EXPONENT INC
Form DEF 14A
April 24, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨	Preliminary Proxy Statement	¨	**Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement		
¨	Definitive Additional Materials		
¨	Soliciting Material Pursuant to §240.14a-12		

Exponent, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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2008 NOTICE OF

ANNUAL STOCKHOLDERS MEETING

AND PROXY STATEMENT

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Exponent, Inc.

149 Commonwealth Drive

Menlo Park, CA 94025

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 29, 2008

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders (the Annual Meeting) of Exponent, Inc., a Delaware corporation (the Company), will be held on Thursday, May 29, 2008, at 9:30 a.m. local time, at 149 Commonwealth Drive, Menlo Park, California 94025, for the following purposes:

1. To elect six directors for a term of one year;
2. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as independent auditor for the Company for the year ending January 2, 2009;
3. To consider and approve the 2008 Equity Incentive Plan;
4. To consider and approve the 2008 Employee Stock Purchase Plan; and
5. To attend to other matters that properly come before the meeting.

Stockholders owning the Company s shares at the close of business on April 2, 2008 (the Record Date), are entitled to notice of and to vote at the Annual Meeting.

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

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

FOR THE BOARD OF DIRECTORS

Richard L. Schlenker, *Corporate Secretary*

Menlo Park, California

April 25, 2008

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EXPONENT, INC.

PROXY STATEMENT

FOR THE

2008 ANNUAL MEETING OF STOCKHOLDERS

ABOUT THE MEETING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Exponent, Inc., a Delaware corporation. The Annual Meeting of Stockholders will be held at the Company s principal executive offices, 149 Commonwealth Drive, Menlo Park, California 94025, on Thursday, May 29, 2008 at 9:30 a.m. local time. The telephone number for this location is (650) 326-9400.

What is the Purpose of the Annual Meeting?

At the Company s Annual Meeting, stockholders will act upon matters outlined in the accompanying notice of the meeting and transact such other business that may properly come before the meeting. There are no cumulative voting rights.

Who is Entitled to Vote?

Only stockholders of record at the close of business on the Record Date, April 2, 2008, receive notice of the Annual Meeting and are entitled to vote at the Annual Meeting. Each outstanding share entitles its holder to cast one vote on each matter to be voted upon.

Please note that if you hold your shares in street name, that is, through a broker or other nominee, you will need to bring a copy of a brokerage statement reflecting your stock ownership on the Record Date. If you do not vote your proxy, your brokerage firm may either vote your shares on routine matters, such as election of directors and the ratification of the Company s independent auditor, or leave your shares without a vote. We encourage you to provide instructions to your brokerage firm by voting your proxy. This ensures your shares will be voted at the meeting.

The proxy solicitation materials will be mailed on or about April 25, 2008, together with the Company s Annual Report for the period ended December 28, 2007, to all stockholders entitled to vote at the meeting. The Securities and Exchange Commission (SEC) has adopted rules that allow companies and intermediaries, such as brokers, to deliver a single copy of certain proxy materials to certain stockholders who share the same address, a practice referred to as householding. Some banks, brokers and other nominees will be householding Exponent s Proxy materials, unless contrary instructions are received from the affected stockholders. Once you have received notice from your broker or other nominee holder of your Exponent common stock that the broker or other nominee holder will be householding the proxy materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive separate proxy materials, or if you are receiving multiple copies of the proxy materials and wish to receive only one copy, please notify your broker or other nominee holder of your Exponent common stock.

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How Do I Vote?

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

- for the six named nominees to the Board of Directors;
- for the ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as the Company s independent auditor for the year ending January 2, 2009;
- for the approval of the 2008 Equity Incentive Plan; and
- for the approval of the 2008 Employee Stock Purchase Plan.

If you choose to vote by telephone or via the internet, please review the back of the proxy card for instructions on how to do so. You do not need to mail in your proxy card if you vote by telephone or via the internet. Some brokers may not provide telephone or internet voting.

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

What if I Change My Mind After I Return My Proxy Card?

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

What Does it Mean if I Receive More than One Proxy Card?

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

What Constitutes a Quorum?

