PLAINS ALL AMERICAN PIPELINE LP
Form 8-K
August 04, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) August 4, 2010
Plains All American Pipeline, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	**1-14569**	**76-0582150**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

333 Clay Street, Suite 1600, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code **713-646-4100**
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 9.01. Financial Statements and Exhibits

(d) Exhibit 99.1 Press Release dated August 4, 2010.

Item 2.02 and Item 7.01. Results of Operations and Financial Condition; Regulation FD Disclosure

Plains All American Pipeline, L.P. (the Partnership) today issued a press release reporting its second-quarter 2010 results. We are furnishing the press release, attached as Exhibit 99.1, pursuant to Item 2.02 and Item 7.01 of Form 8-K. Pursuant to Item 7.01 we are providing detailed guidance for financial performance for the third and fourth quarters of calendar 2010 and updating our previous guidance for financial performance for the full calendar year of 2010 (which supersedes guidance pertaining to 2010 contained in our Form 8-K furnished on May 5, 2010). In accordance with General Instruction B.2. of Form 8-K, the information presented herein under this Item 7.01 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), nor shall it be deemed incorporated by reference in any filing under the Exchange Act or Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

Disclosure of Third and Fourth Quarter 2010 Guidance; Update of Full Year 2010 Guidance

EBIT and EBITDA (each as defined below in Note 1 to the Operating and Financial Guidance table) are non-GAAP financial measures. Net income and cash flows from operating activities are the most directly comparable GAAP measures to EBIT and EBITDA. In Note 9 below, we reconcile net income to EBIT and EBITDA for the 2010 guidance periods presented. We do not, however, reconcile cash flows from operating activities to EBIT and EBITDA because such reconciliations are impractical for a forecasted period. We encourage you to visit our website at *www.paalp.com* (in particular the section entitled Non-GAAP Reconciliation), which presents a historical reconciliation of EBIT and EBITDA as well as certain other commonly used non-GAAP financial measures. We present EBIT and EBITDA because we believe they provide additional information with respect to both the performance of our fundamental business activities and our ability to meet our future debt service, capital expenditures and working capital requirements. We also believe that debt holders commonly use EBITDA to analyze partnership performance. In addition, we have highlighted the impact of our equity compensation plans, gains and losses from other derivative activities, net loss on early repayment of senior notes, and PNGS contingent consideration fair value adjustment on Segment Profit, EBITDA, Net Income and Net Income per Basic and Diluted Limited Partner Unit.

We based our guidance for the three months ending September 30 and December 31, 2010 and twelve months ending December 31, 2010 on assumptions and estimates that we believe are reasonable given our assessment of historical trends (modified for changes in market conditions), business cycles and other reasonably available information. Projections covering multi-quarter periods contemplate inter-period changes in future performance resulting from new expansion projects, seasonal operational changes (such as LPG sales) and acquisition synergies. Our assumptions and future performance, however, are both subject to a wide range of business risks and uncertainties, so no assurance can be provided that actual performance will fall within the guidance ranges. Please refer to information under the caption Forward-Looking Statements and Associated Risks below. These risks and uncertainties, as well as other unforeseeable risks and uncertainties, could cause our actual results to differ materially from those in the following table. The operating and financial guidance provided below is given as of the date hereof, based on information known to us as of August 3, 2010. We undertake no obligation to publicly update or revise any forward-looking statements.

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Plains All American Pipeline, L.P.
Operating and Financial Guidance
(in millions, except per unit data)

	Actual	Guidance [1]					
	6 Months Ended	3 Months Ending September 30, 2010		3 Months Ending December 31, 2010		12 Months Ending December 31, 2010	
	6/30/2010	Low	High	Low	High	Low	High
Segment Profit							
Net revenues (including equity earnings from unconsolidated entities)	$ 987	$ 470	$ 488	$ 492	$ 510	$ 1,949	$ 1,985
Field operating costs	(334)	(184)	(179)	(175)	(170)	(693)	(683)
General and administrative expenses	(117)	(54)	(52)	(54)	(52)	(225)	(221)
	536	232	257	263	288	1,031	1,081
Depreciation and amortization expense	(131)	(63)	(61)	(61)	(59)	(255)	(251)
Interest expense, net	(120)	(67)	(65)	(64)	(62)	(251)	(247)
Income tax expense		(1)		(1)		(2)	
Other income (expense), net	(1)	(6)	(6)			(7)	(7)
Net Income	**$ 284**	**$ 95**	**$ 125**	**$ 137**	**$ 167**	**$ 516**	**$ 576**
Less: Net income attributable to the noncontrolling interest	(2)	(3)	(3)	(3)	(3)	(8)	(8)
Net Income attributable to Plains	**$ 282**	**$ 92**	**$ 122**	**$ 134**	**$ 164**	**$ 508**	**$ 568**
Net Income to Limited Partners	$ 201	$ 51	$ 80	$ 90	$ 120	$ 342	$ 401
Basic Net Income Per Limited Partner Unit							
Weighted Average Units Outstanding	136	136	136	136	136	136	136
Net Income Per Unit	$ 1.45	$ 0.36	$ 0.57	$ 0.65	$ 0.87	$ 2.47	$ 2.90
Diluted Net Income Per Limited Partner Unit							
Weighted Average Units Outstanding	137	137	137	137	137	137	137
Net Income Per Unit	$ 1.45	$ 0.35	$ 0.57	$ 0.65	$ 0.86	$ 2.46	$ 2.90
EBIT	**$ 404**	**$ 163**	**$ 190**	**$ 202**	**$ 229**	**$ 769**	**$ 823**
EBITDA	**$ 535**	**$ 226**	**$ 251**	**$ 263**	**$ 288**	**$ 1,024**	**$ 1,074**

