SAPIENT CORP

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to __________

Commission file number: 0-28074

SAPIENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-3130648** (I.R.S. Employer Identification No.)
131 Dartmouth St, Boston, MA (Address of principal executive offices)	**02116** (Zip Code)

617-621-0200
(Registrant's telephone number, including area code)
(none)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

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

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2011
Common Stock, $0.01 par value per share	137,929,902 shares

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements included in this Quarterly Report, including those related to our cash and liquidity resources and our cash expenditures relating to dividend payments and restructuring, as well as any statement other than statements of historical facts regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives are forward-looking statements. When used in this Quarterly Report, the words "will," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee future results, levels of activity, performance or achievements and you should not place undue reliance on our forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below in Part II, Item 1A, "Risk Factors" in this Quarterly Report. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or strategic investments. In addition, any forward-looking statements represent our expectation only as of the day this Quarterly Report was first filed with the Securities and Exchange Commission ("SEC") and should not be relied on as representing our expectations as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change.

SAPIENT CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

CONSOLIDATED AND CONDENSED BALANCE SHEETS

	March 31, 2011	December 31, 2010
	(Unaudited) (In thousands, except per share and share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$196,386	$ 219,448
Marketable securities, current portion	8,962	8,861
Restricted cash, current portion	547	1,416
Accounts receivable, less allowance for doubtful accounts of $107 and $91 at March 31, 2011 and December 31, 2010, respectively	139,817	136,300
Unbilled revenues	80,154	49,765
Deferred tax assets, current portion	21,610	23,938
Prepaid expenses and other current assets	24,225	21,256
Total current assets	471,701	460,984
Marketable securities, net of current portion	1,290	1,269
Restricted cash, net of current portion	3,114	3,093
Property and equipment, net	41,861	35,571
Purchased intangible assets, net	16,560	17,629
Goodwill	83,307	77,865
Deferred tax assets, net of current portion	19,752	19,692
Other assets	8,302	7,619
Total assets	$645,887	$ 623,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,837	$ 18,714
Accrued expenses	56,337	51,444
Accrued compensation	50,255	66,609
Accrued restructuring costs	2,305	3,129
Income taxes payable	4,009	567
Deferred revenues	16,723	18,558
Total current liabilities	151,466	159,021
Long-term liabilities	23,839	22,396
Total liabilities	175,305	181,417
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 5,000,000 shares authorized and none issued or outstanding at March 31, 2011 and December 31, 2010	—	—
Common stock, par value $0.01 per share, 200,000,000 shares authorized, 137,934,046 and 137,307,612 shares issued at March 31, 2011 and December 31, 2010, respectively	1,379	1,373
Additional paid-in capital	567,275	555,562
Treasury stock, at cost, 458,664 shares at March 31, 2011 and December 31, 2010	(2,466)	(2,466)
Accumulated other comprehensive loss	(8,088)	(12,488)
Accumulated deficit	(87,518)	(99,676)
Total stockholders' equity	470,582	442,305
Total liabilities and stockholders' equity	$645,887	$ 623,722

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

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SAPIENT CORPORATION

CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited) (In thousands, except per share amounts)	
Revenues:		
Service revenues	$ 241,340	$ 183,223
Reimbursable expenses	8,554	8,501
Total gross revenues	249,894	191,724
Operating expenses:		
Project personnel expenses	166,676	127,767
Reimbursable expenses	8,554	8,501
Total project personnel expenses and reimbursable expenses	175,230	136,268
Selling and marketing expenses	10,156	8,647
General and administrative expenses	39,105	35,943
Restructuring and other related charges	5,642	286
Amortization of purchased intangible assets	1,273	1,467
Acquisition costs and other related charges	—	111
Total operating expenses	231,406	182,722
Income from operations	18,488	9,002
Interest and other income, net	1,459	800
Income before income taxes	19,947	9,802
Provision for income taxes	7,789	3,563
Net income	$ 12,158	$ 6,239
Basic net income per share	$ 0.09	$ 0.05
Diluted net income per share	$ 0.09	$ 0.05
Weighted average common shares	136,293	130,054
Weighted average dilutive common share equivalents	4,272	6,743
Weighted average common shares and dilutive common share equivalents	140,565	136,797

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

SAPIENT CORPORATION

CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2011	2010
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$ 12,158	$ 6,239
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss recognized on disposition of fixed assets	1	139
Unrealized loss on financial instruments	120	63
Unrealized gain on investments	—	(132)
Depreciation expense	4,207	4,155
Amortization of purchased intangible assets	1,273	1,467
Deferred income taxes	1,984	2,238
Stock-based compensation expense	3,876	4,231
Non-cash restructuring charges	4,612	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,512)	5,371
Unbilled revenues	(29,784)	(16,639)
Prepaid expenses and other current assets	(2,933)	2,176
Other assets	(604)	(68)
Accounts payable	1,463	(2,622)
Accrued compensation	(18,101)	(10,240)
Accrued restructuring costs	(854)	(262)
Deferred revenues	(2,051)	(2,627)
Other accrued liabilities	5,573	(2,140)
Other long-term liabilities	1,598	661
Net cash used in operating activities	(18,974)	(7,990)
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	—	(2,985)
Purchases of property and equipment and cost of internally developed software	(8,065)	(2,599)
Sales and maturities of marketable securities classified as trading	—	1,850
Sales and maturities of marketable securities not classified as trading	2,197	781
Purchases of marketable securities	(2,298)	—
Cash (paid) received on financial instruments, net	(37)	673
Change in restricted cash	926	46
Net cash used in investing activities	(7,277)	(2,234)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(21)	(21)
Proceeds from credit facilities	1,768	—
Repayment of amounts borrowed under credit facilities	(4,862)	—
Proceeds from stock option and purchase plans	4,236	2,536
Dividends paid on common stock	—	(46,832)
Net cash provided by (used in) financing activities	1,121	(44,317)
Effect of exchange rate changes on cash and cash equivalents	2,068	930
Decrease in cash and cash equivalents	(23,062)	(53,611)
Cash and cash equivalents, at beginning of period	219,448	195,678
Cash and cash equivalents, at end of period	$196,386	$142,067

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

NOTES TO UNAUDITED CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated and condensed financial statements have been prepared by Sapient Corporation pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2010 included in the Company's Annual Report on Form 10-K. These financial statements reflect all adjustments (consisting solely of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. Certain items for the three months ended March 31, 2010 have been reclassified to conform to current period presentation. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

During the first quarter of 2011, the Company re-evaluated its 2010 classification as a component of operating activities, cash inflows from the sale of trading auction rate securities ("ARS"), pursuant to a nontransferable rights offering (the "Put Right") with UBS AG ("UBS"), one of its brokers. These securities were originally purchased prior to 2008, held as available for sale and the cash outflows to purchase the securities were included as a component of investing activities. When the Company entered into the Put Right arrangement in 2008, the Company re-classified these securities to trading securities. The Company has determined that a more appropriate classification relating to the sale of these securities in 2010 would be to include them as a component of investing activities rather than an as a component of operating activities.