The presence, in person or by properly executed proxy, of the holders of a majority of the shares of common stock outstanding as of the Record Date constitutes a quorum at the Annual Meeting. Shares that voted For, Against, or Withheld on the proposals are treated as being present at the meeting for purposes of establishing a quorum and are deemed to be votes cast at the Annual Meeting with respect to the proposals. Abstentions and broker non-votes will be included for purposes of determining whether a quorum of shares is present at the Annual Meeting. However, abstentions and broker non-votes will not be included in the tabulation of the voting results on the election of directors or on issues requiring approval of a majority of the votes duly cast. Signed, unmarked proxy cards are voted as recommended by the Board of Directors. A plurality of the votes duly cast is required for the election of directors. The affirmative vote of a majority of the votes duly cast is required for the ratification of the appointment of the independent auditor, approval of the 2008 Equity Incentive Plan and approval of the 2008 Employee Stock Purchase Plan.

As of the Record Date, a total of 14,731,856 shares of the Company s common stock, $.001 par value, were issued and outstanding. For information regarding security ownership by management and by the beneficial owners of more than 5% of the Company s common stock, see Stock Ownership. The closing price of the Company s common stock on the NASDAQ National Market on the Record Date was $34.25 per share.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nominees

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

Required Vote

The six nominees receiving the highest number of affirmative votes duly cast will be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no other legal effect under Delaware law.

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

Samuel H. Armacost

Age:	69
Director Since:	1989
Principal Occupation:	Chairman of the Board of SRI International, an independent, non-profit scientific research institute, since 1998
Recent Business Experience:	Mr. Armacost was a Principal of Weiss, Peck & Greer, L.L.C., an investment firm, from l990 to 1997. In 1997, he was appointed Managing Director until his departure in June 1998. He was Managing Director of Merrill Lynch Capital Markets of Merrill, Lynch, Pierce, Fenner & Smith, Incorporated, from 1987 to August 1990, and he was Director, President, and Chief Executive Officer of BankAmerica Corporation from 1981 to 1986.
Other Directorships:	Member of the Boards of Callaway Golf Company, Chevron Corporation, Del Monte Foods Company, Franklin Resources, Inc., Sarnoff Corp. and SRI International

Barbara M. Barrett

Age:	57
Director Since:	1997
Principal Occupation:	President and Chief Executive Officer of Triple Creek Guest Ranch, a resort, since 1993
Recent Business Experience:	Ms. Barrett is an international, business and aviation attorney. She served as the Senior Adviser to the United States for the 61st Session of the United Nations General Assembly, Teaching Fellow at Harvard s Kennedy School of Government, President and CEO of the American Management Association International, Inc., in New York City, Deputy Administrator of the Federal Aviation Administration and Vice Chairman of the Civil Aeronautics Board.
Other Directorships:	Member of the Boards of the Aerospace Corporation, Raytheon Company, Mayo Clinic and Thunderbird School of Global Management.

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Michael R. Gaulke

Age:	62
Director Since:	1994
Principal Occupation:	Chief Executive Officer of the Company since 1996 and Chairman of the Board of Directors since 2007
Recent Business Experience:	Mr. Gaulke joined the Company in 1992, as Executive Vice President and Chief Financial Officer. He was named President in March 1993, and he was appointed as a member of the Board of Directors of the Company in January 1994. He assumed the role of Chief Executive Officer in June 1996, and was appointed Chairman of the Board of Directors in May 2007. Prior to 1992, he held senior executive positions at Raynet Corporation and Spectra Physics, and was a consultant with McKinsey & Company.
Other Directorships:	Member of the Board of Cymer, Inc. and the Board of Trustees of the Palo Alto Medical Foundation

Jon R. Katzenbach

Age:	75
Director Since:	1997
Principal Occupation:	Founding Partner of Katzenbach Partners, L.L.C., a consulting firm, since 1999
Recent Business Experience:	Mr. Katzenbach was with McKinsey & Company from 1959 until January 1999. During his 39 years of service, Mr. Katzenbach managed several of their offices, including McKinsey & Company s San Francisco and New York offices for five years each. Mr. Katzenbach served as Chairman of several governance committees and was elected to the Shareholders Committee in 1972, on which he served for nearly 20 years.
Authored:	Authored: *Teams at the Top; Peak Performance; and Why Pride Matters More Than Money*
	Co-authored: *The Wisdom of Teams; Real Change Leaders; and The Discipline of Teams*

Stephen C. Riggins

Age:	63
Director Since:	2003
Recent Business Experience:	Mr. Riggins spent 30 years with KPMG LLP, where he practiced as a certified public accountant and was in a number of senior leadership positions including being a member of KPMG s Board of Directors and its Management Committee. Other roles included serving as Western Area Managing Partner - Assurance; Managing Partner - Information, Communication, and Entertainment; Managing Partner - Silicon Valley Office and Los Angeles Office.
Other Directorships:	Member of the Board of Tectura Corporation

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John B. Shoven, Ph.D.