Selected Items Impacting Comparability							
Equity compensation charge	$ (24)	$ (8)	$ (8)	$ (7)	$ (7)	$ (39)	$ (39)
Inventory Valuation Adjustments Net of Gains/(Losses) from related derivative activities	(1)					(1)	(1)
Gains / (Losses) from other derivative activities	41					41	41
Net loss on early repayment of senior notes		(6)	(6)			(6)	(6)
PNGS contingent consideration fair value adjustment	(2)					(2)	(2)
	$ 14	$ (14)	$ (14)	$ (7)	$ (7)	$ (7)	$ (7)
Excluding Selected Items Impacting Comparability							
Adjusted Segment Profit							
Transportation	$ 269	$ 132	$ 137	$ 143	$ 148	$ 544	$ 554
Facilities	134	68	72	65	69	267	275
Supply and Logistics	120	40	56	62	78	222	254
Other Income (Expense), net	(2)					(2)	(2)
Adjusted EBITDA	$ 521	$ 240	$ 265	$ 270	$ 295	$ 1,031	$ 1,081
Adjusted Net Income attributable to Plains	$ 268	$ 106	$ 136	$ 141	$ 171	$ 515	$ 575
Adjusted Basic Net Income per Limited Partner Unit	$ 1.35	$ 0.46	$ 0.67	$ 0.70	$ 0.92	$ 2.51	$ 2.94
Adjusted Diluted Net Income per Limited Partner Unit	$ 1.34	$ 0.45	$ 0.67	$ 0.70	$ 0.91	$ 2.50	$ 2.93

(1) The projected average foreign exchange rate is $1.05 Canadian dollar to $1 U.S. Dollar, for the remainder of 2010. The rate as of August 3, 2010 was

$1.024 Canadian dollar to $1 U.S. Dollar. A $0.10 change in the FX rate will impact forecasted EBITDA for the last six months of 2010 by approximately $7 million.

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Notes and Significant Assumptions:

1.	*Definitions.*
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation and amortization expense
Segment Profit	Net revenues (including equity earnings, as applicable) less field operating costs and segment general and administrative expenses
Bbls/d	Barrels per day
Bcf	Billion cubic feet
LTIP	Long-Term Incentive Plan
LPG	Liquefied petroleum gas and other natural gas-related petroleum products (primarily propane and butane)
FX	Foreign currency exchange
General partner (GP)	As the context requires, general partner refers to any or all of (i) PAA GP LLC, the owner of our 2% general partner interest, (ii) Plains AAP, L.P., the sole member of PAA GP LLC and owner of our incentive distribution rights and (iii) Plains All American GP LLC, the general partner of Plains AAP, L.P.
Class B units	Class B units of Plains AAP, L.P.

2. *Operating Segments.* We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics. The following is a brief explanation of the operating activities for each segment as well as key metrics.
   a. *Transportation.* Our transportation segment operations generally consist of fee-based activities associated with transporting crude oil and refined products on pipelines, gathering systems, trucks and barges. We generate revenue through a combination of tariffs, third-party leases of pipeline capacity and transportation fees. Our transportation segment also includes our equity earnings from our investments in the Butte and Frontier pipeline systems and Settoon Towing, in which we own noncontrolling interests.

      Pipeline volume estimates are based on historical trends, anticipated future operating performance and assumed completion of internal growth projects. Actual volumes will be influenced by maintenance schedules at refineries, production declines, weather and other natural disasters including hurricanes, changes in the quantity of inventory held in tanks, and other external factors beyond our control. We forecast adjusted segment profit using the volume assumptions in the table below, priced at forecasted tariff rates, less estimated field operating costs and G&A expenses. Field operating costs do not include depreciation. Actual segment profit could vary materially depending on the level and mix of volumes transported or expenses incurred during the period.

      The following table summarizes our total pipeline volumes and highlights major systems that are significant either in total volumes transported or in contribution to total transportation segment profit.

		2010		
	Actual	Guidance		
	Six Months Ended June 30,	Three Months Ending September 30,	Three Months Ending December 31,	Twelve Months Ending December 31,
Average Daily Volumes (000 Bbls/d)				
All American	41	40	40	41
Basin	363	395	390	378

Capline	203	260	250	229
Line 63 / 2000	111	110	115	112
Salt Lake City Area Systems [1]	132	140	135	135
West Texas / New Mexico Area Systems [1]	376	400	385	384
Rainbow	195	185	190	191
Manito	60	60	60	60
Rangeland	51	50	50	51
Refined Products	121	120	120	120
Other	1,193	1,210	1,185	1,195
	2,846	2,970	2,920	2,896
Trucking	92	90	90	91
	2,938	3,060	3,010	2,987
Segment Profit per Barrel ($/Bbl) Excluding Selected Items Impacting Comparability	$ 0.51	$ 0.48[2]	$ 0.53[2]	$ 0.50[2]

[1] The aggregate of multiple systems in the respective areas.

[2] Mid-point of guidance.

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b. *Facilities*. Our facilities segment operations generally consist of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products, LPG and natural gas, as well as LPG fractionation and isomerization services. We generate revenue through a combination of month-to-month and multi-year leases and processing arrangements.

Adjusted segment profit is forecast using the volume assumptions in the table below, priced at forecasted rates, less estimated field operating costs and G&A expenses. Field operating costs do not include depreciation.

