any individual to whom a benefit is payable under the Plan is a minor, or if the Administrator determines that any individual to whom a benefit is payable under the Plan is incompetent to receive such payment or to give a valid release thereof, then the Administrator may direct that such distribution be paid to the legal guardian, or if none, to a parent of such minor or incompetent, or a responsible adult with whom the minor or incompetent resides, or to a custodian for a minor under the Uniform Transfers to Minors Act (or other statutes of similar import), if permitted by the laws of the state in which the minor or incompetent resides. Payment to the legal guardian, parent or custodian of a minor Beneficiary shall fully discharge the Trustee, Administrator and Plan from liability on account thereof.

6.14 Beneficiary Designation. If the Participant is married, the Beneficiary shall be the Participant's Surviving Spouse and no written designation is required. However, a Participant may designate a Beneficiary other than the Participant's Spouse; provided, however: (a) the Participant's Spouse consents in writing to such designation and to the form thereof (on a form acceptable to the Administrator); (b) such Beneficiary designation may not be changed without Spousal Consent (or the consent of the Spouse expressly permits changes in the beneficiary designation by the Participant without any requirement of further consent by the Spouse); and (c) the Spouse's consent acknowledges the effect of such Beneficiary designation and is witnessed by a Plan representative or a notary public. Such Spousal Consent shall not be required if it is established to the satisfaction of the Administrator that the consent required under the preceding sentence cannot be obtained because there is no Spouse, the Spouse cannot be located, or such other circumstances as the Secretary of the Treasury may by Regulations prescribe. If, at the time of the Participant's death,

the Participant has no Surviving Spouse or designated Beneficiary, then the Beneficiary shall be the individual representative of the Participant's estate. A Participant's Beneficiary shall be bound by the terms and conditions of the Plan.

6.15 **Spousal Consent.**

(a) **Requirement of Consent.** Each Participant shall obtain the consent of his or her Spouse, if any ("Spousal Consent"), to an in-service withdrawal, beneficiary designation, loan, and/or distribution. Spousal Consent shall not be required if the Participant establishes to the satisfaction of the Administrator that the consent of the Spouse cannot be obtained because there is no Spouse or the Spouse cannot be located. The consent of the Participant's Spouse shall not be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or 415. A Spouse's consent shall not be valid with respect to any other Spouse.

(b) **Form of Consent.**

(i) Spousal Consent shall be made in writing and witnessed by a Plan representative or notary public. The Spouse shall have the right, which can be waived, to limit his or her consent only to a specific form of distribution or withdrawal, beneficiary designation, or loan. If the Spouse elects to waive his or her right to any of the above, then the Spouse shall acknowledge the effect of such waiver, including that:

(A) the Spouse had the right to limit his or her consent; (B) the Spouse voluntarily waived this right; and (C) the Spouse understands the effect such consent has upon any benefits otherwise payable to him or her under the Plan.

(ii) Unless the consent of the Spouse expressly permits the Participant to elect any and all future distributions, withdrawals, loans, or beneficiary designations without a requirement of further consent by that Spouse, then the Spouse's consent shall be limited to that specific election. Spousal Consent may be revoked at any time prior to the date on which a distribution is actually made.

(c) **Timing of Consent.** Spousal Consent to an in-service withdrawal or distribution shall be made within the one hundred eighty (180) days preceding the date of the in-service withdrawal or distribution. Spousal Consent to a loan shall be made within the ninety (90) days preceding the date of the loan.

6.16 **Location of Participant or Beneficiary Unknown.** If a Participant or Beneficiary who is entitled to a distribution cannot be located and the Administrator has made reasonable efforts to locate the Participant or Beneficiary, then the Participant's or Beneficiary's interest shall be forfeited and used: first, to restore any amounts previously forfeited under this Section and Section 6.2(d); second, to pay administrative expenses of the Plan for the Plan Year in which the forfeiture occurs; third, to offset the Employer's obligation to make Employer Mandatory Contributions for the Plan Year in which the forfeiture occurs; and fourth, to allocate as Employer Matching Contributions for the Plan Year in which the forfeiture occurs. If the Participant or Beneficiary makes a written claim for the Account subsequent to the forfeiture, then the Employer shall cause the Account to be reinstated.

6.17 **Hardship Distributions.**

(a) Upon hardship of a Participant, the Trustee shall, upon the direction of the Administrator, make a distribution from the Participant's Rollover Contributions Account, Salary Deferral Contributions Account (not including earnings), Roth Salary Deferral Contributions Account (not including earnings) and any vested interest in his or her Employer Matching Contributions Account, in that order. A Participant shall be entitled to a hardship distribution only if the distribution is both (i) made on account of an immediate and heavy financial need of the Participant (as defined in paragraph (b)), and (ii) is necessary to satisfy such financial need (as defined in paragraph (c)). The Participant shall furnish the Administrator with satisfactory proof that the hardship distribution meets the requirements of paragraphs (b) and (c).

- (b) An immediate and heavy financial need shall be deemed to include any one or more of the following:
- (i) expenses incurred or necessary for medical care, described in Code Section 213(d), of the Employee, the Employee's spouse or dependents;
 - (ii) the purchase (excluding mortgage payments) of a principal residence for the Employee;
 - (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Employee, the Employee's Spouse, children or dependents;
 - (iv) payments necessary to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence;
 - (v) payments for funeral or burial expenses for the Employee's deceased parent, Spouse, child or dependent; and
 - (vi) expenses to repair damage to the Employee's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds 10-percent of adjusted gross income).
- (c) A distribution shall be considered as necessary to satisfy an immediate and heavy financial need of the Participant only if:
- (i) the Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans under all plans maintained by the Employer;
 - (ii) the Participant is prohibited from making Salary Deferral Contributions to this Plan for six (6) months after the receipt of the hardship distribution. In addition, the Participant must agree to stop making elective contributions and employee contributions to all other plans of the Employer (to the extent permissible under the terms of such plan) for at least six (6) months after receipt of the hardship distribution;
 - (iii) the distribution is not in excess of the amount of an immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution); and
 - (iv) all plans maintained by the Employer limit the Participant's elective contributions for the taxable year immediately following the taxable year of the hardship distribution to the applicable limit under Code Section 402(g) for such taxable year, less the amount of such Participant's elective contributions for the taxable year of the hardship distribution.
- (d) A Participant shall be required to obtain Spousal Consent prior to receiving a hardship distribution.
- (e) If a Participant receives a distribution under this Section from his or her partially vested Employer Matching Contributions Account, at any relevant time following the hardship distribution, the Participant's vested interest ("X") in his or her Employer Matching Contributions Account shall be calculated in accordance with the following formula: $X = P (AB + D) - D$. For purposes of the formula in the preceding paragraph, "P" is the Participant's

current vesting percentage at the relevant time, “AB” is the value of the Participant’s Employer Matching Contributions Account at the relevant time, and “D” is the amount of the distribution.

6.18 **Loans.**

(a) The Administrator may direct the Trustee to make loans to Participants who are Employees and/or Beneficiaries who are parties in interest (as defined in ERISA Section 3(14)), provided that:

(i) such loans are available to all such Participants and Beneficiaries on a reasonably equivalent basis;

(ii) such loans are not made available to Highly Compensated Employees, officers or shareholders in an amount greater than the amount made available to other Employees;

(iii) such loans bear a reasonable rate of interest;

(iv) such loans are adequately secured; and

(v) a Participant’s or Beneficiary’s aggregate outstanding loans shall not exceed the lesser of (A) fifty percent (50%) of the present value of the Participant’s or Beneficiary’s vested Account, or (B) Fifty Thousand Dollars (\$50,000) (reduced by the excess, if any, of (1) the highest principal amount of the aggregate outstanding loans at any time during the immediately preceding twelve (12) months, over (2) the aggregate principal amount outstanding under such loans on the date the new loan is made).

(b) A married Participant shall obtain Spousal Consent in order to use his or her Account balance as security for the loan.

(c) In the event of default, foreclosure on the note and attachment of security shall not occur until a distributable event occurs under the Plan.

(d) Notwithstanding any contrary provision of this Plan, the portion of the Participant’s vested Account balance used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the Account balance payable at the time of distribution, but only if the reduction is used as repayment of the loan. If less than one hundred percent (100%) of the Participant’s vested Account balance (determined without regard to the preceding sentence) is payable to the Surviving Spouse, then the Account balance shall be adjusted by first reducing the vested Account balance by the amount of the security used as repayment of the loan, and then determining the benefit payable to the Surviving Spouse.

(e) All such loans shall be subject to ERISA, the Code, and such terms and conditions not inconsistent therewith (and subject to this Section) as determined by the Administrator.

(f) The Administrator shall adopt written policies and guidelines which establish and detail the terms of Plan loans hereunder, and which shall be deemed a part of this Plan. Such policies and guidelines may be amended by the Administrator from time to time.

(g) Notwithstanding the above, effective December 12, 1994, loan repayments for Participants on military leave will be suspended under this Plan as permitted under Code Section 414(u)(4).

6.19 **In-Service Withdrawals at and After Normal Retirement.**

(a) A Participant may, once in every twelve (12)-consecutive-month period, withdraw all or a portion of the vested portion of his or her Accounts (excluding amounts held in the Participant’s Pension Plan Account and FaAA Plan Account, if any) at any time subsequent to attainment of Normal Retirement; provided, however, that a

married Participant shall obtain Spousal Consent for such withdrawal.

(b) A Participant may make separate withdrawal elections for his Roth Salary Deferral Contributions Account and his Salary Deferral Contributions Account.

(c) If a Participant receives a distribution under this Section from his or her partially vested Employer Mandatory Contributions Account, and/or Employer Matching Contributions Account at any relevant time following the distribution, the Participant's vested interest in his or her Employer Mandatory Contributions Account and/or Employer Matching Contributions Account ("X") shall be calculated in accordance with the following formula: $X = P (AB + D) - D$. For purposes of this formula, "P" is the Participant's current vesting percentage at the relevant time, "AB" is the value of the Participant's Employer Matching Contributions Account and/or Employer Mandatory Contributions Account at the relevant time, and "D" is the amount of the distribution.

6.20 **Form of Distribution.** Distributions shall be in the form of cash, except as otherwise provided in the Appendices attached hereto.

ARTICLE VII.