The Company will revise, as it files its Form 10-Q's and Form 10-K for 2011, its statements of cash flows for the fiscal year ended December 31, 2010 and related quarterly periods to classify proceeds from the sale of its trading auction rate securities as cash inflows from investing activities. The Company will revise the statement of cash flows information to decrease cash provided by (increase cash used in) operating activities and decrease cash used in (increase cash provided by) investing activities by $16.4 million for the year ended December 31, 2010, $16.4 million for the nine months ended September 30, 2010, $9.6 million for the six months ended June 30, 2010 and $1.9 million for the three months ended March 31, 2010. The revision has no impact on the net change in cash and cash equivalents or our total balance of cash and cash equivalents as previously reported for any of the relevant periods. The revised statements of cash flows are summarized as follows (in thousands):

	Twelve Months Ended December 31, 2010	Nine Months Ended September 30, 2010	Six Months Ended June 30, 2010	Three Months Ended March 31, 2010
Net cash provided by (used in) operating activities	$ 70,885	$ 26,858	$ 7,200	$ (7,990)
Net cash (used in) provided by investing activities	(17,011)	(368)	730	(2,234)
Net cash used in financing activities	(33,856)	(37,901)	(42,633)	(44,317)
Effect of exchange rate changes on cash and cash equivalents	3,752	5,661	294	930
Increase (decrease) in cash and cash equivalents	23,770	(5,750)	(34,409)	(53,611)
Cash and cash equivalents, at beginning of period	195,678	195,678	195,678	195,678
Cash and cash equivalents, at end of period	$219,448	$189,928	$161,269	$142,067

Unless the context requires otherwise, references in this Quarterly Report to "Sapient," "the Company," "we," "us" or "our" refer to Sapient Corporation and its consolidated subsidiaries.

2. Acquisitions

Nitro Limited

On July 1, 2009 the Company completed its acquisition of Nitro Ltd. ("Nitro"), a global advertising network. Nitro operated across North America, Europe, Australia and Asia. The acquisition added approximately 300 employees. The Company acquired Nitro to leverage Nitro's traditional advertising services with the Company's digital commerce and marketing technology services. Nitro's results of operations are reflected in the Company's consolidated statements of operations as of July 1, 2009. The Nitro transaction was accounted for using the acquisition method.

The purchase price, net of cash acquired, was $31.0 million for the acquisition of 100% of Nitro's outstanding shares. The $31.0 million consisted of $11.1 million in cash, net of cash acquired, deferred consideration with an estimated fair value of $8.1 million and the issuance of 3.3 million shares of restricted common stock valued at $11.8 million. The value of common stock was determined as $6.27 per share, the value of the Company's common stock on the acquisition date, less $8.7 million. The $8.7 million reduction in purchase price reflects the impact of the selling restrictions on the shares of $7.1 million and a $1.6 million reduction for the value of shares transferred as consideration that were also tied to the seller's continued employment. The $1.6 million has been accounted for as compensation expense over the associated vesting period, which was originally scheduled to end in June 2013. However, during the three months ended March 31, 2011, the seller's employment with Sapient was terminated. Under the terms of the original agreement, the seller was entitled to retain the entire $1.6 million value upon termination by the Company and therefore the unrecognized compensation expense was accelerated, resulting in a $1.0 million charge to earnings during the three months ended March 31, 2011. This charge is included in "Restructuring and other related charges" in the Company's consolidated and condensed statement of operations.

The Company acquired a deferred consideration obligation of $8.0 million in connection with the acquisition of Nitro. The obligation is denominated in a foreign currency. Pursuant to the purchase agreement, the seller agreed to indemnify the Company for payments in excess of $8.0 million. The Company paid $4.6 million in 2009 and $3.2 million in 2010 to settle this obligation. At March 31, 2011 the Company had a deferred consideration obligation of $1.3 million, offset by an indemnification asset of $1.1 million.

Derivatives Consulting Group Limited

On August 6, 2008 the Company acquired 100% of the outstanding shares of Derivatives Consulting Group Limited ("DCG"). Aggregate initial consideration for the acquisition totaled $31.3 million, which consisted of: (i) cash consideration of $21.9 million, (ii) stock consideration of 307,892 shares, issued on the acquisition date, valued at $2.3 million, (iii) deferred stock consideration of 395,125 shares, valued at $4.5 million, which were issued in February 2010, and (iv) transaction costs of $2.6 million.

Pursuant to the agreement, the former shareholders of DCG could earn additional consideration subject to achieving certain operating objectives in years one, two and three, ending March 31, 2009, 2010 and 2011, respectively. The year one operating objectives were partially achieved and, as a result, the Company paid approximately $5.6 million in contingent consideration in 2009 which comprised $2.4 million in stock and $3.2 million in cash. The Company determined the amount of contingent consideration due to achievement of year two performance objectives was $2.4 million, which was paid by issuing 235,744 common shares during the second quarter of 2010. The Company determined the amount of contingent consideration due to the achievement of year three performance objectives was approximately $4.6 million and has therefore recorded additional goodwill for the same amount as of March 31, 2011. The Company expects to settle this earn-out in the second quarter of 2011 by issuing approximately 400,000 shares of common stock to the former shareholders of DCG. As the DCG acquisition was completed in 2008, it was accounted for as a business combination under the purchase method. Accordingly, all of the aforementioned contingent consideration payments resulted in increases to goodwill at the time the contingent consideration amounts were earned.