	Actual	2010 Guidance		
	Six Months Ended June 30,	Three Months Ending September 30,	Three Months Ending December 31,	Twelve Months Ending December 31,
Operating Data				
Crude oil, refined products and LPG storage (MMBbls/Mo.)	60	62	62	61
Natural Gas Storage (Bcf/Mo.)	45	50	50	48
LPG Processing (MBbl/d)	13	19	18	16
Facilities Activities Total [1] Avg. Capacity (MMBbls/Mo.)	68	71	71	69
Segment Profit per Barrel ($/Bbl) Excluding Selected Items Impacting Comparability	$ 0.33	$ 0.33[2]	$ 0.32[2]	$ 0.32[2]

(1) Calculated as the sum of: (i) crude oil, refined products and LPG storage capacity; (ii) natural gas storage capacity divided by 6 to account for the 6:1 mcf of gas to barrel of crude oil ratio; and (iii) LPG processing volumes

multiplied by the number of days in the period and divided by the number of months in the period.

(2) Mid-point of guidance.

c. *Supply and Logistics*. Our supply and logistics segment operations generally consist of the following activities:

- the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, as well as the purchase of foreign cargoes at their load port and various other locations in transit;
- the storage of inventory during contango market conditions and the seasonal storage of LPG;
- the purchase of refined products and LPG from producers, refiners and other marketers;
- the resale or exchange of crude oil, refined products and LPG at various points along the distribution chain to refiners or other resellers to maximize profits; and
- the transportation of crude oil, refined products and LPG on trucks, barges, railcars, pipelines and ocean-going vessels to our terminals and third-party terminals.

The level of profit in the supply and logistics segment is influenced by overall market structure and the degree of volatility in the crude oil market, as well as variable operating expenses. Forecasted operating results for the remainder of 2010 reflect the current market structure and seasonal, weather-related variations in LPG sales. The fourth quarter of 2010 reflects our expectation of normal winter weather for our LPG business. Variations in weather, market structure or volatility could cause actual results to differ materially from forecasted results.

We forecast adjusted segment profit using the volume assumptions stated below, as well as estimates of unit margins, field operating costs, G&A expenses and carrying costs for contango inventory, based on current and anticipated market conditions. Actual volumes are influenced by temporary market-driven storage and withdrawal of oil, maintenance schedules at refineries, production declines, weather, and other external factors beyond our control. Field operating costs do not include depreciation. Realized unit margins for any given lease-gathered barrel could vary significantly based on a variety of factors including location, quality and contract structure. Accordingly, the projected segment profit per barrel can vary significantly even if aggregate volumes are in line with the forecasted levels.

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	Actual	2010 Guidance		
	Six Months Ended June 30,	Three Months Ending September 30,	Three Months Ending December 31,	Twelve Months Ending December 31,
Average Daily Volumes (MBbl/d)				
Crude Oil Lease Gathering Purchases	611	625	610	614
LPG Sales	94	72	164	106
Refined Products Sales	41	48	58	47
Waterborne foreign crude oil imported	73	70	65	70
	819	815	897	837
Segment Profit per Barrel ($/Bbl) Excluding Selected Items Impacting Comparability	$ 0.81	$ 0.60[1]	$ 0.95[1]	$ 0.78[1]

[1] Mid-point of guidance.

3. *Depreciation and Amortization.* We forecast depreciation and amortization based on our existing depreciable assets, forecasted capital expenditures and projected in-service dates. Depreciation may vary during any one period due to gains and losses on intermittent sales of assets, asset retirement obligations, asset impairments or foreign exchange rates.

4. *Acquisitions and Other Capital Expenditures.* Although acquisitions constitute a key element of our growth strategy, the forecasted results and associated estimates do not include any forecasts for acquisitions to which we may commit after the date hereof. We forecast capital expenditures during calendar 2010 to be approximately $360 million for expansion projects with an additional $85 million for maintenance capital projects. During the first six months of 2010, we spent $163 million and $33 million, respectively, for expansion and maintenance projects. Following are some of the more notable projects and forecasted expenditures for the year ending December 31, 2010:

	Calendar 2010 (in millions)
Expansion Capital	
PAA Natural Gas Storage	95
Patoka Phase III	18
West Texas gathering lines	18
Cushing Phase VII	17
Edmonton land purchase	16
St. James Phase III	15
Cushing Phase VIII	15
Wichita Falls tanks	11
Other projects[(1)]	155

	360
Maintenance Capital	85
Total Projected Capital Expenditures (excluding acquisitions)	445

(1) Primarily pipeline connections, upgrades and truck stations, new tank construction and refurbishing, and carry-over of projects started in 2009.

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5. *Capital Structure.* This guidance is based on our capital structure as of June 30, 2010, as adjusted to give effect to the issuance on July 14, 2010 of $400 million of 3.95% 5-year senior notes as well as the anticipated redemption in September of our $175 million 6.25% senior notes due 2015.

6. *Interest Expense.* Debt balances are projected based on estimated cash flows, estimated distribution rates, estimated capital expenditures for maintenance and expansion projects, expected timing of collections and payments, and forecasted levels of inventory and other working capital sources and uses. Interest rate assumptions for variable rate debt are based on the current forward LIBOR curve.

   Included in interest expense are commitment fees, amortization of long-term debt discounts or premiums, deferred amounts associated with terminated interest-rate hedges and interest on short-term debt for non-contango inventory (primarily hedged LPG inventory and New York Mercantile Exchange and IntercontinentalExchange margin deposits). Interest expense is net of amounts capitalized for major expansion capital projects and does not include interest on borrowings for inventory stored in a contango market. We treat interest on contango-related borrowings as carrying costs of crude oil and include it in purchases and related costs.

7. *Net Income per Unit.* Basic net income per limited partner unit is calculated by dividing net income allocated to limited partners by the basic weighted average units outstanding during the period.