ADMINISTRATION

7.1 **Allocation of Administrative Responsibilities**. The Plan shall be

administered by the Administrator and the Committee, as constituted in accordance with Section 7.6. The Administrator and the Committee shall administer the Plan in accordance with its terms, solely in the interests of Participants and their Beneficiaries, and for the exclusive purposes of providing benefits to Participants and their Beneficiaries (and for defraying the reasonable expenses of administering the Plan).

7.2 **Powers and Duties of the Administrator**. The Administrator shall have all the powers, duties and responsibilities necessary or appropriate to administer the Plan (other than powers, duties and responsibilities specifically reserved to the Committee), including without limitation, the following powers and duties:

- (a) to determine all issues relating to the eligibility of Employees to become Participants, provided that any determination shall be subject to review pursuant to Section 7.3(h);
- (b) to compute and certify to the Trustee the amount of each Employer contribution payable to the Trust on behalf of Participants;
- (c) to interpret the Plan with respect to the calculation of contributions on behalf of Participants (including determining Hours of Service, Compensation, and Years of Service and the allocation of Contributions pursuant to Section 4.4);
- (d) to compute and certify to the Trustee the amount and forms of benefits payable to Participants or their Beneficiaries;
- (e) to direct disbursements by the Trustee from the Trust;
- (f) to establish and communicate a funding policy to the Trustee and any Investment Manager appointed pursuant to Section 7.3(b) which will enable it to comply with the provisions of the Plan.
- (g) to make and publish rules for the administration of the Plan as are not inconsistent with the provisions of the Plan and the policies established by the Committee or Trustee in those areas where the Committee or Trustee has exclusive responsibility;
- (h) to assist the Company in complying with the reporting and disclosure requirements of ERISA, including (but not limited to) preparing for filing by the Company annual reports with the applicable government agencies, furnishing summary annual reports to Participants, and assisting the Trustee in the preparation of any tax returns required for the Trust and tax reporting forms required in connection with distributions to Participants; and
- (i) to do all other things necessary or convenient to effect the intent and purposes of the Plan, whether or not such powers and duties are specifically set forth in the Plan; provided, however, that such powers and duties shall not infringe upon any power, duty or responsibility specifically reserved to the Committee.

7.3 **Powers and Duties of the Committee**. The Committee shall have all the powers, duties and responsibilities necessary to administer the Plan (other than powers, duties and responsibilities specifically reserved to the Administrator) including, without limitation, the following:

- (a) to direct the Trustee, in accordance with Article IX, as to the establishment of investment funds and the investment of the Plan assets held in the investment funds, and to establish rules or procedures regarding the terms and conditions under which Participants may select among the investment funds;
- (b) to appoint one or more "Investment Manager(s)" (as defined in ERISA Section 3(38));

(c) to employ or engage such agents and Employees, investment counsel, legal counsel and accountants, and to procure or obtain such supplies and services as the Committee may require in carrying out the provisions of this Plan;

(d) to make and publish rules for the administration of the Plan as are not inconsistent with the provisions of the Plan and the policies established by the Administrator or Trustee in those areas where the Administrator or Trustee has exclusive responsibility;

(e) from time to time advise and consult with the Administrator with respect to its exercise of the powers and duties delegated to it pursuant to Section 7.2;

(f) from time to time advise and consult with the Company with respect to its exercise of the powers and duties reserved to it pursuant to the terms of the Plan;

(g) at least annually, to report to the Participants with respect to such matters as the Committee deems appropriate regarding the administration and investments of the Plan or the performance of its duties and responsibilities under the Plan;

(h) to establish a claims review procedure, and to review and decide all appeals of benefit claim denials or other decisions rendered by the Administrator pursuant to Sections 7.2(a) and 13.3, and

(i) to interpret the Plan (except to the extent such power is specifically reserved to the Administrator) and the Trust Agreement; and any such interpretation shall, to the extent permitted by ERISA Section 502(a), be binding upon the Administrator, the Company, the Trustee, all active, inactive, former, retired or terminated Participants, their Beneficiaries, the successors, assigns, heirs and personal representatives of all of them, and every other person directly or indirectly interested in the Plan.

7.4 **Discretion of the Administrator and the Committee.** Subject to Article VII and the allocation of duties under the Plan, the Administrator and the Committee shall have, as provided in Section 7.2 and 7.3 respectively, the sole and absolute discretion to construe and interpret the provisions of the Plan, and any issue arising out of, relating to, or resulting from the administration or operation of the Plan. Any interpretation and/or construction by the Administrator and/or the Committee shall be final and binding on all parties (including, without limitation, any Participating Employer, Participant, Beneficiary or their successors or assigns). When making a determination or calculation, the Administrator and/or the Committee shall, in their sole and absolute discretion, be entitled to rely upon information furnished by the

Participating Employer, third party administrators, vendors, Participants, Beneficiaries, or other persons.

7.5 **Reallocation or Delegation of Responsibility.** The Administrator and, by a unanimous vote of all Members, the Committee may agree to reallocate among them any of the duties, powers or responsibilities initially allocated to either of them under the terms of the Plan. The Administrator or the Committee may delegate to any other person or persons (including, but not limited to, one or more designated Members) the authority to discharge or carry out their duties, powers or responsibilities. Any such reallocation or designation must comply with ERISA Section 404(a)(1).

7.6 **Committee Appointment and Governance.**

(a) **Establishment and Indemnification.** The Administrator has established the Committee to discharge some of the duties of the Administrator under the Plan. The Committee and each of its members shall be indemnified by the Employer to the extent set forth in Section 15.2.

(b) **Appointment.** The Committee shall consist of four (4) members (each a "Member"). In accordance with this Section 7.6, the Company shall appoint two

(2) Members, Member A, and Member B and the Participants shall elect two

(2) Members, Member C and Member D. (Members A, B, C and D shall collectively be referred to as the "Members".)

Member A shall serve as the Chair of the Committee. Only Employees shall be eligible to serve as Members of the Committee.

(c) Participant Elections of Member C and Member D. Only Participants who are Employees shall be eligible to vote. For purposes of electing Member C, each Participant shall be entitled to cast one vote. For purposes of electing Member D, each Participant shall be entitled to cast votes equal to the number of dollars credited to his or her Account, calculated as of the last day of the Plan Year preceding the date of the election.

(d) Resignation, Vacancies and Removal. Any Member may resign at any time by giving written notice of his or her resignation to the Company and the other Members.

(i) A vacancy with respect to Member A or Member B shall be filled in accordance with paragraph (b) above. A vacancy with respect to Member C or Member D shall be filled in accordance with paragraph (e) below.

(ii) Members A and B shall serve as Members until they resign or are removed by the Company. The Company may remove Member A or B at any time for any reason by filing written notice of such removal with the Committee.

(iii) The initial term of Member C shall be two (2) years, thereafter, Member C shall serve for a period of four (4) years. Member D shall serve for a period of four (4) years. Prior to the expiration of their respective terms, Member C

and Member D may be removed upon the written petition of a majority of the Participants then entitled to elect a successor Member C or Member D as provided in paragraph (c) and (e), which removal shall be effective as of the seventh (7th) day following the certification of the results of the election of the successor.

(iv) In the case of any petition for the removal of Member C or Member D, the petition for removal shall be presented to the Committee. The effectiveness of the petition, the persons entitled to sign their names thereon and the number of votes entitled to be cast by Participants shall be determined by the non-affected Members in accordance with paragraph (e) below. Any Participant or Member may examine the petition and request a review of such determination within five (5) days thereof. Such review shall be made by a majority vote of the non-affected Members.

(e) Election Procedures. In the event of the death, incapacity, removal, resignation or upon the expiration of the term of service of Member C or Member D, his or her successor shall be elected under the following procedure:

(i) The non-affected Members shall certify the effectiveness of any resignation or petition for the removal of such Member, or the incapacity, death or expiration of the term of service of the Member. The Committee shall thereupon give notice that a vacancy exists in the office of such Member by prominently posting written notice thereof at places customarily used by the Company for employer-employee notices. Any Participant eligible to vote in the election of the Member may place a name in nomination by notifying the Committee in writing within ten (10) days of the date on which such notice is posted. At the expiration of such ten (10) day period, the Committee shall prepare a ballot in such form as it shall deem appropriate containing the names of each person who has been nominated and who has indicated to the Committee his or her willingness to serve as a Member; provided, however, that the Committee shall not place on the ballot the name of any person who is prohibited from serving under ERISA Section 411 or any other provision of applicable law or of the Plan or the Trust Agreement. The Committee may require any individual who desires to serve as a Member to furnish such information as it may reasonably require in order to satisfy the requisites of the preceding sentence.

(ii) The Committee shall distribute the ballots to those Participants eligible to vote either by personal delivery, by electronic mail to the Participant's work-related electronic mail address, or by first class mail addressed to the Participant's last known address. The ballot shall include a statement stating the location where ballots will be received and the deadline for casting ballots. The deadline shall be a date selected by the Committee which falls not less than ten (10) nor more than fifteen (15) days after the date of distribution. In the case of ballots distributed by electronic mail, distribution shall be deemed to occur when the ballots are transmitted via electronic mail. In the case of ballots distributed by mail, distribution shall be deemed to occur on the date of mailing. A ballot shall be deemed to be cast on the date and at the time of its actual receipt by the Committee in the manner and at the location designated on the ballot.

(iii) Votes shall be credited in the manner specified in paragraph

(f) above. The candidate receiving the largest number of votes cast shall be the winner. There shall be no runoff except in the case of a tie vote. Votes may be cast only for candidates whose names appear on the ballot. Votes for any write-in candidate shall be disregarded.

(iv) In the event that elections for the office of Member C and Member D are being held concurrently, an individual may be a candidate for both offices. In the event that such an individual receives the largest number of votes cast for both offices, the individual shall be deemed to be elected to serve as Member D and the candidate for Member C who received the next highest number of votes shall be deemed elected to serve as Member C.

(v) The non-affected Members shall certify to the remaining Member(s) the results of such election, as soon as is reasonably possible thereafter, and the successor Member(s) shall commence serving seven (7) days after such certification is received.

(g) Committee Voting. Any action of the Committee shall be determined by vote or other affirmative expression of a majority of its Members. However, no Member shall vote on any question in which he or she has any direct or indirect interest, unless such direct or indirect interest results merely from his or her being a Participant in the Plan and is not materially different from the interest that other Participants in the Plan have in the question. In the event that any vote shall result in a tie, such tie shall be broken by the decision of Member A.