3. Marketable Securities and Fair Value Disclosures

Marketable Securities

At March 31, 2011, the estimated fair value of the Company's marketable securities classified as available-for-sale securities was $10.3 million. At December 31, 2010 the estimated fair value of the Company's marketable securities classified as available-for-sale securities was $10.1 million. The Company sold, at amortized cost, $1.9 million of its ARS classified as trading securities during the first three months of 2010. The remaining $14.6 million were sold prior to December 31, 2010 and the Company, accordingly, did not have any marketable securities classified as trading securities at March 31, 2011 or December 31, 2010.

The following tables summarize the Company's marketable securities (in thousands):

	Available-for-Sale Securities as of March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Long-term:				
Auction rate securities	$ 1,400	$ —	$ (110)	$ 1,290
Short-term:				
Mutual fund deposits	8,959	3	—	8,962
Total	$ 10,359	$ 3	$ (110)	$ 10,252

	Available-for-Sale Securities as of December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Long-term:				
Auction rate securities	$ 1,400	$ —	$ (131)	$ 1,269
Short-term:				
Mutual fund deposits	8,882	—	(21)	8,861
Total	$ 10,282	$ —	$ (152)	$ 10,130

The Company's available-for-sale securities comprise ARS and mutual funds. As of March 31, 2011 all of the Company's available-for-sale ARS have been in an unrealized loss position for more than twelve months.

Using a discounted cash flow analysis, the Company has assessed that the fair value of its ARS classified as available-for-sale securities is $110,000 less than their amortized cost at March 31, 2011, compared to $131,000 less than amortized cost at December 31, 2010. The Company has recorded the change in valuation, a gain of $21,000, in the "accumulated other comprehensive loss" section on its consolidated and condensed balance sheets. The Company does not intend to sell its ARS classified as available-for-sale until a successful auction occurs and these ARS investments are liquidated at amortized cost, nor does the Company expect to be required to sell these ARS before a successful auction occurs.

At December 31, 2009 the amortized cost of the Company's investment in the Primary Fund, a mutual fund that suspended redemptions, was $1.0 million. Due to events in 2009 that limited the liquidity of this investment the Company recorded an impairment of $0.2 million in 2009. In January 2010 the Company received the remaining $0.8 million balance.

The following table reconciles the total other-than-temporary impairment losses to other-than-temporary losses reflected in earnings for the Company's available-for-sale securities for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	2010
Total other-than-temporary losses	$ (2)	$ (4)
Less: portion of loss recognized in other comprehensive loss	(2)	(4)
Net impairment losses recognized in earnings	$ —	$ —

Actual maturities of our marketable securities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Gross realized gains and losses on the sale of securities are calculated using the specific identification method, and were not material to the Company's operations for the three months ended March 31, 2011 and 2010.

Fair Value Disclosures

The Company accounts for certain assets and liabilities at fair value. The following tables represent the Company's fair value hierarchy for its cash equivalents, marketable securities, foreign exchange option contracts and acquired assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010 (in thousands):

	Fair Value Measurements at March 31, 2011 Using			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Auction rate securities	$ —	$ —	$ 1,290	$ 1,290
Bank time deposits	—	69,003	—	69,003
Foreign exchange option contracts, net	—	39	—	39
Money market fund deposits	22,100	—	—	22,100
Mutual funds	8,962	—	—	8,962
Indemnification assets acquired	—	—	1,078	1,078
Total	$ 31,062	$ 69,042	$ 2,368	$102,472

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Foreign exchange option contracts, net	$ —	$ 179	$ —	$ 179
Deferred consideration acquired	—	—	231	231
Other long-term liabilities acquired	—	—	1,443	1,443
Total	$ —	$ 179	$ 1,674	$ 1,853

	Fair Value Measurements at December 31, 2010 Using			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Auction rate securities	$ —	$ —	$ 1,269	$ 1,269
Bank time deposits	—	65,646	—	65,646
Foreign exchange option contracts, net	—	133	—	133
Money market fund deposits	27,703	—	—	27,703
Mutual funds	8,861	—	—	8,861
Indemnification assets acquired	—	—	1,078	1,078
Total	$ 36,564	$ 65,779	$ 2,347	$104,690

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Foreign exchange option contracts, net	$ —	$ —	$ —	$ —
Deferred consideration acquired	—	—	231	231
Other long-term liabilities acquired	—	—	1,419	1,419
Total	$ —	$ —	$ 1,650	$ 1,650

In January 2010 the Financial Accounting Standards Board ("FASB") issued guidance related to disclosures of fair value measurements. The guidance requires gross presentation of activity within the Level 3 measurement roll-forward (below) and details of transfers in and out of Level 1 and 2 measurements. It also clarifies two existing disclosure requirements on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. A change in the hierarchy of an investment from its current level will be reflected in the period during which the pricing methodology of such investment changes. Disclosure of the transfer of securities from Level 1 to Level 2 or Level 3 will be made in the event that the related security is significant to total cash and investments. The Company did not have any transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy during the three months ended March 31, 2011.

Level 1 assets consist of money market fund deposits and mutual funds that are traded in active markets with sufficient volume and frequency of transactions. The fair values of these assets were determined from quoted prices in active markets for identical assets.

Level 2 assets consist of bank time deposits and foreign exchange option contracts and Level 2 liabilities include foreign exchange option contracts. The fair values of these assets were determined from inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 assets include ARS investments structured with short-term interest rate reset dates of generally less than ninety days but with contractual maturities that can be well in excess of ten years. At the end of each reset period, which occurs every seven to thirty-five days, investors can continue to hold the investments at par or sell the securities at auction provided there are willing buyers to make the auction successful. The ARS investments the Company holds are collateralized by student loans and municipal debt and have experienced failed auctions. Level 3 assets and liabilities also include the following assumed, financial assets and liabilities as a result of the Nitro acquisition: (i) indemnification assets, (ii) deferred consideration and (iii) other long-term liabilities.