	Actual		**Guidance[1]**				
	6 Months Ended	**3 Months Ending September 30, 2010**		**3 Months Ending December 31, 2010**		**12 Months Ending December 31, 2010**	
	6/30/2010	**Low**	**High**	**Low**	**High**	**Low**	**High**
Numerator for basic and diluted earnings per limited partner unit:							
Net Income attributable to Plains	$ 282	$ 92	$ 122	$ 134	$ 164	$ 508	$ 568
Less: General partners incentive distribution paid (1)	(77)	(40)	(40)	(42)	(42)	(159)	(10pt; text-align: left">
Excess tax benefit from equity incentive plans	4,431	4,499					
Payroll taxes for restricted stock units	(7,267)	(6,267)					
Repurchase of common stock	(3,500)	(6,831)					
Exercise of share-based payment awards	289	329					
Dividends and dividend equivalents rights	(4,023)	(3,310)					
Net cash used in financing activities	(10,070)	(11,580)					

Effect of foreign currency exchange rates on cash and cash equivalents	(156)	148
Net decrease in cash and cash equivalents	(5,832)	(17,327)
Cash and cash equivalents at beginning of period	129,490	122,948
Cash and cash equivalents at end of period	$ 123,658	$ 105,621

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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EXPONENT, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

Exponent, Inc. (referred to as the "Company" or "Exponent") is an engineering and scientific consulting firm that provides solutions to complex problems. The Company operates on a 52-53 week fiscal year ending on the Friday closest to the last day of December.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not contain all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments which are necessary for the fair presentation of the condensed consolidated financial statements have been included and all such adjustments are of a normal and recurring nature. The operating results for the three months ended April 3, 2015 are not necessarily representative of the results of future quarterly or annual periods. The following information should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2015 which was filed with the U.S. Securities and Exchange Commission on March 2, 2015.

The unaudited condensed consolidated financial statements include the accounts of Exponent, Inc. and its subsidiaries, which are all wholly owned. All intercompany accounts and transactions have been eliminated in consolidation.

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

	Fiscal Year 2015	
	Dividends Per Share	Amount (in thousands)
First Quarter	$0.30	$ 3,858
		$ 3,858

Fiscal Year 2014

	Dividends Per Share	Amount (in thousands)
First Quarter	$0.25	$ 3,262
Second Quarter	$0.25	3,270
Third Quarter	$0.25	3,262
Fourth Quarter	$0.25	3,216
		$ 13,010

The Company expects to continue paying quarterly dividends in the future, subject to declaration by the Company's Board of Directors.

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. Significant items subject to such estimates and assumptions include accounting for revenue recognition and estimating the allowance for doubtful accounts and contract losses. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements. On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles ("GAAP") when it becomes effective. The new standard is effective for the Company on the first day of fiscal 2017 (December 31, 2016), or 2018 if the FASB's proposal for a one year deferral is approved. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2: 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 the three months ended April 3, 2015 and April 4, 2014. 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 April 3, 2015:

	Fair Value Measurements at Reporting Date Using			
(In thousands)	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)	$48,940	$48,940	$ -	$ -
Fixed income available-for-sale securities (2)	21,368	-	21,368	-
Fixed income trading securities held in deferred compensation plan (3)	12,376	12,376	-	-

Equity trading securities held in deferred compensation plan [3]	31,542	31,542	-	-
Total	$114,226	$92,858	$ 21,368	$ -
Liabilities				
Deferred compensation plan [4]	51,419	51,419	-	-
Total	$51,419	$51,419	$ -	$ -

(1) Included in cash and cash equivalents on the Company's unaudited condensed consolidated balance sheet.
(2) Included in short-term investments on the Company's unaudited condensed consolidated balance sheet.
(3) Included in prepaid expenses and other assets and deferred compensation plan assets on the Company's unaudited condensed consolidated balance sheet.
(4) Included in accrued payroll and employee benefits and deferred compensation on the Company's unaudited condensed consolidated balance sheet.

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The fair value of these certain financial assets and liabilities was determined using the following inputs at January 2, 2015:

	Fair Value Measurements at Reporting Date Using			
(In thousands)	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]	$45,478	$45,478	$ -	$ -
Fixed income available-for-sale securities [2]	24,913	-	24,913	-
Fixed income trading securities held in deferred compensation plan [3]	9,672	9,672	-	-
Equity trading securities held in deferred compensation plan [3]	34,176	34,176	-	-
Total	$114,239	$89,326	$ 24,913	$ -
Liabilities				
Deferred compensation plan [4]	45,394	45,394	-	-
Total	$45,394	$45,394	$ -	$ -

(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 assets and deferred compensation plan assets on the Company's consolidated balance sheet.

(4) Included in accrued payroll and employee benefits and deferred compensation on the Company's consolidated balance sheet.

Fixed income available-for-sale securities as of April 3, 2015 and January 2, 2015 represent primarily obligations of state and local government agencies. Fixed income and equity trading securities represent mutual funds held in the Company's deferred compensation plan. See Note 6 for additional information about the Company's deferred compensation plan.

Cash, cash equivalents and short-term investments consisted of the following as of April 3, 2015:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Classified as current assets:				
Cash	$ 74,718	$ -	$ -	$ 74,718
Cash equivalents:				
Money market securities	48,940	-	-	48,940
Total cash equivalents	48,940	-	-	48,940
Total cash and cash equivalents	123,658	-	-	123,658
Short-term investments:				
State and municipal bonds	21,357	13	(2)	21,368
Total short-term investments	21,357	13	(2)	21,368
Total cash, cash equivalents and short-term investments	$ 145,015	$ 13	$ (2)	$ 145,026

Cash, cash equivalents and short-term investments consisted of the following as of January 2, 2015:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Classified as current assets:				
Cash	$ 84,012	$ -	$ -	$ 84,012
Cash equivalents:				
Money market securities	45,478	-	-	45,478
Total cash equivalents	45,478	-	-	45,478
Total cash and cash equivalents	129,490	-	-	129,490
Short-term investments:				
State and municipal bonds	24,890	27	(4)	24,913
Total short-term investments	24,890	27	(4)	24,913
Total cash, cash equivalents and short-term investments	$ 154,380	$ 27	$ (4)	$ 154,403

The following table summarizes the cost and estimated fair value of short-term fixed income securities classified as short-term investments based on stated effective maturities as of April 3, 2015:

(In thousands)	Amortized Cost	Estimated Fair Value
Due within one year	$ 18,739	$ 18,750
Due between one and two years	2,618	2,618
Total	$ 21,357	$ 21,368

At April 3, 2015 and January 2, 2015, 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 April 3, 2015 and January 2, 2015, but require disclosure of their fair values: accounts receivable, other assets and accounts payable. The estimated fair value of such instruments at April 3, 2015 and January 2, 2015 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 the three months ended April 3, 2015 and April 4, 2014.