(h) Amendment Restrictions. Without the written consent of both Members C and D, the Company (1) shall have no power to amend or modify the provisions of this Section 7.6 or Section 7.3 or 7.4, and (2) shall not cause or permit account balances maintained under this Plan to be transferred to or merged with any other plan, program, fund or arrangement (whether or not tax-qualified) of the Company or any related company, unless the portion of the successor plan that consists of the transferred or merged accounts is subject to restrictions that are identical (except for appropriate Section numbering and cross-reference changes) to those imposed by this Section 7.6.

7.7 Domestic Relations Orders.

(a) Definitions.

(i) Alternate Payee. “Alternate Payee” means any Spouse, former Spouse, child or other dependent (within the meaning of Code Section 152) of a Participant who is recognized by a Domestic Relations Order as having a right to receive any immediate or deferred payment of all or a portion of the balance credited to a Participant’s Account under the Plan.

(ii) Domestic Relations Order or Order. “Domestic Relations Order” or “Order” means any judgment, decree or order (including approval of a property settlement agreement) which provides or otherwise conveys, pursuant to applicable state domestic relations laws (including community property laws), child support, alimony payments or marital property rights to an Alternate Payee.

(iii) Qualified Domestic Relations Order. “Qualified Domestic Relations Order” means any Domestic Relations Order that meets the following requirements:

(A) such Order establishes (or otherwise recognizes the existence of) the right of an Alternate Payee to receive all or a portion of the vested balance credited to a Participant’s Account under the Plan;

(B) such Order specifies (1) the name and last known mailing address of the Participant, (2) the name and last known mailing address of each Alternate Payee covered by such Order, (3) the amount or percentage of the Participant’s vested account balance under the Plan payable to each such Alternate Payee or the manner in which such amount or percentage is to be calculated, and (4) any other requirement set forth in ERISA Section 206(d)(3) or Code Section 414(p); and

(C) such Order does not require the Plan to (1) provide any type or form of benefit or option not otherwise available to the Participant under the Plan,

(1) provide increased benefits not otherwise payable to the Participant under the Plan, or

(2) pay benefits to an Alternate Payee which are required to be paid to another Alternate Payee pursuant to any Qualified Domestic Relations Orders previously issued with respect to the Participant's Account under the Plan.

(b) Notification. Upon receipt of a Domestic Relations Order, the Administrator shall promptly notify the affected Participant and each Alternate Payee of the receipt of such Order and the procedures established by the Administrator for determining whether such Order satisfies the requirements for recognition as a Qualified Domestic Relations Order. Such notice shall also advise such Participant and Alternate Payee of his or her right to designate a representative to receive communications from the Administrator concerning the disposition of the Domestic Relations Order. Within a reasonable time after providing such notification, the Administrator shall, pursuant to such procedures, determine whether or not the Order is a Qualified Domestic Relations Order and shall notify the Participant and each Alternate Payee (or his or her representative) of such determination.

(c) Procedures. The Administrator shall establish reasonable procedures for determining the qualified status of Domestic Relations Orders and for effecting distributions pursuant to all such Orders which are determined to be Qualified Domestic Relations Orders.

(d) Payment.

(i) During the period in which the qualified status of a Domestic Relations Order is pending, the Administrator shall defer the payment of all Plan benefits affecting the Participant which are in dispute and shall separately account for all amounts which would otherwise be payable to the Alternate Payee (the "Segregated Amounts") during such period were the Order determined to be a Qualified Domestic Relations Order.

(ii) If the Administrator determines, within eighteen (18) months after the date the first payment to the Alternate Payee would otherwise be required to be made pursuant to the terms of the Order, that such Order is a Qualified Domestic Relations Order, then the Administrator shall establish a separate Account to hold the Segregated Amounts (including any Earnings thereon) on behalf of such Alternate Payee and such Alternate Payee shall then be treated as a Participant for purposes of such Account. To the extent such Qualified Domestic Relations Order provides for the payment of the entire balance of the Segregated Amounts (including any Earnings thereon) to the Alternate Payee prior to the Participant's Severance Date, then the Administrator shall make such payment in accordance with such Order, even though the affected Participant's Severance Date has not occurred. Such payment shall be made as if the Participant's Severance Date occurred on the date on which benefits are to enter pay status under the Order. Notwithstanding the foregoing, payment to the Alternate Payee shall not be deferred beyond the date distribution to the Participant or (in the event of death) his or her Beneficiary is made or commenced.

(iii) If the Administrator determines, within such eighteen (18) month period under paragraph (ii) above, that such Order is not a Qualified Domestic Relations Order, or if the qualified status of such Order cannot be determined prior to the expiration of such eighteen (18) month period, then the Administrator shall authorize the payment of the Segregated Amounts (including any Earnings thereon) to the individual or individuals who would have been entitled to receive such Segregated Amounts under the Plan had the Order not been issued. If such individual is the Participant, then the previously Segregated Amounts shall remain part of the Trust and shall not be distributed until the Participant becomes entitled to benefits under the Plan in accordance with the provisions of Article VI or any applicable Appendix. Should there be a subsequent determination that the Order is in fact a Qualified Domestic Relations Order, then such determination shall be applied on a prospective basis only.

(e) Hold Procedures. Notwithstanding any contrary Plan provision, prior to the receipt of a Domestic Relations Order, the Administrator may, place a hold (as defined below) upon such portion of a Participant's Account, at such time and for such reasonable period of time as the Administrator may determine, if the Administrator receives notice that (1) a Domestic Relations Order is being sought by the Participant, his or her Spouse, former Spouse, child or other dependent (within the meaning of Code Section 152), and (2) the Participant's Account is likely to be a source of payment under such Order. For purposes of this paragraph, a "hold" means that no withdrawals, loans or other distributions may be made with respect to a Participant's Account. The Administrator shall notify a Participant if a hold is placed upon his or her Account pursuant to this paragraph.

ARTICLE VIII.

LEAVES OF ABSENCE AND TRANSFERS

8.1 **Military Leave of Absence.** An Employee who leaves the employment of the Employer for military service in the Armed Forces of the United States, as defined in the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”), shall, for all purposes of the Plan, be considered as having been in the employment of the Employer, with the time of the Participant’s service in the military credited to his or her service under the Plan; provided, however, that upon such Employee being discharged from the military service of the United States, the Employee must apply for reemployment with the Employer and take all other necessary action to be entitled to, and to be otherwise eligible for, re-employment rights, as provided by USERRA or any similar law from time to time in force. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). Further notwithstanding any provision of this Plan to the contrary, if a Participant dies while performing “qualified military service,” to the extent required by Code Section 401(a)(37), the survivors of the Participant shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed employment with an Employer immediately prior to his death and then terminated employment on account of death.

8.2 **Other Leaves of Absence.** For all purposes of this Plan, an Employee on an Employer-approved leave of absence not described in Section 8.1 shall be considered as having continued in the employment of the Employer for the period of such leave, provided that the Employee returns to the active employment of the Employer before or at the expiration of such leave.

8.3 **Transfers.**

(a) In the event that:

(i) a Participant is transferred to-employment with an Employer that is not a Participating Employer, or to employment with an Employer in a status other than as an Eligible Employee;

(ii) an individual is transferred from employment with an Employer that is not a Participating Employer or from other employment;

(iii) an individual is transferred from service with the Employer in a status other than as an Eligible Employee to employment with the Employer as an Eligible Employee; or

(iv) an individual was employed by an Employer that is not a Participating Employer, terminated his or her employment and was subsequently employed by the Employer as an Eligible Employee;

(b) then the following provisions shall apply:

(i) transfer to employment with: (A) an Employer that is not a Participating Employer or (B) the Employer not as an Eligible Employee, shall not be considered termination of employment with the Employer, and such transferred individual shall continue to be entitled to the benefits provided in the Plan, as modified by this Section;

(ii) any employment with an Employer which is not a Participating Employer or with the Employer not as an Eligible Employee will be deemed to be employment by the Employer;

(iii) no amounts earned from an Employer at a time when it is not a Participating Employer or from the Employer not as an Employee shall constitute Compensation hereunder;

(iv) no service for an Employer at a time when such individual was not an Employee shall be counted for purposes of eligibility and vesting hereunder, unless agreed to by the Company or required pursuant

to a closing agreement entered into by the Employer and the Internal Revenue Service;

(v) termination of employment with an Employer which is not a Participating Employer by an individual entitled to benefits under this Plan (other than to transfer to employment with another Employer) shall be considered as termination of employment with the Employer; and

(vi) all other terms and provisions of this Plan shall fully apply to such individual and to any benefits to which he or she may be entitled hereunder.

ARTICLE IX.

TRUST PROVISIONS

The Administrator may at any time select and appoint a Trustee to hold all or a portion of the assets of the Trust, and the Company shall, on its behalf and on behalf of all Participating Employers, enter into a Trust Agreement.

ARTICLE X.

FEES AND EXPENSES

All reasonable fees and expenses of the Administrator, the Committee and/or the

Trustee incurred in the performance of their duties hereunder or under the Trust shall be charged against Participants' Accounts in such manner as the Trustee reasonably determines, unless the Employer elects to pay such fees and expenses.

ARTICLE XI.

AMENDMENT, TERMINATION OR MERGER

11.1 **Amendment.**

(a) The Company shall have full power and authority to amend the provisions of the Plan, subject to Section 7.6(g), for any reason, at any time, either prospectively or retroactively, to such extent and in such manner as the Company shall deem advisable, in accordance with its normally established procedures. The Company may delegate such power, subject to Section 7.6(g), in whole or in part, to one or more committees (comprised of officers or other managerial personnel of the Employer) to whom administrative responsibilities may be delegated under the Plan.

(b) The Board delegates to the Committee or any individual or committee appointed by the Administrator the full power and authority to adopt and to provide a certificate evidencing the execution of any amendment to the Plan, subject to Section 7.6(g), which satisfies one of the following requirements:

- (i) the amendment is designed to clarify any provision of the Plan;
- (ii) the amendment is designed to bring the Plan into compliance with applicable law;
- (iii) the amendment is designed to ensure the continued tax-qualified status of the Plan; or
- (iv) the amendment does not have a significant financial impact on the Employer.