The following table provides a summary of changes in fair value of the Company's Level 3 financial assets and liabilities measured on a recurring basis for the three months ended March 31, 2011 (in thousands):

	Level 3 Inputs	
	Assets	Liabilities
Balance at December 31, 2010	$ 2,347	$ 1,650
Loss on increase in fair value of other long-term liability acquired, included in general and administrative expenses	—	24

Unrealized gain included in accumulated other comprehensive loss	21	—
Balance at March 31, 2011	$ 2,368	$ 1,674

Included in the Company's cash and cash equivalents balance of $196.4 million as of March 31, 2011 were $69.0 million of time deposits with maturities of less than or equal to 90 days and money market fund deposits of $22.1 million. Included in the Company's cash and cash equivalents balance of $219.4 million as of December 31, 2010 were $65.6 million of time deposits with maturities of less than or equal to 90 days and money market fund deposits of $27.7 million.

4. Stock-Based Compensation

The Company recorded $3.9 million and $4.2 million of stock-based compensation expense for the three months ended March 31, 2011 and 2010, respectively. Project personnel expenses, selling and marketing expenses and general and administrative expenses appearing in the consolidated and condensed statements of operations include the following stock-based compensation amounts (in thousands):

	Three Months Ended March 31,	
	2011	2010
Project personnel expenses	$ 2,488	$ 2,112
Selling and marketing expenses	267	435
General and administrative expenses	1,121	1,684
Total stock-based compensation	$ 3,876	$ 4,231

Stock-based compensation expense capitalized related to individuals working on internally developed software was immaterial. The Company values restricted stock units ("RSUs") based on performance conditions and RSUs contingent on employment based on the fair market value on the date of grant, which is equal to the quoted market price of the Company's common stock on the date of grant.

The Company recognizes stock-based compensation expense net of an estimated forfeiture rate and recognizes expense for only those shares expected to vest on a straight-line basis over the requisite service period of the award when the only condition to vesting is continued employment. If vesting is subject to a market or performance condition, vesting is based on the derived service period. The Company estimates its forfeiture rate based on its historical experience.

During the three months ended March 31, 2010, the Company granted a special dividend equivalent payment of $0.35 per RSU for each outstanding RSU award as of March 1, 2010, to be paid in shares when the underlying award vests. If the underlying RSU does not vest, the dividend equivalent is forfeited. Under the terms of our RSU awards, RSUs were not entitled to dividends. As a result, the dividend declared on outstanding RSUs was a modification of the original awards, and the cost of the dividend equivalent is being recognized as stock-based compensation in the same manner which the Company recognizes stock-based compensation for RSUs. The Company estimated the total additional stock-based compensation expense related to the special dividend equivalent on RSUs, net of forfeitures, to be approximately $2.0 million. This expense is being recognized through March 1, 2014, with the amounts recorded in each period to be commensurate with the vesting of the underlying awards.

During the second quarter of 2010, the Company granted RSUs with service and performance conditions to its Chief Executive Officer ("CEO"). Up to 100,000 units will vest on March 1, 2013 if the performance conditions are met for the three year period ending December 31, 2012. The CEO was also granted an additional 50,000 RSUs that will vest based on strategic objectives that will be determined by the Company's Board of Directors.

During the second quarter of 2011, the Company granted an aggregate of 294,000 RSU's with service and performance conditions to six members of its leadership team.

The following table summarizes activity relating to stock options under all stock option plans for the three months ended March 31, 2011 (in thousands, except prices):

	Shares	Weighted Average Exercise Price
Outstanding as of December 31, 2010	3,246	$ 5.89
Options exercised	(451)	$ 9.46
Options forfeited/cancelled	(49)	$ 10.95
Outstanding as of March 31, 2011	2,746	$ 5.22
Vested and expected to vest as of March 31, 2011	2,746	$ 5.22
Options exercisable as of March 31, 2011	2,744	$ 5.22
Aggregate intrinsic value of outstanding	$ 17,119	
Aggregate intrinsic value of vested and expected to vest	$ 17,117	
Aggregate intrinsic value of exercisable	$ 17,111	

The aggregate intrinsic value of stock options exercised in the three months ended March 31, 2011 and 2010 was $0.8 million and $2.4 million, respectively, determined at the date of exercise. As of March 31, 2011 the weighted average remaining contractual term for stock options outstanding, vested and expected to vest, and exercisable was less than one year. As of March 31, 2011 there remained less than $0.1 million of compensation expense, net of estimated forfeitures related to non-vested stock options to be recognized as expense over a weighted average period of less than one year.

The following table summarizes activity relating to RSUs for the three months ended March 31, 2011 (in thousands, except prices):

	Number of Shares Underlying Restricted Units	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2010	6,188	$ 6.23
Restricted units granted	135	$ 12.00
Restricted units vested	(272)	$ 11.98
Restricted units forfeited/cancelled	(55)	$ 9.74
Unvested as of March 31, 2011	5,996	$ 6.07
Expected to vest as of March 31, 2011	5,602	$ 6.07

The weighted average grant date fair value of RSUs granted for the three months ended March 31, 2011 and 2010 was $12.00 and $8.36, respectively. The aggregate intrinsic value of RSUs vested in the three months ended March 31, 2011 and 2010 was $3.3 million and $3.2 million, respectively. The intrinsic value of non-vested RSUs, net of forfeitures, as of March 31, 2011, was $68.6 million. As of March 31, 2011 there remained $29.5 million of compensation expense related to non-vested RSUs to be recognized as expense over a weighted average period of approximately 2.3 years.

5. Net Income Per Share

The following information presents the Company’s computation of basic and diluted net income per share for the periods presented in the consolidated and condensed statements of operations (in thousands, except per share amounts):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited)	
Net income	$ 12,158	$ 6,239
Basic net income per share:		
Weighted average common shares outstanding	136,293	130,054
Basic net income per share	$ 0.09	$ 0.05
Diluted net income per share:		
Weighted average common shares outstanding	136,293	130,054
Weighted average dilutive common share equivalents	4,272	6,743
Weighted average common shares and dilutive common share equivalents	140,565	136,797
Diluted net income per share	$ 0.09	$ 0.05
Anti-dilutive options and share-based awards not included in the calculation	9	9

Included in weighted average dilutive common share equivalents are restricted shares associated with the Nitro acquisition. These shares were reflected in weighted average dilutive common share equivalents as they were contingent shares during the period presented.