Note 3: Net Income Per Share

Basic per share amounts are computed using the weighted-average number of common shares outstanding during the period. Diluted per share amounts are calculated using the weighted-average number of common shares outstanding during the period and, when dilutive, the weighted-average number of potential common shares from the issuance of common stock to satisfy outstanding restricted stock units and the exercise of outstanding options to purchase common stock using the treasury stock method.

The following schedule reconciles the shares used to calculate basic and diluted net income per share:

(In thousands)	Three Months Ended April 3, 2015	April 4, 2014
Shares used in basic per share computation	13,311	13,537
Effect of dilutive common stock options outstanding	71	79
Effect of dilutive restricted stock units outstanding	313	324
Shares used in diluted per share computation	13,695	13,940

Common stock options to purchase 10,989 shares were excluded from the diluted per share calculation for the three months ended April 3, 2015 due to their antidilutive effect. The weighted-average exercise price for the antidilutive shares was $88.39 for the three months ended April 3, 2015. There were no options excluded from the diluted per share calculations for the three months ended April 4, 2014.

Note 4: Stock-Based Compensation

Restricted Stock Units

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 receives a fully vested restricted stock unit award is also granted a matching number of unvested restricted stock unit awards. Unvested restricted stock unit awards are also granted for select new hires and promotions. These unvested restricted stock unit awards generally 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 59½ years or older, all unvested restricted stock unit awards will continue to vest, provided that 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.

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. The Company recorded stock-based compensation expense associated with accrued bonus awards of $1,693,000 and $1,586,000 during the three months ended April 3, 2015 and April 4, 2014, respectively. The value of the unvested restricted stock unit awards granted, adjusted for estimated forfeitures, is recognized on a straight-line basis over the shorter of the four-year vesting period or the period between the grant date and the date the award recipient turns 59½. If the award recipient is 59½ years or older on the date of grant, the value of the entire award is expensed upon grant. The Company recorded stock-based compensation expense associated with the unvested restricted stock unit awards of $3,131,000 and $3,227,000 during the three months ended April 3, 2015 and April 4, 2014, respectively.

Stock Options

Stock options are granted for terms of ten years and generally vest 25% per year over a four-year period from the grant date. For options granted on or after January 1, 2012, all unvested stock option awards will continue to vest in the case of retirement at 59½ years or older, provided that 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. The Company grants options at exercise prices equal to the fair value of the Company's common stock on the date of grant. The Company recorded stock-based compensation expense associated with stock option grants of $397,000 and $480,000 during the three months ended April 3, 2015 and April 4, 2014, respectively.

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 option 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 Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting option forfeitures and stock-based compensation expense was recorded only for those awards that are expected to vest. All stock-based payment awards are recognized on a straight-line basis over the requisite service periods of the awards.

Note 5: Treasury Stock

On February 9, 2012, the Company's Board of Directors authorized $35,000,000 for the repurchase of the Company's common stock. On February 15, 2013, the Company's Board of Directors authorized an additional $35,000,000 for the repurchase of the Company's common stock. On May 29, 2014, the Company's Board of Directors authorized an additional $35,000,000 for the repurchase of the Company's common stock.

The Company repurchased 40,483 shares of its common stock for $3,500,000 during the three months ended April 3, 2015. The Company repurchased 102,719 shares of its common stock for $7,631,000 during the three months ended April 4, 2014. As of April 3, 2015, the Company had remaining authorization under its stock repurchase plans of $31,578,000 to repurchase shares of common stock.

Net losses related to the re-issuance of treasury stock to settle restricted stock unit and stock option awards of $4,943,000 and $6,050,000 were recorded as a reduction to retained earnings during the three months ended April 3, 2015 and April 4, 2014, respectively.

Note 6: 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 April 3, 2015 and January 2, 2015, the invested amounts under the plans totaled $43,918,000 and $43,848,000, respectively. These assets are classified as trading securities and are recorded at fair value with changes recorded as adjustments to other income and expense.

As of April 3, 2015 and January 2, 2015, vested amounts due under the plans totaled $51,419,000 and $45,394,000, respectively. Changes in the liability are recorded as adjustments to compensation expense. During the three months ended April 3, 2015 and April 4, 2014, the Company recognized compensation expense of $1,381,000 and $731,000, respectively, as a result of changes in the market value of the trust assets with the same amount being recorded as income in other income (expense), net.