Age:	60
Director Since:	2007
Principal Occupation:	Professor of Economics, Stanford University
Recent Business Experience:	Dr. Shoven is currently the Charles R. Schwab Professor of Economics at Stanford University, where he has taught since 1973. He is also the Wallace R. Hawley Director of the Stanford Institute for Economics Policy Research, a position he has held since November 1999 and earlier served in that capacity from 1989 to 1993. He served as Chairman of the Economics Department at Stanford University from 1986 to 1989 and as Dean of the School of Humanities and Sciences from 1993 to 1998. Dr. Shoven earned his Ph.D. in economics from Yale University and his bachelor s degree in physics from University of California, San Diego. Dr. Shoven is a Fellow of the American Academy of Arts and Sciences, a recipient of the Paul A. Samuelson Award for Outstanding Scholarly Writing on Lifelong Financial Security, an award winning teacher at Stanford, and has published more than one hundred professional articles and twenty books.
Other Directorships:	Chairman of the Board of Cadence Design Systems, Inc. and a member of the Board of American Century Funds.

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BOARD INDEPENDENCE

The Board has determined that the following members of the Board are independent directors within the meaning of applicable NASDAQ listing standards: Samuel H. Armacost, Barbara M. Barrett, Jon R. Katzenbach, Stephen C. Riggins and John B. Shoven, Ph.D. Samuel H. Armacost was appointed Lead Independent Director in May 2007. Under applicable Securities and Exchange Commission and NASDAQ rules, the existence of certain related party transactions above certain thresholds between a director and the Company are required to be disclosed and preclude a finding by the Board that the director is independent. No transactions required to be disclosed under SEC rules, and no other transactions, arrangements or relationships, existed or were considered by the Board in making its independence determinations.

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BOARD MEETINGS AND COMMITTEES

The Board held four regular meetings in 2007. Each director attended at least 75% of applicable Board meetings and committee meetings during 2007, with the exception of Leslie Denend, who was a member of the Board until May of 2007. Prior to May of 2007 there was one regular Board meeting and one meeting for each of the Audit Committee, Human Resources Committee and the Corporate Governance and Nominating Committee, which Dr. Denend was unable to attend. The following table describes the Board s committees. The members of each committee are all independent directors within the meaning of applicable NASDAQ listing standards.

Committee Name/Number of Members	Function of Committee	Meetings in 2007
AUDIT COMMITTEE Stephen C. Riggins Chairperson Samuel H. Armacost John B. Shoven, Ph.D.	• Monitors the preparation of quarterly and annual financial reports by the Company s management • Appoints and removes the Company s independent auditor, approves the scope of their audit services and related fees, as well as any other services being provided to the Company, supervises their work (including resolution of any disagreements between management and the independent auditor regarding financial reporting) and determines whether the independent auditor is independent • In consultation with management and the independent auditor considers the integrity of the Company s financial reporting process and controls regarding finance, accounting and legal compliance	8 meetings
HUMAN RESOURCES COMMITTEE Jon R. Katzenbach Chairperson Samuel H. Armacost Barbara M. Barrett Stephen C. Riggins John B. Shoven, Ph.D.	• Establishes the general compensation policies for all employees • Oversees the specific compensation plan for officers of the Company, including the CEO	6 meetings
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	• Identifies individuals to become qualified Board members • Makes recommendations to the Board regarding nominations for the Board	7 meetings

Barbara M. Barrett Chairperson Samuel H. Armacost Jon R. Katzenbach Stephen C. Riggins John B. Shoven, Ph.D.	• Oversees the Board s annual evaluation of its performance • Reviews and recommends to the Board compensation for non-employee directors • Oversees corporate governance

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The responsibilities of the Audit Committee, Human Resources Committee and the Corporate Governance and Nominating Committee are set forth in written charters for each committee, which are available on the Company s website at: http://www.exponent.com/investors/corpgovernance.html.