6. Commitments and Contingencies

The Company is subject to certain legal proceedings and claims, as discussed below. The Company is also subject to certain other legal proceedings and claims that have arisen in the course of business and that have not been fully adjudicated. However, the results of legal proceedings cannot be predicted with certainty. Should the Company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

The Company accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. The Company is subject to various legal claims totaling approximately $10.3 million, for which the likelihood of a loss is considered more than remote, and various administrative audits, each of which have arisen in the ordinary course of business. The Company has recorded an accrual at March 31, 2011 of approximately $1.3 million related to certain of these items. Although the Company intends to defend these matters vigorously, the ultimate outcome of these matters is uncertain and the potential loss, if any, may be significantly higher or lower than the amounts that the Company has previously accrued.

7. Restructuring and Other Related Charges

2011 — Restructuring Events

For the three months ended March 31, 2011 the Company recorded a restructuring charge of $5.7 million related to cash and other termination benefits for two former Nitro executives whose positions were made redundant, as well as the re-positioning of a portion of its SapientNitro business in Australia from traditional advertising capabilities to digitally-led capabilities. The restructuring charge consisted of $1.1 million of cash severance and other associated termination benefits, and a $4.6 million non-cash charge related to the acceleration of unrecognized compensation expense for stock-based awards.

The following table shows activity during the three months ended March 31, 2011 related to the 2011 restructuring events (in thousands):

	Workforce
Balance, December 31, 2010	$ —
2011 provision	5,687
Non-cash portion of 2011 provision	(4,612)
Cash utilized	(918)
Balance, March 31, 2011	$ 157

The remaining $157,000 accrued restructuring balance as of March 31, 2011 is expected to be paid in full by June 30, 2011.

2010 — Restructuring Event

During the three months ended March 31, 2010, the Company consolidated its UK operations into one office space. As such, the Company restructured one lease which ended in March 2011. Estimated costs for the consolidation of facilities included contractual rental commitments and related costs. The Company recorded $0.9 million in restructuring expense during the three months ended March 31, 2010 and a benefit of less than $0.1 million during the three months ended March 31, 2011. The following table shows activity during the three months ended March 31, 2011, related to the 2010 restructuring event (in thousands):

	Facilities
Balance, December 31, 2010	$ 242
Benefits, net	(23)
Cash utilized	(155)
Balance, March 31, 2011	$ 64

The remaining $64,000 accrued restructuring balance as of March 31, 2011 is expected to be paid in full by June 30, 2011.

2001, 2002, 2003 — Restructuring Events

As a result of the decline in the demand for advanced technology consulting services that began in 2000, the Company restructured its workforce and operations in 2001, 2002 and 2003. The restructuring events consisted of ceasing operations and consolidating or closing excess offices. Estimated costs for the consolidation of facilities included contractual rental commitments or lease buy-outs for office space vacated and related costs, offset by estimated sub-lease income.

For the three months ended March 31, 2011 the Company recorded a net restructuring benefit associated with the 2001, 2002 and 2003 events of less than $0.1 million, principally related to changes in the Company's estimated operating expenses to be incurred in connection with a previously restructured lease, which ends in November 2011.

For the three months ended March 31, 2010, the Company recorded a net restructuring benefit of approximately $0.6 million, principally related to changes in the Company's estimated operating expenses to be incurred and sub-lease income in connection with a previously restructured lease, which ends in the fourth quarter of 2011.

The following table shows activity during the three months ended March 31, 2011 related to the 2001, 2002 and 2003 restructuring events (in thousands):

	Facilities
Balance, December 31, 2010	$ 2,887
Benefits, net	(22)
Cash utilized	(781)
Balance, March 31, 2011	$ 2,084

The total remaining accrued restructuring balance for the 2001, 2002 and 2003 events of $2.1 million as of March 31, 2011 is expected to be paid in full by November 2011.

8. Income Taxes

For the three months ended March 31, 2011 the Company recorded an income tax provision of $7.8 million compared to $3.6 million for the three months ended March 31, 2010. Income tax is related to federal, state, and foreign tax obligations. The increase in tax expense was primarily related to an increase in profits.

The Company's effective tax rate may vary from period to period based on changes in estimated taxable income or loss by jurisdiction, changes to the valuation allowance, changes to federal, state or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction and as a result of acquisitions.

The Company enjoys the benefits of income tax holidays in certain jurisdictions in which it operates. Tax holidays for the Company's business located in Bangalore and Noida, India, expired on March 31, 2011. In addition, in 2009 the Company established a new India unit in a Special Economic Zone ("SEZ") which is entitled to a five year, 100% tax holiday. Immediately following the expiration of the 100% tax holiday, the SEZ unit is entitled to a five year, 50% tax holiday.

Deferred tax assets are to be reduced by a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At March 31, 2011, certain state tax net operating loss carry forwards, as well as a portion of the net operating loss carry forwards relating to certain stock based compensation deductions remain with a valuation allowance recorded against them. Additionally, the Company maintains a valuation allowance against its deferred tax assets in Switzerland but believes that deferred tax assets in various other foreign jurisdictions are more likely than not to be realized and, therefore, no valuation allowance has been recorded against these assets.

The Company had gross unrecognized tax benefits, including interest and penalties, of approximately $13.2 million as of March 31, 2011 and $12.0 million as of December 31, 2010. These amounts represent the amount of unrecognized tax benefits that, if recognized, would result in a reduction of the Company's effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of March 31, 2011 and December 31, 2010, accrued interest and penalties totaled approximately $1.2 million and $1.1 million, respectively.

The Company conducts business globally and, as a result, its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, Germany, India, the United Kingdom and the United States. The Company's U.S. federal tax filings are open for examination for tax years 2007 through the present. The statutes of limitations in the Company's other tax jurisdictions remain open for 2004 through the present. However, carry forward attributes from prior years may still be adjusted upon examination by tax authorities if they are used in a future period.

Although the Company believes its tax estimates are appropriate, the final determination of tax audits could result in favorable or unfavorable changes in its estimates. The Company anticipates the settlement of tax audits in the next twelve months and the expiration of relevant statutes of limitations could result in a decrease in its unrecognized tax benefits of an amount between $1.0 million and $2.0 million.