Note 7: Supplemental Cash Flow Information

The following is supplemental disclosure of cash flow information:

(In thousands)	Three Months Ended April 3, 2015	April 4, 2014
Cash paid during period:		
Income taxes	$390	$428
Non-cash investing and financing activities:		
Unrealized (loss) gain on short-term investments	$(7)	$14

Vested stock unit awards issued to settle accrued bonuses	$6,169	$6,008
Stock repurchases payable to broker	$-	$800

Note 8: Accounts Receivable, Net

At April 3, 2015 and January 2, 2015, accounts receivable, net, was comprised of the following:

(In thousands)	April 3, 2015	January 2, 2015
Billed accounts receivable	$58,799	$63,331
Unbilled accounts receivable	32,873	26,423
Allowance for doubtful accounts	(3,596)	(3,386)
Total accounts receivable, net	$88,076	$86,368

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Note 9: Segment Reporting

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

Segment information for the three months ended April 3, 2015 and April 4, 2014 follows:

Revenues

(In thousands)	Three Months Ended April 3, 2015	April 4, 2014
Engineering and Other Scientific	$59,801	$55,827
Environmental and Health	20,492	20,135
Total revenues	$80,293	$75,962

Operating Income

(In thousands)	Three Months Ended April 3, 2015	April 4, 2014
Engineering and Other Scientific	$19,245	$18,818
Environmental and Health	6,464	5,973
Total segment operating income	25,709	24,791
Corporate operating expense	(10,681)	(10,697)
Total operating income	$15,028	$14,094

Capital Expenditures

Three Months Ended

(In thousands)	April 3, 2015	April 4, 2014
Engineering and Other Scientific	$392	$530
Environmental and Health	24	55
Total segment capital expenditures	416	585
Corporate capital expenditures	211	330
Total capital expenditures	$627	$915

Depreciation and Amortization

(In thousands)	Three Months Ended April 3, 2015	April 4, 2014
Engineering and Other Scientific	$1,104	$873
Environmental and Health	43	47
Total segment depreciation and amortization	1,147	920
Corporate depreciation and amortization	234	402
Total depreciation and amortization	$1,381	$1,322

No single customer comprised more than 10% of the Company's revenues during the three months ended April 3, 2015 and April 4, 2014. No single customer comprised more than 10% of the Company's accounts receivable at April 3, 2015 and January 2, 2015.

Note 10: Goodwill

Below is a breakdown of goodwill reported by segment as of April 3, 2015:

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

There were no acquisitions, dispositions, impairments or other changes in the carrying amount of goodwill, nor any changes in the composition of the Company's reporting units, during the three months ended April 3, 2015.

Note 11: 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 12: Subsequent Event

On April 22, 2015, the Company announced that its Board of Directors approved a two-for-one stock split of its common stock and a change in the number of authorized shares of common and preferred stock to 80 million and 2 million, respectively, each subject to stockholder approval of both the split and the change in authorized shares at the 2015 annual meeting of stockholders on May 28, 2015. If the Company's stockholders approve the stock split and the change in authorized shares, each stockholder of record at the close of business on May 28, 2015 will receive one additional share of common stock for every outstanding share of common stock held on the record date.

On April 22, 2015, the Company announced that its Board of Directors declared a cash dividend to be paid on June 26, 2015 to all common stockholders of record as of June 12, 2015. If the proposed stock split and the change in authorized shares are approved by stockholders the cash dividend will be $0.15 per share after giving effect to the split. If the proposed stock split, the change in authorized shares, or both are not approved by stockholders (such that the split does not occur), the cash dividend will be $0.30 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein and with our audited consolidated financial statements and notes thereto for the fiscal year ended January 2, 2015, which are contained in our fiscal 2014 Annual Report on Form 10-K which was filed with the U.S. Securities and Exchange Commission on March 2, 2015.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains 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 the words "anticipate," "believe," "estimate," "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 possibility that the demand for our services may decline as a result of changes in general and industry specific economic conditions, the timing of engagements for our services, the effects of competitive services and pricing, the absence of backlog related to our business, our ability to attract and retain key employees, the effect of tort reform and government regulation on our business and liabilities resulting from claims made against us. Additional risks and uncertainties are discussed in our fiscal 2014 Annual Report on Form 10-K under the heading "Risk Factors" and elsewhere in the report. 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 warned 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.

Business Overview

Exponent, Inc. is an engineering and scientific consulting firm that provides solutions to complex problems. Our multidisciplinary team of scientists, physicians, engineers and business consultants brings together more than 90 different technical disciplines to solve complicated issues facing industry and business today. Our services include analysis of product development, product recall, regulatory compliance, and discovery of potential problems related to products, people or property and impending litigation.

CRITICAL ACCOUNTING ESTIMATES

In preparing our unaudited condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income and net income, as well as on the value of certain assets and liabilities on our consolidated balance sheet. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis we evaluate our assumptions, judgments and estimates and make changes accordingly. We believe that the assumptions, judgments and estimates involved in the accounting for revenue recognition and estimating the allowance for doubtful accounts and contract losses have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results. Policies covering revenue recognition and estimating the allowance for doubtful accounts and contract losses are described in our fiscal 2014 Annual Report on Form 10-K under “Critical Accounting Estimates” and Note 1 (Summary of Significant Accounting Policies) of the Notes to Consolidated Financial Statements.

RESULTS OF CONSOLIDATED OPERATIONS

Executive Summary

Revenues for the first quarter of 2015 increased 6% and revenues before reimbursements increased 4% as compared to the same period last year. The increase in revenues and revenues before reimbursements was due to an increase in billable hours. We experienced strong demand for our consulting services from a diverse set of clients for both reactive and proactive projects.

For the quarter we had notable performances from our materials & corrosion engineering, mechanical engineering, polymer science & materials chemistry, human factors, and buildings & structures practices, as well as from our environmental group.

Net income increased to $10,333,000 during the first quarter of 2015 as compared to $9,154,000 during the same period last year. Diluted earnings per share increased to $0.75 per share as compared to $0.66 in the same period last year due to the increase in net income and our ongoing share repurchase program.

We remain focused on selectively adding top talent and developing the skills necessary to expand our market position, providing clients with in-depth scientific research and analysis to determine what happened and how to prevent failures or exposures in the future, capitalizing on emerging growth areas, managing other operating expenses, generating cash from operations, maintaining a strong balance sheet and undertaking activities such as share repurchases and dividends to enhance shareholder value. We continue to expect one of our major investigations to step down from its elevated level of activity as it moves through the project life cycle. We also continue to expect a step down in the level of activity in our technology development practice due to the constraints on defense spending and the withdrawal of United States and United Kingdom combat troops from Afghanistan.