(c) An amendment shall become effective, in accordance with its terms as to all Participants and all other persons having or claiming an interest under the Plan, upon the effective date specified in the instrument evidencing such amendment. However, no such amendment shall operate to: (i) cause any part of the Trust to revert to or be recoverable by the Employer or to be used for, or diverted to, purposes other than the exclusive benefit of Participants and their Beneficiaries (or for defraying the reasonable administrative expenses of the Plan); (ii) reduce the then outstanding balances in the Accounts of Participants; (iii) cause or effect any discrimination in favor of Highly Compensated Employees; (iv) change the duties, responsibilities or liabilities of the Trustee hereunder without the written consent of such Trustee; or (v) affect, reduce or eliminate any benefits which are protected benefits pursuant to Code Section 411(d)(6).

11.2 **Termination.** The Company may terminate this Plan at any time for any reason by resolution adopted by the Board, but the Trust may not thereby be diverted

from the exclusive benefit of the Participants, their Beneficiaries, survivors or estates (other than for defraying the reasonable administrative expenses of the Plan), nor revert to the Employer, nor may any change be made to a previously allocated contribution other than to correct a contribution that was improperly allocated. Upon termination or partial termination of the Plan or complete discontinuance of Employer Contributions under the Plan, the Accounts of each affected Participant shall be nonforfeitable. The Administrator shall distribute each Participant's Accounts to the Participant pursuant to Sections 6.8 through 6.11 as soon as administratively feasible after the termination (to the extent such distribution is permitted under applicable law).

11.3 **Merger.**

(a) The Board delegates to the Administrator, or any individual or committee appointed by the Administrator the full power and authority, subject to Section 7.6(g), to effect from time to time, upon such terms and conditions deemed appropriate, the merger of any and all tax-qualified defined contribution plans and related tax-exempt trusts maintained by entities acquired by the Company into the Plan and Trust and to take any and all such action, and

prepare, execute, and deliver all such documents as may be necessary or advisable to effect any and all such plan and trust mergers.

(b) Except as otherwise provided in Section 7.6(g), nothing contained herein shall prevent the merger or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, another plan meeting the requirements of Code Section 401(a) or the transfer to the Plan of assets or liabilities of another such plan so qualified under the Code. Any such merger, consolidation or transfer shall be accompanied by the transfer of such existing records and information as may be necessary to properly allocate such assets among Participants, including without limitation any tax or other information necessary for the Participants or persons administering the plan which is receiving such assets. The terms of such merger, consolidation or transfer must be such that (if the Plan had then terminated), the requirements of this Article would be satisfied and each Participant (or, if applicable, his or her Beneficiary) would receive a benefit immediately after the merger, consolidation or transfer equal to or greater than the benefit he or she would have received if the Plan had terminated immediately before the merger, consolidation or transfer. Notwithstanding any provision in this Plan to the contrary, any amounts transferred to the Plan as a result of such merger, consolidation or transfer shall, to the extent the benefits accrued under the transferor plan are protected benefits under Code Section 411(d)(6) ("Protected Benefits"), be preserved under this Plan, and shall not in any way be affected, reduced or eliminated by Plan amendment, other than as legally required or permitted.

ARTICLE XII.

ADOPTION OF PLAN BY RELATED ENTITIES

12.1 **Adoption of the Plan.** An Employer may become a Participating Employer with the approval of the Company.

12.2 **Withdrawal.** A Participating Employer may withdraw from the Plan at any time for any reason by giving advance written notice of its intention to withdraw to the Company and to the Administrator. Upon receipt of such withdrawal notice, the Trustee shall set aside from the Trust such cash, securities and other property as it shall deem to be equal in value to the Participating Employer's equitable share. If the Plan is to be terminated with respect to the Participating Employer, then the amount set aside shall be administered according to Article IX and the Trust Agreement. If the Plan is not to be terminated with respect to the Participating Employer, then the Trustee shall turn over the Participating Employer's equitable share to a trustee designated by the Participating Employer, and the cash, securities and other property shall thereafter be held and invested as a separate trust of the Participating Employer and shall be used and applied according to the terms of a new trust agreement between the Participating Employer and the trustee so designated. Neither the segregation of the Trust assets upon the withdrawal of a Participating Employer nor the execution of a new trust agreement shall operate to permit any part of the assets of the Trust to be used for or diverted to purposes other than for the exclusive benefit of Participants and Beneficiaries (or for defraying the reasonable administrative expenses of the Plan).

ARTICLE XIII.

CLAIMS PROCEDURE

13.1 **Right to File Claim.** Every Participant or Beneficiary shall be entitled to file with the Administrator a written claim for benefits under the Plan.

13.2 **Denial of Claim.**

(a) If the claim is denied by the Administrator, in whole or in part, the claimant shall be furnished within ninety (90) days after the Administrator's receipt of the claim (or within one hundred eighty (180) days after such receipt if special circumstances require an extension of time) a written notice of denial of such claim containing the following:

(i) specific reason or reasons for denial;

(ii) specific reference to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim, and an explanation of why the material or information is necessary; and

(iv) an explanation of the claims review procedure, including a statement of the claimant's right to bring a civil action under ERISA following an adverse benefit determination on review.

(b) If written notice of the denial of such claim is not furnished within the time period prescribed under paragraph (a), then the claim shall be deemed denied.

13.3 **Claim Review Procedure.**

(a) Review may be requested at any time within sixty (60) days following the date the claimant received written notice of the denial of his or her claim. For purposes of this Section, any action required or authorized to be taken by the claimant may be taken by a representative authorized in writing by the claimant to act on his or her behalf. The Administrator (or the Committee for claims relating to the Employer Mandatory Contributions Account, the Pension Plan Account or the FaAA Plan Account) shall afford the claimant a full and fair review of the decision denying the claim and, if so requested, shall:

(i) provide the claimant, free of charge, reasonable access to, and copies of documents that are pertinent to the claim; and

(ii) permit the claimant to submit to the Administrator (or, if applicable, the Committee) issues and comments in writing.

(b) The decision on review by the Administrator (or, if applicable, the Committee) shall be in writing and shall be issued within sixty (60) days following receipt of the request for review. The period for decision may, however, be extended up to one hundred twenty (120) days after such receipt if the Administrator (or, if applicable, the Committee) determines that special circumstances require extension. The decision on review shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision of the Administrator (or, if applicable, the Committee) is based, the claimant's right to receive upon request and free of charge reasonable access to, and copies of all documents pertinent to his claims; and the claimant's right to bring an action under ERISA.

(c) If the decision on review by the Administrator (or, if applicable, the Committee) is not furnished within the time period prescribed under paragraph (b), then the claim shall be deemed denied on review.

13.4 **Claims Procedure for Disability Benefits from the Merged Exponent, Inc. Employee Pension Plan.** Notwithstanding the above, a Participant claim for Disability benefits attributable to the Account balances merged into the Plan from the Exponent, Inc. Employee Pension Plan shall be administered in conformance with the claims procedures for disability benefits set forth in Section 2560.503-1 of the Department of Labor Regulations.

ARTICLE XIV.

TOP-HEAVY PROVISIONS

14.1 **Purpose.** This Article is intended to insure that the Plan complies with Code Section 416. If the Plan is or becomes Top-Heavy in any Plan Year, the provisions of this Article shall supersede any conflicting provision in the Plan.

14.2 **Definitions.** For purposes of this Article, the following definitions shall apply:

- (a) **Determination Date.** “Determination Date” means for any Plan Year, the last day of the preceding Plan Year.
- (b) **Determination Period.** “Determination Period” means the Plan Year containing the Determination Date and the four (4) preceding Plan Years.
- (c) **Key Employee.** “Key Employee” means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1- percent owner of the Employer having annual compensation of more than \$150,000. For this purpose, “annual compensation” means compensation within the meaning of Code Section 415(c) (3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.
- (d) **Non-Key Employee.** “Non-Key Employee” means any Employee who is not a Key Employee, including Employees who are former Key Employees.
- (e) **Permissive Aggregation Group.** “Permissive Aggregation Group” means the Required Aggregation Group of plans, plus any other plan or plans of the Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code Sections 401(a)(4) and 410.
- (f) **Required Aggregation Group.** “Required Aggregation Group” means:
 - (g) each tax-qualified plan of the Employer in which at least one
 - (i) Key Employee participates or participated at any time during the Determination Period (regardless of whether the plan has terminated); and
 - (ii) any other tax-qualified plan of the Employer which enables a plan described in paragraph (i) above to meet the requirements of Code Section 401(a)(4) or 410.
- (h) **Top-Heavy Plan.** “Top-Heavy Plan” means this Plan, if for any Plan Year any of the following conditions exists:
 - (i) the Top-Heavy Ratio for this Plan exceeds sixty percent (60%) and this Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans;
 - (ii) this Plan is a part of a Required Aggregation Group of plans but not part of a Permissive Aggregation Group and the Top-Heavy Ratio for the Required Aggregation Group exceeds sixty percent (60%); or

(iii) this Plan is a part of a Required Aggregation Group and part of a Permissive Aggregation Group of plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds sixty percent (60%).

(i) Top-Heavy Ratio. “Top-Heavy Ratio” means:

(i) if the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer has not maintained any defined benefit plan which during the five (5) year period ending on the Determination Date(s) has or has had accrued benefits, the Top-Heavy Ratio for this Plan alone or for the Required or Permissive Aggregation Group as appropriate is a fraction, the numerator of which is the sum of the Account balances of all Key Employees as of the Determination Date(s) (including any part of any Account balance distributed in the five (5) year period ending on the Determination Date(s)), and the denominator of which is the sum of Account balances (including any part of any Account balance distributed in the five (5)-year period ending on the Determination Date(s)), both computed in accordance with Code Section 416. Both the numerator and denominator of the Top- Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code Section 416.

(ii) if the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans which during the five (5) year period ending on the Determination Date(s) has or has had any accrued benefits, the Top-Heavy Ratio for any Required or Permissive Aggregation Group as appropriate is a fraction, the numerator of which is the sum of Account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with paragraph (i) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of Account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with paragraph

(iii) above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date(s), all determined in accordance with Code Section 416. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distribution of an accrued benefit made in the five (5)-year period ending on the Determination Date.