9. Comprehensive Income

The components of comprehensive income are presented below for the periods presented in the consolidated and condensed statements of operations (in thousands):

	Three Months Ended March 31,	
	2011	2010
Net income	$ 12,158	$ 6,239
Foreign currency translation gain (loss)	4,402	(1,501)
Unrealized loss on available-for-sale securities	(2)	(4)
Comprehensive income	$ 16,558	$ 4,734

10. Segment Information

The Company has discrete financial data by operating segments available based on its method of internal reporting, which disaggregates its operations. Operating segments are defined as components of the Company for which separate financial information is available to manage resources and evaluate performance.

The Company does not allocate certain marketing and general and administrative expenses to its business unit segments because these activities are managed separately from the business units. Management does not allocate restructuring and other related charges, amortization of purchased intangible assets, stock-based compensation expense, interest and other income, net or acquisition expenses and other related charges to the segments for the review of results by the Chief Operating Decision Maker ("CODM"). Asset information by operating segment is not reported to or reviewed by the CODM, and therefore, the Company has not disclosed asset information for each operating segment.

The tables below present the service revenues and income before income taxes attributable to these operating segments for the periods presented (in thousands):

	Three Months Ended March 31,	
	2011	2010
Service Revenues:		
SapientNitro	$154,320	$115,692
Sapient Global Markets	73,565	57,111
Sapient Government Services	13,455	10,420
Consolidated Service Revenues	$241,340	$183,223
Income Before Income Taxes:		
SapientNitro	$ 46,298	$ 29,442
Sapient Global Markets	21,740	20,706
Sapient Government Services	3,742	2,772
Total reportable segments operating income (1)	71,780	52,920
Less reconciling items (2)	(51,833)	(43,118)
Consolidated Income Before Income Taxes	$ 19,947	$ 9,802

(1) Reflects only the direct controllable expenses of each business unit segment. It does not represent the total operating results for each business unit as it does not contain an allocation of certain corporate and general and administrative expenses incurred in support of the business unit segments.

(2) Adjustments that are made to the total of the segments' operating income to arrive at consolidated income before income taxes include the following (in thousands):

	Three Months Ended March 31,	
	2011	2010
Centrally managed functions	$ 46,001	$ 38,124
Restructuring and other related charges	5,642	286
Amortization of purchased intangible assets	1,273	1,467
Stock-based compensation expense	3,876	4,231
Interest and other income, net	(1,459)	(800)
Acquisition expense and other related charges	—	111
Unallocated expenses (a)	(3,500)	(301)
Total	$ 51,833	$ 43,118

(a) Reflects stock option restatement-related benefits.

11. Geographic Data

Data for the geographic regions in which the Company operates is presented below for the periods presented in the consolidated and condensed statements of operations and the consolidated and condensed balance sheets (in thousands):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Service revenues:		
United States	$144,560	$105,434
International	96,780	77,789
Total service revenues	$241,340	$183,223

	March 31, 2011	December 31, 2010
Long-lived assets:		
United States	$ 14,911	$ 14,792
United Kingdom	4,815	3,936
India	18,230	13,771
Rest of International	3,905	3,072
Total long-lived assets (1)	$ 41,861	$ 35,571

(1) Reflects net book value of the Company's property and equipment.

12. Goodwill and Purchased Intangible Assets

The following is a summary of goodwill allocated to the Company's business segments as of March 31, 2011 and December 31, 2010 (in thousands):

	SapientNitro	Sapient Global Markets	Total
Goodwill as of December 31, 2010	$ 52,902	$ 24,963	$ 77,865
Contingent consideration recorded during the period	—	4,613	4,613
Exchange rate effect	248	581	829
Goodwill as of March 31, 2011	$ 53,150	$ 30,157	$ 83,307

The following is a summary of intangible assets as of March 31, 2011 and December 31, 2010 (in thousands; the gross carrying amounts of local currency denominated purchased intangible assets are reflected at the respective balance sheet date exchange rate):

	March 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer lists and customer relationships	$23,158	$ (13,255)	$ 9,903
SAP license agreement	1,100	(1,100)	—
Non-compete agreements	8,674	(3,480)	5,194
Tradename	3,194	(1,731)	1,463
Total purchased intangible assets	$36,126	$ (19,566)	$16,560

	December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer lists and customer relationships	$22,954	$ (12,351)	$10,603
SAP license agreement	1,100	(1,100)	—
Non-compete agreements	8,538	(3,074)	5,464
Tradename	3,149	(1,587)	1,562
Total purchased intangible assets	$35,741	$ (18,112)	$17,629

Amortization expense related to the purchased intangible assets was $1.3 million and $1.5 million for the three months ended March 31, 2011 and 2010, respectively.

13. Foreign Currency Translation and Derivative Instruments

Foreign exchange gains of $0.4 million and losses of $0.9 million were recorded for the three months ended March 31, 2011 and 2010, respectively. Foreign exchange gains and losses are included in general and administrative expenses in the consolidated and condensed statements of operations. These gains and losses were primarily related to intercompany foreign currency transactions that are of a short-term nature.

Approximately 17% of the Company’s operating expenses for the three months ended March 31, 2011 were denominated in Indian rupees. Approximately 15%, 3% and 8% of service revenues for the three months ended March 31, 2011 were denominated in British pounds sterling, Euros and Canadian dollars, respectively. As the Company has minimal associated revenues in Indian rupees, any significant movement in the exchange rate between the U.S. dollar and the rupee has a significant impact on its operating expenses and operating profit. Any significant movement in the exchange rate between the U.S. dollar and the British pound sterling, the U.S. dollar and the Euro and the U.S. dollar and the Canadian dollar has a significant impact on the Company’s service revenues and operating income. The Company manages this exposure through a risk management program that partially mitigates its exposure to operating expenses denominated in the Indian rupee and operating margins denominated in the British pound sterling, the Euro and the Canadian dollar, and that includes the use of derivative financial instruments which are not designated as accounting hedges. The Company uses foreign exchange option contracts to partially protect its foreign currency exposure to: (i) Indian rupee denominated operating expenses against appreciation in the rupee relative to the U.S. dollar, (ii) British pound sterling denominated revenues against the appreciation of the U.S. dollar relative to the pound sterling, (iii) Euro denominated revenues against the appreciation of the U.S. dollar relative to the Euro, and (iv) Canadian dollar denominated revenues against the appreciation of the U.S. dollar relative to the Canadian dollar. Currently, the Company enters into 30 day average rate instruments covering a rolling 90 day period with notional amounts of 350 million rupees (approximately $7.7 million), 2.0 million pounds sterling (approximately $3.2 million), 0.1 million Euros (approximately $0.1 million), and 2.5 million Canadian dollars (approximately $2.5 million). As these instruments are option collars that are settled on a net basis with the bank, the Company has not recorded the gross underlying notional amounts in its consolidated and condensed balance sheets as of March 31, 2011.