Overview of the Three Months Ended April 3, 2015

During the first quarter of 2015, billable hours increased 7% to 292,000 as compared to 274,000 during the same period last year due to continued demand for our proactive and reactive consulting services. Our utilization increased to 75% during the first quarter of 2015 as compared to 72% during the first quarter of 2014. The increase in utilization was due to demand for our consulting services from a diverse set of clients for both reactive and proactive projects and our management of headcount to better align resources with anticipated demand. Technical full-time equivalent employees increased 2% to 745 during the first quarter of 2015 as compared to 732 during the same period last year due to our recruiting and retention efforts. We continue to selectively hire key talent to expand our capabilities.

Three Months Ended April 3, 2015 compared to Three Months Ended April 4, 2014

Revenues

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Engineering and Other Scientific	$59,801	$55,827	7.1%
Percentage of total revenues	74.5 %	73.5 %	
Environmental and Health	20,492	20,135	1.8%
Percentage of total revenues	25.5 %	26.5 %	
Total revenues	$80,293	$75,962	5.7%

The increase in revenues for our Engineering and Other Scientific segment was due to an increase in billable hours. During the first quarter of 2015, billable hours for this segment increased by 7% to 211,000 as compared to 197,000 during the same period last year. Utilization increased to 77% during the first quarter of 2015 as compared to 75% during the same period last year. The increase in billable hours and utilization was due to demand for our services in our materials & corrosion engineering, polymer science & materials chemistry, human factors, and buildings & structures practices. Technical full-time equivalent employees increased 4% to 529 during the first quarter of 2015 as compared to 508 for the same period last year due to our continuing recruiting and retention efforts.

The increase in revenues for our Environmental and Health segment was due to an increase in billable hours partially offset by the impact of unfavorable foreign exchange rates. During the first quarter of 2015, billable hours for this segment increased by 5% to 81,000 as compared to 77,000 during the same period last year. Utilization increased to 72% for the first quarter of 2015 as compared to 66% for the same period last year. The increase in billable hours and utilization was due to strong demand for our services in our environmental & earth sciences, ecological & biological sciences, and chemical regulation & food safety practices. Technical full-time equivalent employees decreased by 4% to 216 during the first quarter of 2015 as compared to 224 during the same period last year .

Compensation and Related Expenses

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Compensation and related expenses	$51,115	$48,858	4.6%
Percentage of total revenues	63.7 %	64.3 %	

The increase in compensation and related expenses during the first quarter of 2015 was due to an increase in bonus expense, an increase in payroll and benefits expense, and the change in the value of assets associated with our deferred compensation plan. Bonus expense increased $952,000 due to an increase in income before income taxes, before bonus expense, and before stock-based compensation expense. Payroll expense increased $503,000 and fringe benefits increased $296,000 due to the increase in technical full-time equivalent employees. During the first quarter of 2015, deferred compensation expense increased $650,000 with a corresponding increase to other income (expense), net, as compared to the first quarter of 2014 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 $1,381,000 during the first quarter of 2015 as compared to an increase in the value of the plan assets of $731,000 during same period last year. We expect our compensation expense, excluding the change in value of deferred compensation plan assets, to increase as we selectively add new talent.

Other Operating Expenses

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Other operating expenses	$6,510	$6,317	3.1%
Percentage of total revenues	8.1 %	8.3 %	

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 during the first quarter of 2015 was due to investments in our corporate infrastructure and costs associated with the increase in technical full-time equivalent employees. We expect other operating expenses to grow as we selectively add new talent and make investments in our corporate infrastructure.

Reimbursable Expenses

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Reimbursable expenses	$4,152	$2,995	38.6%
Percentage of total revenues	5.2 %	3.9 %	

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

General and Administrative Expenses

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
General and administrative expenses	$3,488	$3,698	(5.7)%
Percentage of total revenues	4.3 %	4.9 %	

The decrease in general and administrative expenses during the first quarter of 2015 was due to a decrease in legal expenses of $417,000 partially offset by an increase in bad debt expense of $118,000 and an increase in outside consulting services of $73,000. The decrease in legal expenses was due to a decrease in costs associated with legal claims during the first quarter of 2015 as compared to the first quarter of 2014. We expect general and administrative expenses to increase as we selectively add new talent, expand our business development initiatives and pursue staff development initiatives.

Other Income (Expense), Net

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Other income (expense), net	$2,043	$1,271	60.7%
Percentage of total revenues	2.5 %	1.7 %	

Other income (expense), net, consists primarily of interest income earned on available cash, cash equivalents and short-term investments, changes in the value of assets associated with our deferred compensation plan and rental income from leasing space in our Silicon Valley facility. During the first quarter of 2015, other income (expense), net, increased $650,000 with a corresponding increase to deferred compensation expense, as compared to the first quarter in 2014 due to a change in the value of assets associated with our deferred compensation plan. This increase consisted of an increase in the value of the plan assets of $1,381,000 during the first quarter of 2015 as compared to an increase in the value of the plan assets of $731,000 during the first quarter of 2014.

Income Taxes

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014	Percent Change
Income taxes	$6,738	$6,211	8.5%
Percentage of total revenues	8.4 %	8.2 %	
Effective tax rate	39.5 %	40.4 %	

The increase in income taxes was due to a corresponding increase in pre-tax income. The decrease in our effective tax rate was due to an increase in undistributed foreign earnings from tax jurisdictions with lower income tax rates than the United States. These undistributed foreign earnings in the U.K., Germany and China are indefinitely invested outside of the United States.