(iv) for purposes of paragraphs (i) and (ii) above, the value of Account balances and the present value of accrued benefits shall be determined as of the most recent Valuation Date that falls within or ends with the twelve (12) month period ending on the Determination Date, except as provided in Code Section 416 for the first and second plan years of a defined benefit plan. The Account balances and accrued benefits of a participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one (1) Hour of Service with any Employer maintaining the Plan at any time during the five (5)-year period ending on the Determination Date shall be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account shall be made in accordance with Code Section 416. When aggregating plans, the value of Account balances and accrued benefits shall be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

(j) Valuation Date. “Valuation Date” means the last day of the Plan Year, as of which Account balances or accrued benefits are valued for purposes of calculating the Top-Heavy Ratio.

14.3 **Determination of Present Values and Amounts**. This Section 14.3 shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the determination date.

(a) Distributions during Year Ending on the Determination Date. The present values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code

Section 416(g)(2) during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

(b) Employees Not Performing Services During Year Ending on the Determination Date. The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the Determination Date shall not be taken into account

14.4 Minimum Allocation.

(a) Except as otherwise provided in paragraphs (b) and (c) below, in any Plan Year that the Plan is Top-Heavy, Employer Contributions (other than Salary Deferral Contributions and Employer Matching Contributions included in the ADP and ACP tests described in Sections 5.5 and 5.7) allocated to the Accounts of each Participant who is a Non-Key Employee, shall be not less than the lesser of (i) three percent (3%) of the Non-Key Employee's Section 415 Compensation, or (ii) in the case where the Employer has no defined benefit plan which designates this Plan to satisfy Code

Section 401, the largest percentage of Contributions and forfeitures (if applicable), as a percentage of the first Two Hundred Thousand Dollars (\$200,000) (as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B)) of Section 415 Compensation, allocated on behalf of any Key Employee for that Plan Year. The minimum allocation shall be determined without regard to any Social Security contribution. This minimum contribution shall be made even though, under other provisions of the Plan, the Participant would not otherwise be entitled to receive an allocation or would have received a lesser allocation for the Plan Year because of (i) the Participant's failure to complete one thousand (1,000) Hours of Service (or any equivalent provided in the Plan) or (ii) Section 415 Compensation less than a stated amount.

(b) The provisions in paragraph (a) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.

(c) The provisions in paragraph (a) above shall not apply to any Participant to the extent the Participant is covered under any other plan or plans of the Employer.

(d) The minimum allocation required (to the extent required to be nonforfeitable under Code Section 416(b)) may not be forfeited under Code Section 411(a)(3)(B) or (D).

(e) Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code Section 416(c)(2) and the Plan. The preceding sentence shall apply with respect to Employer Matching

Contributions under the Plan or if applicable, another plan of the Employer that provides the minimum contribution requirement. Employer Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as Employer Matching Contributions for purposes of the actual contribution percentage test and other requirements of Code Section 401(m).

ARTICLE XV.

MISCELLANEOUS

15.1 **Legal or Equitable Action.** If any legal or equitable action with respect to

the Plan is brought by or maintained against any individual, and the results of such action are adverse to that individual, attorney's fees and all other direct and indirect expenses and costs incurred by the Participating Employer, the Administrator, the Committee, or the Trust of defending or bringing such action shall be charged against the interest, if any, of such individual under the Plan.

15.2 **Indemnification.** Each Participating Employer indemnifies and holds harmless any of its Employees, officers and directors who may be fiduciaries of the Plan, and the Administrator and each member of the Committee, from and against any and all direct and indirect liabilities, demands, claims, losses, taxes, costs, and expenses, including reasonable attorney's fees, arising out of, relating to, or resulting from any action, inaction or conduct in their official capacity in the administration of this Plan or Trust, or in their defense if a Participating Employer fails to provide such defense; provided, however, that the Administrator or the Member shall not be indemnified and held harmless if his or her action, inaction or conduct arises out of, related to, or results from his or her gross negligence or willful misconduct, or otherwise is in willful violation of the law. The indemnification provisions of this Section shall not relieve any fiduciary from any liability such individual may have under ERISA for breach of a fiduciary duty. Each Participating Employer may purchase insurance to satisfy its obligations under this Section 15.2.

15.3 **No Enlargement of Plan Rights.** Each individual agrees, as a condition of participation in this Plan, that he or she shall look solely to the assets of the Trust for the payment of any benefit under the Plan.

15.4 **No Enlargement of Employment Rights.** Nothing appearing in or done pursuant to the Plan shall be construed to give any individual a legal or equitable right or interest in the assets of the Trust or distribution therefrom (except as expressly provided in the Plan), nor against any Participating Employer (except as expressly provided herein), or to create or modify any contract of employment between a Participating Employer and any Employee or to obligate a Participating Employer to continue the services of any Employee.

15.5 **Interpretation.** The headings contained in this Plan or in an

Appendix hereto, and in the table of contents to the Plan are for reference purposes only, and shall not affect in any way the meaning or interpretation of the Plan. Any capitalized term used in any Appendix hereto, but not otherwise defined therein, shall have the meaning assigned to such term in the Plan. The masculine pronoun shall include the feminine pronoun or the singular the plural, where the context so indicates.

15.6 **Governing Law.** This Plan shall be construed, administered and governed in all respects in accordance with ERISA, the Code and other pertinent Federal laws and, to the extent not preempted by ERISA, in accordance with the laws of the State of California (irrespective of the choice of law principles of the State of California as to all matters); provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Plan being a tax-qualified plan and related tax-exempt trust under Code Sections 401(a) and 501(a), respectively.

15.7 **Non-Alienation of Benefits.** None of the benefits, payments, proceeds or claims of any Participant under the Plan shall be subject to any claim or any creditor of any Participant, and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor of any Participant, nor shall any Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits, payments or proceeds which he or she is or may be entitled to receive from the Plan, other than:

(a) federal tax levies and executions on federal tax judgments;

(b) payments made from the Accounts of a Participant in satisfaction of the rights of Alternate Payees pursuant to a Qualified Domestic Relations Order under Section 7.7;

(c) enforcement of any security interests or offset rights applicable to the Account of a Participant pursuant to the loan provisions of Section 6.18; or

(d) any offset of a Participant's Account under the Plan against an amount the Participant is ordered to pay due to a judgment or settlement described in Code Section 401(a)(13)(C).

15.8 **No Reversion.** Notwithstanding any contrary provision of the Plan (except as provided in Section 5.4), no part of the assets in the Trust shall revert to the Employer, and no part of such assets, other than that amount required to pay taxes or reasonable administrative expenses of the Plan, shall be used for any purpose other than exclusive benefit of Employees or their Beneficiaries. However, upon the Company's request, the Trustee shall return the appropriate amount to a Participating Employer under any of the following circumstances:

(a) the amount was all or part of an Employer Contribution which was made as a result of a mistake of fact and the amount contributed is returned to the Participating Employer within one (1) year after the date of the mistaken payment; or

(b) the amount was all or part of an Employer Contribution which was conditioned on its deductibility under Code Section 404 and this condition is not satisfied, and the amount is returned to the Participating Employer within one (1) year after the date on which the deduction was disallowed; provided, however, any such excess amounts shall be reduced to the extent there are negative Earnings attributable thereto.

15.9 **Conflict.** In the event of any conflict between the respective provisions of the Plan and the Trust Agreement relating to the rights, obligations and duties of the Trustee, then the applicable provisions of the Trust Agreement shall control. In all other cases, in the event of any conflict between the Plan and the terms of any contract or agreement issued hereunder or with respect hereto, the Plan shall control.

15.10 **Severability.** If any provision of the Plan, or the application thereof to any individual or circumstance, is deemed invalid or unenforceable by a court of competent jurisdiction, then the remainder of the Plan, or the application of such term or provision to individuals or circumstances other than those as to whom it is held invalid or unenforceable, shall not be affected thereby, and each provision of the Plan shall be valid and enforceable to the fullest extent permitted by law.

15.11 **Conditional Restatement.** This Plan is restated on the express condition that it shall be considered by the Internal Revenue Service as continuing to qualify under Code Sections 401(a), 401(k), 401(m) and 501(a). In the event that the Internal Revenue Service determines that the Plan does not continue to qualify under the Code, then the restatement of the Plan shall be of no force or effect.

APPENDIX A

GUIDELINES FOR ANNUITY FORMS OF DISTRIBUTION

The provisions of this Appendix A are intended to set forth the guidelines for providing annuities as a form of distribution under the Plan. Annuities shall only be offered to certain Participants (or Surviving Spouses or Beneficiaries thereof, as applicable) to the extent required to comply with Code Section 411(d)(6), as more specifically detailed in the subsequent Appendices.

A.1. **Definitions.**

For purposes of applying the provisions of the subsequent Appendices (unless specified otherwise), as applicable, the following definitions shall be in effect:

- (a) **Annuity Contract.** “Annuity Contract” means a paid-up, non-transferable annuity contract issued by an insurance company qualified to do business in the State of California. Any annuity benefits to which a Participant (or his or her Surviving Spouse or Beneficiary) is entitled under the Plan shall be provided under an Annuity Contract purchased by the Administrator with the balance credited to the Participant’s Account at the time of such purchase. The amount of such benefit shall be determined in accordance with the annuity purchase rates in effect at the time for the Annuity Contract. The purchase of the Annuity Contract shall be effected immediately prior to the date benefits are to commence under the Plan, and the purchased Annuity Contract shall be distributed to the Participant as soon as administratively feasible.
- (b) **Annuity Starting Date.** “Annuity Starting Date” means the first day of the first period for which an amount is payable as an annuity or, in the case of a benefit not payable in the form of an annuity, the first day on which all the events have occurred which entitle the Participant (or his or her Surviving Spouse or Beneficiary, as applicable) to such benefit.
- (c) **Qualified Joint and Survivor Annuity.** “Qualified Joint and Survivor Annuity” means an annuity for the life of the Participant with a survivor annuity for the remaining life of the Surviving Spouse (or, to the extent provided in a subsequent Appendix, the Beneficiary) equal to a specified percentage of the annuity payable during the joint lives of the Participant and his or her Spouse (or to the extent provided in a subsequent Appendix, the Beneficiary). Such annuity shall be the actuarial equivalent of the balance credited to the Participant’s Account at the time the Annuity Contract is purchased.
- (d) **Qualified Preretirement Survivor Annuity.** “Qualified Preretirement Survivor Annuity” means an annuity for the life of the Surviving Spouse of a Participant who dies before his or her Annuity Starting Date which is the actuarial equivalent of the balance credited to the Participant’s Account at the time the Annuity Contract is purchased.
- (e) **Required Beginning Date.** “Required Beginning Date” shall have the meaning assigned to such term in Section 6.12(a).
- (f) **Normal Retirement Age.** “Normal Retirement Age” shall mean the age specified in Section 2.28.
- (g) **Straight Life Annuity.** “Straight Life Annuity” means an annuity payable for the life of the Participant which is the actuarial equivalent of the balance credited to the Participant’s Account at the time the Annuity Contract is purchased.