The following table reflects the fair value of the Company’s derivative assets and liabilities on its consolidated and condensed balance sheets as of March 31, 2011 and December 31, 2010 (in thousands):

	Derivative Assets Reported in Other Current Assets		Derivative Liabilities Reported in Accrued Expenses	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Foreign exchange option contracts not designated	$ 39	$ 133	$ (179)	$ —

Realized and unrealized losses on the Company's foreign exchange option contracts are included in general and administrative expenses in the consolidated and condensed statements of operations. The following table shows the effect of realized and unrealized gains and losses, net, of the Company's foreign exchange option contracts on its results of operations for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	2010
(Loss) gain on foreign exchange option contracts not designated	$ (268)	$ 610

14. Dividend Payment

On February 18, 2010, the Company announced a special dividend of $0.35 per common share for shareholders as of the record date, March 1, 2010, which was paid on March 15, 2010. The dividend was a return of excess capital to shareholders. The $46.8 million in cash paid for the dividend is reflected as cash used in financing activities on the consolidated and condensed statements of cash flows.

15. Debt

In May 2010, Sapient Consulting Pvt. Limited (an Indian subsidiary of the Company) entered into a $10,000,000 uncommitted revolving credit facility. The facility matures in May 2011 and can be used to finance working capital requirements, capital expenditures or any other purpose which may be permissible under local regulations. Borrowings in U.S. dollars bear interest at the six-month LIBOR plus 2%. Short-term loans denominated in Indian rupees are also permissible and bear interest at prevailing local borrowing rates, dependent on the payback period selected at the time of borrowing. There are no covenants based on financial measures governing this facility. At March 31, 2011, the Company had one short-term loan outstanding. The 60 million rupee loan (approximately $1.3 million) is at an interest rate of 12.0% and has a maturity date of April 16, 2011. This borrowing is reflected in accrued expenses on the consolidated and condensed balance sheets.

	Credit Facilities
Balance, December 31, 2010	$ 4,420
Proceeds from credit facilities	1,768
Repayments of credit facilities	(4,862)
Balance, March 31, 2011	$ 1,326

16. Recent Accounting Pronouncements

There were no recently issued accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2011, that are expected to have a material effect on the Company's financial condition, results of operations or cash flows.

SAPIENT CORPORATION

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

Overview

The Company

Sapient Corporation ("Sapient" or the "Company"), a global services firm, helps clients transform in the areas of business, marketing, and technology and succeed in an increasingly complex marketplace. We market our services through three primary business units — SapientNitro, Sapient Global Markets, and Sapient Government Services — positioned at the intersection of marketing, business and technology. SapientNitro, one of the world's largest independent digitally-led, integrated marketing services firms, provides multi-channel marketing and commerce services that span brand and marketing strategy, digital/broadcast/print advertising creative, web design and development, e-commerce, media planning and buying, and emerging platforms, such as social media and mobile. Through SapientNitro we offer a complete, multi-channel marketing and commerce solution that strengthens relationships between our clients' customers and their brands. For simplicity of operations, SapientNitro also includes our traditional IT consulting services, which are currently, and are expected to remain, below 10% of our total revenues. Our Sapient Global Markets segment provides business and IT strategy, process and system design, program management, custom development and package implementation, systems integration and outsourced services to financial services and energy services market leaders. A core focus area within Sapient Global Markets is trading and risk management, to which we bring more than 15 years of experience and a globally integrated service in derivatives processing. Sapient Government Services provides consulting, technology, and marketing services to a wide array of U.S. governmental agencies. Focused on driving long-term change and transforming the citizen experience, we use technology to help government agencies become more accessible, efficient, and transparent.

Founded in 1990 and incorporated in Delaware in 1991, Sapient maintains a strong global presence with offices around the world. We utilize our proprietary Global Distributed Delivery ("GDD") model in support of our SapientNitro and Sapient Global Markets segments. Our GDD model enables us to provide high-quality, cost-effective solutions under accelerated project schedules. By engaging India's highly skilled technology specialists, we can provide services at lower total costs as well as offer a continuous delivery capability resulting from time differences between India and the countries we serve. We also employ our GDD model to provide application management services.

Summary of Results of Operations

Our service revenues for the three months ended March 31, 2011 were $241.3 million, a 32% increase compared to service revenues for same period in 2010. The increase in service revenues was primarily due to an increase in demand for our services compared to 2010.

For the three months ended March 31, 2011 we reported income from operations of $18.5 million, a 105% increase compared to $9.0 million for the same period in 2010. The increase in operating income was due to the increase in demand for our services and our management of project personnel, sales and marketing, and general and administrative expenses, all of which decreased as a percentage of revenue in the first quarter of 2011 as compared to the first quarter of 2010.

For the three months ended March 31, 2011 we reported net income of $12.2 million, a 95% increase compared to $6.2 million for the same period in 2010. The increase in service revenues and the fact that project personnel, sales and marketing and general and administrative expenses have decreased as a percentage of revenue were the primary contributors to this increase.