Corporate Governance and Nominating Committee

As described in the table above, the Corporate Governance and Nominating Committee of the Board identifies individuals qualified to become Board members, recommends that the Board select the director nominees for the next annual meeting of stockholders, oversees the Board s annual evaluation of its performance and reviews and recommends to the Board compensation for non-employee directors. The committee is also responsible for developing and recommending to the Board a set of corporate governance guidelines applicable to the Company and for periodically reviewing such guidelines. The members of the Corporate Governance and Nominating Committee are all independent directors within the meaning of applicable NASDAQ listing standards. The responsibilities of this committee are set forth in the Corporate Governance and Nominating Committee Charter, which is available on the Company s website at: http://www.exponent.com/investors/corpgovernance.html.

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

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

Stockholders Proposals for Nominees. The Corporate Governance and Nominating Committee will consider written proposals from stockholders for nominees for director. Any such nominations should be submitted to the Corporate Governance and Nominating Committee c/o the Secretary of the Company and should include (at a minimum) the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company s common stock which are owned beneficially and of record by such stockholder(s); and (c) appropriate biographical information and a statement as to the qualifications of the nominee, and should be submitted in the time frame described in the Bylaws of the Company and under the caption, Stockholder Proposals for the 2009 Annual Meeting.

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

The Company has never received a proposal from a stockholder to nominate a director. Although the Corporate Governance and Nominating Committee has not adopted a formal policy with respect to stockholder nominees, the committee expects that the evaluation process for a stockholder nominee would be similar to the process outlined above.

Board Nominees for the 2008 Annual Meeting. Mr. Armacost, Ms. Barrett, Mr. Gaulke, Mr. Katzenbach and Mr. Riggins are current directors standing for re-election. Dr. Shoven has been a director of the Company since August of 2007 but has not previously been subject to stockholder election. Dr. Shoven was initially identified by the Corporate Governance and Nominating Committee as a candidate for director through his professional activities including his position with Stanford University.

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

The Company does not have a policy requiring the directors to attend the annual stockholders meeting. However, all of the Company s directors in office at the time of our last annual stockholders meeting attended that meeting, with the exception of Leslie Denend. It is expected that all of our directors then in office will attend the Annual Meeting.

Code of Business Conduct and Corporate Governance

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

Compensation of Directors

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

- An annual cash retainer of $24,000;
- An annual restricted stock unit grant valued at $40,000 that vests ratably over a three-year period;
- $2,000 for attending each meeting of the Board of Directors;
- $3,000 for service on the Human Resources Committee;
- $7,500 for service on the Audit Committee;
- $3,000 for service on the Corporate Governance and Nominating Committee;

- $1,000 for participation in each conference call of the Audit Committee;

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- $1,000 for attending each meeting of any Committee other than the standing Committees;
- $500 for participation in each conference call of any Committee other than the standing Committees;
- $10,000 for serving as Lead Independent Director of the Board of Directors;
- $7,500 for serving as Chairperson of the Audit Committee;
- $3,000 for serving as Chairperson of the Corporate Governance and Nominating Committee;
- $3,000 for serving as Chairperson of the Human Resources Committee; and
- A restricted stock unit grant valued at $50,000 for each new independent director joining the Board that vests ratably over a three-year period.

DIRECTOR COMPENSATION TABLE

The following table sets forth information regarding director compensation during 2007:

Name	Fees Earned	Stock Awards (1)	Option Awards (2)	Total
Samuel H. Armacost	$ 55,331	$ 28,081		$ 83,412
Barbara M. Barrett	$ 43,875	$ 28,081		$ 71,956
Leslie G. Denend, Ph.D.	$ 20,960	$ 10,314		$ 31,274
Jon R. Katzenbach	$ 39,750	$ 28,081		$ 67,831
Stephen C. Riggins	$ 57,000	$ 28,081	$ 1,978	$ 87,059
John B. Shoven, Ph.D.	$ 15,500	$ 5,706		$ 21,206

(1) The amounts in this column represent the expense recognized for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)), (excluding forfeiture estimates) for unvested restricted stock unit awards. The value of these awards is amortized over the three year vesting period of the awards. The following director restricted stock unit awards were granted during 2007: Mr. Armacost 1,817, Ms. Barrett 1,817, Mr. Katzenbach 1,817, Mr. Riggins 1,817, and Dr. Shoven 1,988. The following director restricted stock unit awards were outstanding as of December 28, 2007: Mr. Armacost 5,477, Ms. Barrett 5,477, Mr. Katzenbach 5,477, Mr. Riggins 5,477, and Dr. Shoven 1,988.