A.2. **Qualified Joint and Survivor Annuity.**

- (a) **Written Explanation.** If the balance credited to the Participant’s Account at the time distribution is to commence exceeds Five Thousand Dollars (\$5,000) (as prescribed in Sections 6.8(b) and (c)), then the Administrator shall furnish to the Participant and his or her Spouse a written explanation of the terms and conditions of the Qualified Joint and Survivor Annuity, including the circumstances under which it will be provided. In addition, if the

Qualified Joint and Survivor Annuity is the automatic form of distribution, then the written explanation shall also include: (i) the Participant's right to make, and the effect of, an election to waive the Qualified Joint and Survivor Annuity;

(ii) the rights of the Spouse with respect to such election, including the Spouse's right to limit his or her consent to a specific Beneficiary or a specific form of benefit; and (iii) the right to revoke an election and the effect of such a revocation. The Administrator shall furnish the written explanation by a method reasonably calculated to reach the attention of the Participant no less than thirty (30) days and no more than one hundred eighty (180) days before the Annuity Starting Date.

(b) Request for Additional Information. After the written explanation of the Qualified Joint and Survivor Annuity is given, a Participant or his or her Spouse may make a written request for additional information. Upon receipt of the written request for additional information, the Administrator shall provide a written explanation in nontechnical language which will explain the terms and conditions of the Qualified Joint and Survivor Annuity and the financial effect upon the Participant's benefit (in terms of dollars per benefit payment) of electing not to have benefits distributed in accordance with the Qualified Joint and Survivor Annuity. The written explanation must be personally delivered or mailed (first class mail, postage prepaid) to the Participant and his/her Spouse within thirty (30) days after the date of the written request. The Administrator need not comply with more than one such request by a Participant or his or her Spouse.

(c) Election to Waive Qualified Joint and Survivor Annuity. An election to waive the Qualified Joint and Survivor Annuity shall only be required if such form of distribution is the automatic form, as specified in the subsequent Appendices. Accordingly, to the extent applicable, an election to waive the Qualified Joint and Survivor Annuity may not be made by the Participant (and if the Participant is married on his or her Annuity Starting Date, the Participant's Spouse (or, if either the Participant or the Spouse has died, the survivor)) before the date he or she is provided with notice of the ability to waive the Qualified Joint and Survivor Annuity. A Participant's (and, if applicable, his or her Spouse's) election to waive the Qualified Joint and Survivor Annuity can be made during the one hundred eighty (180)-day period ending on the Annuity Starting Date. Spousal consent shall be in the form and manner prescribed in Section A.4(c).

A.3. Qualified Preretirement Survivor Annuity.

(a) Written Explanation. The Administrator shall furnish to the Participant a written explanation of the following: (i) the terms and conditions of the Qualified Preretirement Survivor Annuity, including the circumstances under which it will be provided; (ii) the Participant's right to make, and the effect of, an election to waive the Qualified Preretirement Survivor Annuity; (iii) the rights of the Spouse with respect to such election, including the Spouse's right to limit his or her consent only to a specific Beneficiary; and (iv) the right to make, and the effect of a revocation of an existing election. The Administrator shall furnish the written explanation by a method reasonably calculated to reach the attention of the Participant within the applicable period. The applicable period for a Participant is whichever of the following periods ends last:

(i) the period beginning one (1) year before the date the individual becomes a Participant and ending one (1) year after such date; or

(ii) the period beginning one (1) year before the date the Participant's Spouse is first entitled to a Qualified Preretirement Survivor Annuity and ending one

(1) year after such date.

If such notice is given before the period beginning with the first day of the Plan Year in which the Participant attains age thirty-two (32) and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age thirty-five (35), then an additional notice shall be given within such period. If a Participant ceases to be an Employee before attaining age thirty-five (35), then an additional notice shall be given within the period beginning one (1) year before the date the Participant ceases to be an Employee and ending one (1) year after such date.

(b) **Request for Additional Information.** After the written explanation of the Qualified Preretirement Survivor Annuity is given, a Participant or his or her Spouse may make a written request for additional information. Upon receipt of a timely request for

additional information, the Administrator shall provide a written explanation in nontechnical language which will explain the terms and conditions of the Qualified Preretirement Survivor Annuity and the financial effect upon the Spouse's benefit (in terms of dollars per benefit payment) of electing not to have benefits distributed in accordance with the Qualified Preretirement Survivor Annuity. The written explanation must be personally delivered or mailed (first class mail, postage prepaid) to the Participant or his or her Spouse within thirty (30) days from the date of the written request. The Administrator need not comply with more than one such request by a Participant or his or her Spouse.

(c) **Election to Waive Qualified Preretirement Survivor Annuity.** An election to waive the Qualified Preretirement Survivor Annuity may not be made by the Participant before the date he or she is provided with the notice of the ability to waive the Qualified Preretirement Survivor Annuity. A Participant's election to waive the Qualified Preretirement Survivor Annuity which is made before the first day of the Plan Year in which he or she reaches age thirty-five (35) shall become invalid on such date. However, an election made by a Participant after he or she ceases to be an Employee will not become invalid on the first day of the Plan Year in which he or she reaches age thirty-five (35) with respect to death benefits payable from his or her Account.

A.4. **Election of Optional Forms of Benefit.**

(a) **Written Explanation.** If the balance credited to the Participant's Account at the time distribution is to commence is in excess of Five Thousand Dollars (\$5,000) (as prescribed in Sections 6.8(b) and (c)), then the Administrator shall furnish to the Participant and his or her Spouse a written explanation of the optional forms of retirement benefit provided under the Plan, including (without limitation): (i) the material features and relative values of each automatic and optional form, in a manner which complies with the notice requirements of Code Section 417(a)(3)), and (ii) the right of the Participant and his or her Spouse to defer distribution until the benefit is no longer immediately distributable.

(b) **Election.** The Administrator shall furnish the written explanation by a method reasonably calculated to reach the attention of the Participant no less than thirty

(30) days and no more than one hundred eighty (180) days before the Annuity Starting Date. In addition, if the Qualified Joint and Survivor Annuity is the automatic form of distribution and if the Participant should, after having received the written explanation of the Qualified Joint and Survivor Annuity, affirmatively elect a form of distribution other than the Qualified Joint and Survivor Annuity or the Qualified Preretirement Survivor Annuity, then the election shall be valid only if the consent requirements of paragraph

(c) below are met.

(c) **Consent.** If the Qualified Joint and Survivor Annuity is the automatic form of distribution, as specified in any of the subsequent Appendices, then the following consent provisions are applicable:

(i) **Requirement of Consent.** Any benefit which is immediately distributable or payable in a form other than a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity requires the written consent of the Participant and his other Spouse prior to distribution. Spousal consent will not be required if the Participant establishes to the satisfaction of the Administrator that the consent of the Spouse cannot be obtained because there is no Spouse or the Spouse cannot be located. Neither the consent of the Participant nor the Participant's Spouse shall be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or 415. A benefit is immediately distributable if any part of the benefit could be distributed to the Participant (or surviving Spouse) before the Participant attains (or would have attained if not deceased) Normal Retirement Age or, if later, age sixty-two (62).

(ii) **Form of Consent.** The consent of the Participant and, if applicable his or her Spouse must be made in writing and witnessed by a Plan representative or notary public. In the event the Spouse elects to waive the Qualified Joint and Survivor Annuity and/or Qualified Preretirement Survivor Annuity, then the Spouse shall have the right to limit such consent only to a specific Beneficiary or a specific form of distribution. The Spouse can relinquish one or both of those rights. The Spouse's consent must acknowledge the effect of the waiver, including: (A) the Spouse had the right to limit his or her consent only to a specific Beneficiary or, if applicable, to a specific form of benefit; (B)

the Spouse voluntarily relinquished one or both of those rights; and (C) the Spouse understands the effect such consent has upon the benefits which would otherwise be payable to him or her under the automatic forms of benefit in effect under the Plan. Unless the consent of the Spouse expressly permits designations by the Participant without a requirement of further consent by that Spouse, the Spouse's consent shall be limited to the form of benefit, if applicable, and the Beneficiary or Beneficiaries named in the election. A Spouse's consent shall not be valid with respect to any other Spouse. A Participant may revoke the prior election without his or her Spouse's consent. However, any new election to receive a distribution in any form other than in an automatic form, as specified in the subsequent Appendices, as applicable, shall require spousal consent unless the Spouse's consent expressly permits such election by the Participant without further consent by that Spouse. The Spouse's consent may be revoked at any time within the Participant's election period.

(iii) **Timing of Consent.** The consent of the Participant or his or her Spouse to a benefit which is immediately distributable must not be made before the date the Participant and his or her Spouse are provided with the notice of the ability to defer the distribution and the explanation of the optional benefit forms. Not less than thirty (30) days nor more than one hundred eighty (180) days prior to the date specified for distribution, the Participant (and, if applicable, his or her Spouse) shall be provided with written information relating to his or her right to defer such distribution in accordance with the guidelines set forth in this Appendix.

A.5. **Special Payment Date.** The Participant may elect an Annuity Starting Date which is less than thirty (30) days after the written explanation under Sections A.2 and A.3 is furnished to the Participant and his or her Spouse, provided the following requirements are met: (i) the Administrator provides information to the Participant clearly indicating that the Participant has a right to at least a thirty (30)-day period in which to consider whether to waive the Qualified Joint and Survivor Annuity and consent to another form of distribution; (ii) the Participant is permitted to revoke an affirmative distribution election at least until the Annuity Starting Date or, if later, at any time prior to the expiration of the seven (7) day period beginning with the day after the explanation of the Qualified Joint and Survivor Annuity is provided to the Participant; (iii) the Annuity Starting Date must be a date after the date that the explanation is provided to the Participant, but may be a date before the date that an affirmative distribution election is made by the Participant; and (iv) the distribution must not actually commence before the expiration of the foregoing seven (7)-day period.