LIQUIDITY AND CAPITAL RESOURCES

(in thousands)	Three Months Ended April 3, 2015	April 4, 2014
Net cash provided by (used in) operating activities	$1,701	$(6,120)
Net cash provided by investing activities	2,693	225
Net cash used in financing activities	(10,070)	(11,580)

We financed our business during the first quarter of 2015 through available cash. We invest our excess cash in cash equivalents and short-term investments. As of April 3, 2015, our cash, cash equivalents and short-term investments were $145.0 million compared to $154.4 million at January 2, 2015. We believe our existing balances of cash, cash equivalents and short-term investments will be sufficient to satisfy our working capital needs, capital expenditures, outstanding commitments, stock repurchases, dividends and other liquidity requirements over at least the next twelve 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 in the first quarter of our annual bonuses accrued during the prior year. Our largest source of operating cash flows is collections from our clients. Our primary uses of cash from operating activities are for employee related expenditures, leased facilities, taxes, and general operating expenses including marketing and travel.

The increase in net cash provided by investing activities during the first three months of 2015 as compared to the same period last year was due to an increase in maturities of short term investments.

The decrease in net cash used in financing activities during the first three months of 2015 as compared to the same period last year was due to a decrease in repurchases of 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 or strategically acquire professional service firms that are complementary to our business.

For a summary of our commitments to make future payments under contractual obligations, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" in our Annual Report on Form 10-K for the year ended January 2, 2015. There have been no material changes in our contractual obligations since January 2, 2015.

We maintain a nonqualified deferred compensation plan for the benefit of a select group of highly compensated employees. Vested amounts due under the plan of $44,648,000 were recorded as a long-term liability on our unaudited condensed consolidated balance sheet at April 3, 2015. Company assets that are earmarked to pay benefits under the plan are held in a rabbi trust and are subject to the claims of our creditors. As of April 3, 2015 invested amounts under the plan of $37,148,000 were recorded as a long-term asset on our unaudited condensed 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.

Non-GAAP Financial Measures

Regulation G, Conditions for Use of Non-Generally Accepted Accounting Principles ("Non-GAAP") Financial Measures, and other SEC rules and regulations define and prescribe the conditions for use of 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, net interest income, depreciation and amortization. We define EBITDAS as EBITDA before stock-based compensation. The Company regards EBITDA and EBITDAS as useful measures of operating performance 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 the three months ended April 3, 2015 and April 4, 2014:

(in thousands, except percentages)	Three Months Ended April 3, 2015	April 4, 2014
Revenues before reimbursements	$76,141	$72,967
EBITDA	$18,418	$16,643
EBITDA as a % of revenues before reimbursements	24.2 %	22.8 %

The increase in EBITDA as a percentage of revenues before reimbursements during the first quarter of 2015 as compared to the same period last year was primarily due to revenue growth partially offset by moderate growth in compensation and related expenses and other operating expenses.

The following table is a reconciliation of EBITDA and EBITDAS to the most comparable GAAP measure, net income, for the three months ended April 3, 2015 and April 4, 2014:

(in thousands)	Three Months Ended April 3, 2015	April 4, 2014
Net income	$10,333	$9,154
Add back (subtract):		
Income taxes	6,738	6,211
Interest income, net	(34)	(44)
Depreciation and amortization	1,381	1,322
EBITDA	18,418	16,643
Stock-based compensation	5,221	5,293
EBITDAS	$23,639	$21,936

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are 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 our investment policy. The maximum effective maturity of any issue in our portfolio 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 market 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 portfolio. There have not been any material changes during the period covered by this Quarterly Report on Form 10-Q to our interest rate risk exposures, or how these exposures are managed. Notwithstanding our efforts to manage interest rate risk, there can be no assurances that we will be adequately protected against the risks associated with interest rate fluctuations.

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

At April 3, 2015, we had net assets of approximately $2.6 million with a functional currency of the British Pound, net assets of approximately $2.3 million with a functional currency of the Euro, and net assets of approximately $1.6 million with a functional currency of the Chinese Yuan associated with our operations in the United Kingdom, Germany, and China, respectively.

We also have foreign currency risk related to foreign currency transactions and monetary assets and liabilities denominated in currencies that are not the functional currency. We have experienced and will continue to experience fluctuations in our net income as a result of gains (losses) on these foreign currency transactions and the remeasurement of monetary assets and liabilities. At April 3, 2015, we had net assets denominated in the non-functional currency of approximately $0.6 million. As such, a ten percent change in the value of the local currency would result in $0.06 million foreign currency gain or loss in our results of operations.

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

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis, to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. Our goal is to ensure that our senior management has timely access to all material financial and non-financial information concerning our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to significantly modify our disclosure controls and procedures.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three month period ended April 3, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Exponent is not engaged in any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes from risk factors as previously discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended January 2, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on the Company's repurchases of the Company's common stock for the three months ended April 3, 2015 (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 Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs (1)
January 3 to January 30	-	$ -	-	$ 35,078
January 31 to February 27	-	-	-	$ 35,078
February 28 to April 3	40	86.45	40	$ 31,578
Total	40	$ 86.45	40	$ 31,578

(1) On February 9, 2012, the Board of Directors authorized $35,000,000 for the repurchase of the Company's common stock. On February 15, 2013, the Board of Directors authorized an additional $35,000,000 for the repurchase of the Company's common stock. On May 29, 2014, the Company's Board of Directors authorized an additional $35,000,000 for the repurchase of the Company's common stock. These plans have no expiration date.

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Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibit Index

31.1	Certification of Chief Executive Officer pursuant to Rule 13a – 14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a) under 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	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document

101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements 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: May 8, 2015

/s/ Paul R. Johnston
Paul R. Johnston, Ph.D., Chief Executive Officer

/s/ Richard L. Schlenker
Richard L. Schlenker, Chief Financial Officer