(2) The amounts in this column represent the expense recognized for financial reporting purposes in accordance with SFAS 123(R) (excluding forfeiture estimates) for stock option awards. The value of our stock option awards is amortized ratably over the four-year vesting period. The following director stock option awards were outstanding as of December 28, 2007: Mr. Riggins 20,000.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

- first, the committee is charged with monitoring the preparation of quarterly and annual financial reports by the Company s management, including discussions with management and the Company s independent auditor about quarterly and annual financial statements and key accounting and reporting matters;
- second, the committee is responsible for matters concerning the relationship between the Company and its independent auditor, including their appointment or removal; approving the scope of their audit services and related fees, as well as any other services being provided to the Company; and determining whether the independent auditor is independent (based in part on the annual letter provided to the Company pursuant to *Independence Standards Board Standard No. 1*); and
- third, the committee in consultation with management and the independent auditor considers the integrity of the Company s financial reporting processes and controls regarding finance, accounting and legal compliance.

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

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

In overseeing the preparation of the Company s financial statements, the committee met with both management and the Company s independent auditor to review and discuss all quarterly and annual financial statements prior to their issuance and to discuss significant accounting issues. Management advised the committee that all financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the committee discussed the statements with both management and the independent auditor. The committee s review included discussion with the independent auditor of matters required to be discussed pursuant to *Statement on Auditing Standards No. 61 (Communication with Audit Committees)*, which includes:

- methods used to account for significant and unusual transactions;
- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor s conclusions regarding the reasonableness of those estimates; and
- disagreements with management, if any, over the application of accounting principles, the basis for management s accounting estimates and the disclosures in the financial statements.

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With respect to the Company s independent auditor, the committee, among other things, discussed with KPMG LLP matters relating to its independence, including the disclosures made to the committee as required by the *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees*).

On the basis of these reviews and discussions, the committee recommended to the Board of Directors that the Board approve the inclusion of the Company s audited financial statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 28, 2007, for filing with the SEC.

Members of the Audit Committee[(1)]

Stephen C. Riggins, Chairperson

Samuel H. Armacost

John B. Shoven, Ph.D.

(1) Leslie Denend was a member of the Audit Committee until May of 2007 when he did not stand for re-election to the Board. Barbara Barrett was a member of the Audit Committee from May of 2007 until August of 2007 when John Shoven was appointed to the Board. Dr. Shoven has been a member of the Audit Committee since August of 2007.

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RELATIONSHIP WITH INDEPENDENT AUDITOR

KPMG LLP has been the independent auditor that audits the financial statements of the Company since 1987. In accordance with standing policy, KPMG LLP periodically changes the personnel who work on the audit. In addition to performing the audit of the Company s consolidated financial statements, KPMG LLP provided various other services during 2007. The aggregate fees billed during 2007 and 2006 for each of the following categories of services are set forth below:

	Fiscal 2007 Fees	Fiscal 2006 Fees
Audit Fees	$ 589,000	$ 649,000(1)
Audit-Related Fees		4,000
Tax Fees	90,000	97,000
All Other Fees		
Total Fees	$ 679,000	$ 750,000

(1) Includes $10,000 billed subsequent to the filing of the 2007 Notice of Annual Stockholders Meeting and Proxy Statement.

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

Audit-Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company s consolidated financial statements and are not reported under Audit Fees. These services for fiscal 2006 represented accounting consultations on proposed transactions.

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

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

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

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PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF

INDEPENDENT AUDITOR

The Audit Committee of the Board of Directors has appointed KPMG LLP, an independent registered public accounting firm, to audit the financial statements of the Company for the year ending January 2, 2009. KPMG LLP has audited the Company s financial statements since 1987. A representative of KPMG LLP is expected to be present at the meeting, will have the opportunity to make a statement if he or she so desires, and is expected to be available to respond to appropriate questions.

Required Vote

The ratification of the appointment of KPMG LLP will require the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting.

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

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.