A.6. **Spousal Consent.** All distributions from Plan Accounts that may be made pursuant to one or more of the distributable events in Sections 6.9 through 6.19 and the applicable Appendices are subject to the Spousal Consent requirements contained in Code Sections 411(a)(11) and 417.

APPENDIX B

FORM OF BENEFIT DISTRIBUTIONS FOR PARTICIPANTS COMMENCING PARTICIPATION BEFORE JANUARY 2, 1999

The provisions of this Appendix B shall apply only to those Participants who had an Account under the Plan before January 2, 1999, and shall, as supplemented by Article VI and Appendix A, govern all distributions made to those Participants (or their Surviving Spouses or Beneficiaries) from any Account maintained on their behalf under the Plan, whether before, on, or after January 2, 1999. Except for such Participants and Participants specified in the subsequent Appendices, no other Participants (or Surviving Spouses or Beneficiaries thereof) who begin participating in the Plan after January 1, 1999, shall be entitled to any of the benefit distribution forms provided under this Appendix B.

B.1. **Automatic Form of Distribution.** The automatic form of distribution for any Participant (or his or her Surviving Spouse or Beneficiaries) who had an Account under the Plan before January 2, 1999 (other than as set forth in the subsequent Appendices) shall be a single lump sum payment.

B.2. **Optional Forms of Distribution.** In lieu of the automatic form of distribution provided under Section B.1 above, the Participant may, subject to certain of the requirements of Sections A.2 through A.4, elect to receive the benefit distribution in any of the following optional forms:

- (a) Qualified Joint and 50% Survivor Annuity for any Participant and his or her Beneficiary;
- (b) Qualified Joint and 75% Survivor Annuity for any Participant and his or her Beneficiary;
- (c) Qualified Joint and 100% Survivor Annuity for any Participant and his or her Beneficiary; or
- (d) an Annuity Contract providing for a series of periodic cash payments over a period certain of either five (5), ten (10) or fifteen (15) years, as specified, that does not extend beyond the Participant's Life Expectancy; provided, however, if the Participant dies before the expiration of the period certain, payments shall continue for such period to the Participant's Beneficiary.

For purposes of this Appendix B, "Life Expectancy" shall not be re-calculated after the date that payment first commences.

APPENDIX C

MERGER OF PERFORMANCE TECHNOLOGIES, INC. SAVINGS PLAN

The Performance Technologies, Incorporated Savings Plan (the "PTI Plan") was merged with and into the Exponent, Inc. 401(k) Savings Plan (the "Exponent Plan"), effective on or about May 1, 1999 (the "Merger Date"). The merger of the PTI Plan and the Exponent Plan was effected in accordance with the following provisions:

C.1. **Transfer of Account Balances.** The outstanding account balances under the PTI Plan were transferred to the Exponent Plan through a direct transfer from the trust for the PTI Plan to the Trust for the Exponent Plan, effected on the Merger Date.

C.2. **Amount of Account Balance.** The account balance credited to each individual under the PTI Plan immediately prior to the Merger Date was credited to the Account maintained for such individual under the Exponent Plan immediately after the Merger Date. Accordingly, the Account balance maintained under the Exponent Plan for each individual who was a participant in the PTI Plan on the Merger Date was, immediately after the Merger Date, credited with a dollar amount equal to that individual's account balance under the PTI Plan immediately prior to the Merger Date.

C.3. **Investment of Account Balance.** The account balances transferred from the PTI Plan to the Exponent Plan were invested in accordance with each Participant's new investment directive. In the absence of such directives, the transferred account balances were invested in such fund(s) as the Administrator deemed appropriate.

C.4. **Service Credit.** Each Participant in the Exponent Plan shall, for eligibility and vesting purposes under the Exponent Plan, be credited with all Service credited to such Participant for eligibility and vesting purposes under the PTI Plan immediately prior to the Merger Date.

C.5. **Vesting.** The matching and discretionary contributions made by PTI on behalf of participants who held account balances in the PTI Plan as of the Merger Date ("PTI Participants"), and who terminated employment with the Employer prior to December 31, 1998, shall be subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

C.6. **Protected Benefits.** The terms and provisions of the Exponent Plan shall govern the rights, benefits and entitlements of all Participants and any other individuals who have an interest in any Account under the surviving Exponent Plan. The terms and provisions of the PTI Plan shall, as of the Merger Date, be extinguished and cease to have any force or effect. However, any benefits accrued under the PTI Plan prior to the Merger Date shall, to the extent those benefits are protected benefits under Code

Section 411(d)(6) (the "Protected Benefits"), be preserved under the Exponent Plan and shall not in any way be affected, reduced or eliminated as a result of the merger of the PTI Plan with and into the Exponent Plan. The Protected Benefits for PTI Participants who held account balances in the PTI Plan as of the Merger Date shall include (without limitation) the following:

(a) The automatic form of benefit distribution for a PTI Participant who has a Spouse on, and does not die before, his or her Annuity Starting Date shall be a Qualified Joint and 50% Survivor Annuity with installment refund.

(b) The automatic form of benefit distribution for a PTI Participant who has a Spouse on, and dies before, his or her Annuity Starting Date shall be a Qualified Preretirement Survivor Annuity with installment refund. The Surviving Spouse may elect to have such benefit commence at any time prior to the date the Participant would have attained age seventy and one-half (70½) and may also elect to receive the actuarial equivalent of such benefit in any of the optional forms specified in this Section. If the Spouse dies before commencement of the benefit distribution, the Spouse's Beneficiary shall receive the benefit distribution.

(c) The automatic form of benefit distribution for any Participant who is not married on, and does not die before, his or her Annuity Starting Date is a Straight Life Annuity with installment refund.

(d) The automatic form of benefit distribution for any unmarried Participant who dies before his or her Annuity Starting Date is a single lump sum payment to the PTI Participant's Beneficiary.

(e) In addition to the optional forms of benefit distributions specified in Section B.2 of Appendix B, the following optional forms of benefit distributions shall be offered to each PTI Participant on his or her Beneficiary, if applicable; provided, however, option (ix) is not available to any Beneficiary:

(i) Straight Life Annuity;

(ii) Straight Life Annuity with a period certain of five (5) years;

(iii) Straight Life Annuity with a period certain of ten (10) years;

(iv) Straight Life Annuity with a period certain of fifteen (15) years;

(v) Straight Life Annuity with an installment refund;

(vi) Qualified Joint and 50% Survivor Annuity for any Participant and his or her Beneficiary with installment refund;

(vii) Qualified Joint and 100% Survivor Annuity for any Participant and his or her Beneficiary with installment refund;

(viii) an Annuity Contract for any fixed period of whole months which is not less than sixty (60) and does not exceed the Joint and Last Survivor Life Expectancy of the Participant and his or her Beneficiary; provided, however, that the Joint and Last Survivor Life Expectancy shall not be recalculated;

(ix) a series of substantially-equal annual installments with any balance outstanding at the Participant's death payable to his or her Beneficiary in a single lump sum (if the Participant elects this option he or

she may later elect any other option available hereunder);

(x) a single lump sum; or

(xi) a Qualified Joint and 75% Survivor Annuity for any Participant and his or her Beneficiary with installment refund.

(f) For purposes of determining when a PTI Participant is eligible for “Early Retirement,” “Early Retirement” means the first day of the month after the PTI Participant elects Early Retirement, ceases to be an Employee, and has attained age fifty- five (55).

(g) For purposes of defining “Disability” under the Exponent Plan, “Disability” means that a PTI Participant is disabled as a result of sickness or injury to the extent that he or she is prevented from engaging in any substantial gainful activity, and is eligible for and receives a disability under Title II of the Federal Social Security Act.

(h) For purposes of defining “Spouse” or “Surviving Spouse” under the Exponent Plan, “Spouse” or “Surviving Spouse” means the spouse or surviving spouse who has been continuously married to the Participant throughout the one (1)-year period ending on the date of the Participant’s death; provided, however, that a former spouse shall be treated as the spouse or surviving spouse to the extent provided under a Qualified Domestic Relations Order, as described in Section 7.7.

(i) “Joint and Last Survivor Life Expectancy” means the joint and last survivor life expectancy calculated for the Participant and his or her Spouse or Beneficiary in accordance with the expected return multiples in Table VI of Regulation Section 1.72-9. Unless otherwise elected by the Participant (or, if applicable, his or her Spouse) prior to the time the distribution of benefits is required to begin under the Plan, life expectancies shall be recalculated annually. Such election shall be irrevocable as to the Participant (and his or her Spouse or Beneficiary, if applicable) and shall apply to all subsequent years. However, the life expectancy of a non-spouse Beneficiary shall not be recalculated

APPENDIX D

MERGER OF THE EXPONENT, INC. EMPLOYEE PENSION PLAN

The Exponent, Inc. Employee Pension Plan (the "Pension Plan") was merged with and into the Exponent, Inc. 401(k) Savings Plan (the "Exponent Plan"), effective on or about May 1, 1999 (the "Merger Date"). The merger of the Pension Plan and the Exponent Plan was effected in accordance with the following provisions:

- D.1. **Transfer of Account Balances**. The outstanding account balances under the Pension Plan were transferred to the Exponent Plan through a direct transfer from the trust for the Pension Plan to the Trust for the Exponent Plan, effected on the Merger Date.
- D.2. **Amount of Account Balance**. The account balance credited to each individual under the Pension Plan ("Pension Participant") immediately prior to the Merger Date was credited to the Account maintained for such individual under the Exponent Plan immediately after the Merger Date. Accordingly, the Account maintained under the Exponent Plan for each individual who was a Pension Participant on the Merger Date was, immediately after the Merger Date, credited with a dollar amount equal to that individual's account balance under the Pension Plan immediately prior to the Merger Date.
- D.3. **Investment of Account Balance**. The account balances transferred from the Pension Plan to the Exponent Plan were invested in accordance with each Participant's new investment directive. In the absence of such directives, the transferred account balances were invested in such fund(s) as the Administrator deems appropriate.
- D.4. **Service Credit**. Each Participant in the Exponent Plan shall, for eligibility and vesting purposes under the Exponent Plan, be credited with all Service credited to such Participant for eligibility and vesting purposes under the Pension Plan immediately prior to the Merger Date.
- D.5. **Protected Benefits**. The terms and provisions of the Exponent Plan shall govern the rights, benefits and entitlements of all Participants and any other individuals who have an interest in any Account under the surviving Exponent Plan. The terms and provisions of the Pension Plan shall, as of the Merger Date, be extinguished and cease to have any force or effect. However, any benefits accrued under the Pension Plan prior to the Merger Date shall, to the extent those benefits are protected benefits under Code Section 411(d)(6) (the "Protected Benefits"), be preserved under the Exponent Plan and shall not in any way be affected, reduced or eliminated as a result of the merger of the Pension Plan with and into the Exponent Plan. The Protected Benefits for Pension Participants who held account balances in the Pension Plan as of the Merger Date shall include (without limitation) the following:
- (a) The automatic form of benefit distribution for a Pension Participant who has a Spouse on, and does not die before, his or her Annuity Starting Date shall be a Qualified Joint and 50% Survivor Annuity;
 - (b) The automatic form of benefit distribution for a Pension Participant who has a Spouse on, and dies before, his or her Annuity Starting Date shall be a Qualified Preretirement Survivor Annuity. The Surviving Spouse may elect to have such benefit commence at any time prior to the date the Participant would have attained age seventy and one-half (70½) and may also elect to receive the actuarial equivalent of such benefit in any of the optional forms as specified in this Section;
 - (c) The automatic form of benefit distribution for any Participant who is not married on, and does not die before, his or her Annuity Starting is a Straight Life Annuity; and
 - (d) In addition to the optional forms of benefit distributions specified in Section B.2, the following optional form of benefit distribution shall be offered to Pension Participants:
 - (i) a single lump sum payment;
 - (ii) an Annuity Contract payable in substantially-equal annual payments over the life of the Participant;
 - (iii) an Annuity Contract payable in substantially-equal annual payments over the life of

the Participant and his or her Beneficiary;

(iv) an Annuity Contract payable in substantially-equal annual payments which shall not exceed the Life Expectancy of the Participant;

(v) an Annuity Contract payable in substantially-equal annual payments which shall not exceed the Joint and Last Survivor Life Expectancy of the Participant and his or her Beneficiary;

(vi) a Qualified Joint and 100% Survivor Annuity (available only for a Participant who has a Spouse and does not die before his or her Annuity Starting Date); or

(vii) a Qualified Joint and 75% Survivor Annuity (available only for a Participant who has a Spouse and does not die before his or her Annuity Starting Date).

(e) For purposes of defining “Disability” under the Exponent Plan, “Disability” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. Disability shall be determined by the Administrator, after consideration of such evidence as it may require, including reports of such physician or physicians as it may designate.

D.6. **FaAA Protected Benefits.** Effective as of December 30, 1994, the FaAA Plan was merged with and into the Pension Plan. Therefore, in addition to those benefits described above, the following Protected Benefit exists for Participants who held account balances in the FaAA Plan as of the FaAA Merger Date (the “FaAA Participants”). The Administrator shall authorize, upon the request of a FaAA Participant, a withdrawal by such FaAA Participant of all or any part of his or her Account balance under the Exponent Plan that is attributable to the balance of such Account as a result of the merger of the FaAA Plan Voluntary Contribution Account into the Pension Plan, and subsequently, into the Exponent Plan.

D.7. **In-Service Withdrawals Prohibited.** Notwithstanding any provision of the Plan or any Appendices to the contrary, to the extent any distribution is otherwise permitted under the Plan prior to the Participant’s Normal Retirement, death, Disability, or severance from employment, and prior to the termination of the Plan, the Participant shall not receive a distribution until such time as the Participant incurs a distributable event with respect to his or her FaAA Plan Account and/or Pension Plan Account (and Earnings thereon) within the meaning of Code Section 414(1).

**FIRST AMENDMENT TO
THE EXPONENT, INC. 401(k) SAVINGS PLAN
(AS AMENDED AND RESTATED JANUARY 1, 2014)**

WHEREAS, Exponent, Inc. (the "Company") adopted an amended and restated 401(k) Savings Plan effective January 1, 2014 (the "Plan"); and

WHEREAS, the Company wishes to amend the Plan in order to reflect the Plan's compliance with certain requirements of the Internal Revenue Code; and

WHEREAS, the Company retains the right to amend the Plan under Section 11.1(a) thereof; and

WHEREAS, pursuant to Section 11.1(b) of the Plan, the Company has delegated to the Plan's administrative committee the authority to adopt amendments that are designed to bring the Plan into compliance with applicable law, designed to ensure the continued tax-qualified status of the Plan or do not have a significant financial impact on the Company;

NOW, THEREFORE, effective as of January 1, 2007, Article VII of the Plan is hereby amended by inserting a new Section 7.8 at the end thereof to read as follows:

“7.8 No Investment in Employer Securities. No assets of the Trust will be eligible for investment in “employer securities” within the meaning of Section 401(a)(35)(G)(iii) of the Code.”

IN WITNESS WHEREOF, the Company has caused this First Amendment to the Plan to be executed by its duly authorized officer.

**SECOND AMENDMENT TO
THE EXPONENT, INC. 401(k) SAVINGS PLAN
(AS AMENDED AND RESTATED JANUARY 1, 2014)**

WHEREAS, Exponent, Inc. (the "Company") adopted an amended and restated 401(k) Savings Plan effective January 1, 2014 (the "Plan"); and

WHEREAS, the Company wishes to amend the Plan in order to make certain changes regarding hardship withdrawals; and

WHEREAS, the Company retains the right to amend the Plan under Section 11.1(a) thereof; and

WHEREAS, pursuant to Section 11.1(b) of the Plan, the Company has delegated to the Plan's administrative committee the authority to adopt amendments that are designed to bring the Plan into compliance with applicable law, designed to ensure the continued tax-qualified status of the Plan or do not have a significant financial impact on the Company;

NOW, THEREFORE, effective as of the dates set forth below, the Plan is hereby amended as follows:

1. Effective as of January 1, 2019, the first sentence of Section 6.17(a) is hereby amended by the deletion of said sentence in its entirety and the substitution in lieu thereof of a new sentence to read as follows.

“(a) Upon hardship of a Participant, the Trustee shall, upon the direction of the Administrator, make a distribution from the Participant's Rollover Contributions Account, Salary Deferral Contributions Account, Roth Salary Deferral Contributions Account and any vested interest in his or her Employer Matching Contributions Account, in that order.”

2. Effective as of January 1, 2020, the third sentence of Section 6.17(a) is hereby amended by the deletion of said sentence in its entirety and the substitution in lieu thereof of a new sentence to read as follows.

“No hardship distribution pursuant to this Section 6.17(a) shall be permitted unless the Participant provides to the Administrator a certification in writing, or in such other form permitted by the Administrator, that the Participant has insufficient cash or other liquid assets reasonably available to meet a financial need that satisfies the requirements of paragraphs (b) and (c) of this Section and the Administrator does not have actual knowledge that is contrary to the certification.”

3. Effective as of January 1, 2019, Section 6.17(c)(i) is hereby amended by the deletion of subparagraph (c)(i) of said Section 6.17 in its entirety and the substitution in lieu thereof of a new subparagraph (c)(i) to read as follows:

“(i) the Participant has obtained all distributions, other than hardship distributions, under all plans maintained by the Employer;”

4. Effective as of January 1, 2019, Section 6.17(c)(ii) is hereby amended by the deletion of subparagraph (c)(ii) of said Section 6.17 in its entirety and the substitution in lieu thereof of a new subparagraph (c)(ii) to read as follows:

“(ii) effective for hardship distributions received prior to January 1, 2019, the Participant is prohibited from making Salary Deferral Contributions to this Plan for six (6) months after the receipt of the hardship distribution. In addition, effective for hardship distributions received prior to January 1, 2019, the Participant must agree to stop making elective contributions and employee contributions to all other plans of the Employer (to the extent permissible under the terms of such plan) for at least six (6) months after receipt of the hardship distribution. If, as of January 1, 2019, a Participant's Salary Deferral Contributions

were suspended for a period of six months following receipt of a hardship distribution, such suspension will cease to apply effective January 1, 2019, and a Participant who desires to resume having Salary Deferral Contributions made on his or her behalf may do so, as of any date on or after January 1, 2019, if such Participant is then an Eligible Employee and such Participant again elects to have Salary Deferral Contributions made on his or her behalf pursuant to Section 4.1(a).”

SUBSIDIARIES OF THE COMPANY

Subsidiary	State or Other Jurisdiction of Incorporation or Incorporation or Organization
Exponent Consulting (Canada) Inc.	Canada
Exponent Consulting PTE. Ltd.	Singapore
Exponent International Engineering and Scientific Consulting Limited	Ireland
Exponent International Ltd.	United Kingdom
Exponent Limited	Hong Kong
Exponent Realty LLC	Delaware
Exponent Science and Technology Consulting (Shanghai) Co., Ltd.	China

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Exponent, Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-31830, 333-67806, 333-99243, 333-106105, 333-117108, 333-128141, 333-138618, 333-151238, 333-184058 and 333-223768) on Form S-8 of Exponent, Inc. of our report dated February 26, 2021, with respect to the consolidated balance sheets of Exponent, Inc. as of January 1, 2021 and January 3, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 1, 2021, and the related notes and financial statement schedule II, and the effectiveness of internal control over financial reporting as of January 1, 2021, which report appears in the January 1, 2021 annual report on Form 10-K of Exponent, Inc.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases as of December 29, 2018 due to the adoption of FASB Accounting Standards Codification Topic 842 (Topic 842), *Leases*.

/s/ KPMG LLP

San Francisco, California

February 26, 2021

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Catherine Ford Corrigan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Exponent, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

By: /s/ Catherine Ford Corrigan
Catherine Ford Corrigan, Ph.D.
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard L. Schlenker, Jr. certify that:

1. I have reviewed this annual report on Form 10-K of Exponent, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

By: /s/ Richard L. Schlenker, Jr.
Richard L. Schlenker, Jr.
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Exponent, Inc. (the "Company") on Form 10-K for the period ending January 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Catherine Ford Corrigan, Ph.D., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 26, 2021

By: /s/ Catherine Ford Corrigan
Catherine Ford Corrigan, Ph.D.
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Exponent, Inc. (the "Company") on Form 10-K for the period ending January 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Richard L. Schlenker, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: February 26, 2021

By: /s/ Richard L. Schlenker, Jr.

Richard L. Schlenker, Jr.

Chief Financial Officer