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PROPOSAL NO. 3

TO APPROVE THE 2008 EQUITY INCENTIVE PLAN

On April 8, 2008 the Board of Directors of the Company approved, subject to the approval of stockholders, the 2008 Equity Incentive Plan. The 2008 Equity Incentive Plan will provide for grants of stock awards, stock options, and cash awards to selected employees, directors and independent contractors. If stockholder approval is obtained for the 2008 Equity Incentive Plan then the 1999 Stock Option Plan, the Restricted Stock Award Plan and the 1998 Stock Option Plan will terminate immediately upon stockholder approval. As of April 2, 2008, there are 2,742,249 shares remaining available for grant under the 1999 Stock Option Plan and the Restricted Stock Award Plan. Both of these plans will expire by their terms on May 5, 2009 and no further awards can be granted after such date. As of April 2, 2008, there are 360,818 shares remaining available for grant under the 1998 Stock Option Plan. This plan will expire by its term on October 24, 2008. If the 2008 Equity Incentive Plan is not approved, the Company will continue to grant awards under the 1999 Stock Option Plan, the Restricted Stock Award Plan and the 1998 Stock Option Plan, until each plan expires according to its terms.

Equity compensation is a critical part of the Company s total compensation program which is essential to the Company s long-term success. The Company believes that its current equity compensation program is an important element in the retention of employees who are its key revenue generators. The 2008 Equity Incentive Plan provides for 1,200,000 shares of the Company s common stock issuable to selected employees, directors, and independent contractors. As of April 2, 2008, there were 1,344,665 shares subject to stock options outstanding under the Company s existing plans with a weighted average exercise price of $9.49 and a weighted average remaining term of 4.9 years. In addition, there were 943,773 shares subject to issuance under awards of restricted stock units.

The Company believes that as a high end consulting firm its people are its key asset and this requires a unique approach to equity compensation. The Company seeks to balance the need to attract, motivate and retain top talent in a highly competitive business with the need to manage its annual use of equity. Many of its competitors are privately held organizations owned by their key revenue generators. To remain competitive the use of equity is necessary to attract, motivate and retain the highest caliber consulting staff. Equity awards continue to represent a significant portion of the compensation package for most of its key revenue generators, not just senior management. During 2007 the Company awarded equity to 80 employees. The Company strongly believes that granting equity awards encourages employees to think and behave like owners, rewarding them when value is created for stockholders.

During the first quarter of 2004 the Company adopted its current equity compensation program. Under this program restricted stock units are granted to key revenue producers and senior management based on individual bonuses, ensuring that the top performers receive the highest portion of equity compensation. The Company believes this equity compensation program has had a significant positive impact on its financial results and overall business strategy. Net revenues have increased 45% from $125.9 million in fiscal 2003 to $183.1 million in fiscal 2007 and operating income has increased 77% from $16.9 million to $29.9 million over the same period of time. The Company s market capitalization increased from $155.4 million at the end of fiscal 2003 to $392.6 million at the end of fiscal 2007 reflecting a total stockholder return of approximately 153% since 2003. In deciding whether to approve this proposal, stockholders should also consider the following key factors;

- The Company s bonus pool is based on the profitability of the Company and is distributed based on each individual s relative contribution to the overall performance of the Company. For 2003, the Company started to pay a portion of its key revenue producers and senior management s earned annual bonuses in restricted stock units as a way to further align the interests of its employees with that of its stockholders and to further retain top talent. At the discretion of the Company, 20% to 40% of this group s annual bonus is paid with fully vested restricted stock unit awards which are settled with shares of common stock four years from the grant date. This strategy uses equity as a substitute for cash in delivering performance-based pay to its employees. Each individual who has part of their bonus settled with a fully vested restricted stock unit award is also granted a matching number of unvested restricted

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stock unit awards that cliff vest four years from the date of grant. This program has resulted in an increase in stock ownership for the top performing consultants by tying up a portion of their annual bonus with restricted stock units, which are matched by the Company with unvested restricted stock units. By tying this program to individual bonuses it ensures that the top performing consultants receive the highest portion of equity compensation. This program has been well received by the Company s employees and stockholders, has improved retention and the Company believes it has contributed to Exponent s strong results over the past several years. While the fully vested units do not have the retention power of the unvested units the Company believes that they are an important part of aligning its key revenue producers and stockholders interest, but this does increase the number of shares issued annually and as a result it also increases the Company s burn rate (as discussed below).

- Total potential dilution is equal to the total number of equity awards outstanding plus the pool of shares remaining for future awards, divided by the total of common shares outstanding, equity awards outstanding and the pool of shares remaining for future awards. The Company s