Non-GAAP Financial Measures

In our quarterly earnings press releases and conference calls, we discuss two key measures that are not calculated according to generally accepted accounting principles ("GAAP"). The first non-GAAP measure is operating income, as reported on our consolidated and condensed statements of operations, excluding certain expenses and benefits, which we call "non-GAAP income from operations". The second measure calculates non-GAAP income from operations as a percentage of reported services revenues, which we call "non-GAAP operating margin". We believe that non-GAAP measures help illustrate underlying trends in our business, and use the measures to establish budgets and operational goals, communicated internally and externally, for managing our business and evaluating our performance. We exclude certain expenses from our non-GAAP operating income that we believe are not reflective of these underlying business trends or useful measures for determining our operational performance and overall business strategy. The following table reconciles income from operations as reported on our consolidated and condensed statements of operations to non-GAAP income from operations and non-GAAP operating margin for the three months ended March 31, 2011 and 2010 (in thousands, except percentages):

	Three Months Ended March 31,	
	2011	2010
Service revenues	**$241,340**	**$183,223**
GAAP income from operations	**$ 18,488**	**$ 9,002**
Stock-based compensation expense	3,876	4,231
Restructuring and other related charges	5,642	286
Amortization of purchased intangible assets	1,273	1,467
Acquisition costs and other related charges	—	111
Stock-based compensation review and restatement benefit	(3,500)	(301)
Non-GAAP income from operations	**$ 25,779**	**$ 14,796**
GAAP operating margin	**7.7%**	**4.9%**
Effect of adjustments detailed above	3.0%	3.2%
Non-GAAP operating margin	**10.7%**	**8.1%**

Non-GAAP income from operations increased in the three months ended March 31, 2011 compared to 2010 due primarily to the improvement in reported income from operations. Please see our *Results of Operations* section for a more detailed discussion and analysis of the excluded items. During the quarter ended March 31, 2011, we received insurance recovery proceeds of $3.5 million as reimbursement for expenses incurred during the stock option review and restatement in 2006 and 2007. When the expenses were originally incurred, they were excluded from our non-GAAP operating income. Similarly, the $3.5 million benefit has been excluded from non-GAAP operating income in the current quarter.

When important to management's analysis, operating results are compared in "constant currency terms", which exclude the effect of foreign exchange rate fluctuations, a non-GAAP measure. The effect is excluded by translating the current period's local currency service revenues and expenses into U.S. dollars at the average exchange rates of the prior period of comparison. For a discussion of our exposure to exchange rates, see "Item 3. Quantitative and Qualitative Disclosures About Market Risk".

Summary of Critical Accounting Policies; Significant Judgments and Estimates

We have identified the accounting policies which are critical to understanding our business and our results of operations. Management believes that there have been no significant changes during 2011 to the items disclosed in our summary of critical accounting policies, significant judgments and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2010.

Results of Operations

The following table sets forth the percentage of our service revenues of items included in our consolidated and condensed statements of operations:

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Service revenues	100%	100%
Reimbursable expenses	4%	5%
Total gross revenues	104%	105%
Operating expenses:		
Project personnel expenses	69%	70%
Reimbursable expenses	4%	5%
Total project personnel expenses and reimbursable expenses	73%	74%
Selling and marketing expenses	4%	5%
General and administrative expenses	16%	20%
Restructuring and other related charges	2%	0%
Amortization of purchased intangible assets	1%	1%
Acquisition costs and other related charges	0%	0%
Total operating expenses	96%	100%
Income from operations	8%	5%
Interest and other income, net	1%	1%
Income before income taxes	8%	6%
Provision for income taxes	3%	2%
Net income	5%	3%

Three months ended March 31, 2011 compared to the three months ended March 31, 2010

Service Revenues

Our service revenues for the three months ended March 31, 2011 and 2010 were as follows (in thousands, except percentages):

	Three Months Ended			
	March 31, 2011	March 31, 2010	Increase	Percentage Increase
Service revenues	$241,340	$183,223	$58,117	32%

The increase in service revenues for the three months ended March 31, 2011 was primarily due to an increase in demand for our services compared to 2010. The following table compares our first quarter 2011 service revenues by industry sector to 2010 (in millions, except percentages):

Industry Sector	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Increase / (Decrease)	Percentage Increase / (Decrease)
Financial Services	$ 80.0	$ 53.0	$ 27.1	51%
Consumer, Travel & Automotive	81.7	53.3	28.3	53%
Technology & Communications	32.2	27.3	4.9	18%
Government, Health & Education	26.0	27.5	(1.5)	(6%)
Energy Services	21.4	22.1	(0.7)	(3%)
Total	$ 241.3	$ 183.2	$ 58.1	32%

The increases in the sectors noted above were due to an increase in demand for our services in these industries. The decreases in the Government, Health & Education and Energy Services sector were due to decreases in demand. In constant currency terms, service revenues increased 30% compared to the same period in 2010, as the U.S. dollar has appreciated in value against the local currencies in certain geographies our foreign subsidiaries operate in compared to the same period in 2010.

The increases in demand across the majority of industry sectors caused our average project personnel peoplecount to increase 31% for the three months ended March 31, 2011 compared to the same period in 2010. Utilization represents the percentage of our project personnel’s time spent on billable client work. Our utilization of 71% was lower than the 75% rate we had for the same period in 2010. We also increased our use of external contractors and consultants by 28% compared to 2010, as demand for our services concentrated in specialized areas increased.

Our five largest customers, in the aggregate, accounted for approximately 21% of our service revenues for the three months ended March 31, 2011 and 2010. No customer accounted for more than 10% of our service revenues. Long-Term and Retainer Revenues are revenues from contracts with durations of at least twelve months, as well as revenues from applications management and long-term support projects, which are cancelable. Our Long-Term and Retainer Revenues were 47% of our service revenues for the three months ended March 31, 2011, compared to 45% for the same period in 2010.

Project Personnel Expenses

Project personnel expenses consist principally of salaries and employee benefits for personnel dedicated to client projects, independent contractors and direct expenses incurred to complete projects that were not reimbursed by the client. These costs represent the most significant expense we incur in providing our services. Our project personnel expenses for the three months ended March 31, 2011 and 2010 were as follows (in thousands, except percentages):

	Three Months Ended			
	March 31, 2011	March 31, 2010	Increase/ (Decrease)	Percentage Increase
Project personnel expenses	$166,676	$127,767	$38,909	30%
Project personnel expenses as a percentage of service revenues	69%	70%	(1 point)	

The increase for the three months ended March 31, 2011 was primarily due to the increase in project personnel peoplecount. Compensation expense increased $29.5 million due to the increase in peoplecount. Use of external contractors and consultants increased $4.6 million due to an increase in demand for our services in specialized areas. Travel costs increased $2.3 million as the Company incurred greater transportation costs due to the increase in peoplecount. The remaining increase was due to increases in various other project personnel expenses.

Selling and Marketing Expenses

Selling and marketing expenses consist principally of salaries, employee benefits and travel expenses of selling and marketing personnel, and promotional expenses. Our selling and marketing expenses for the three months ended March 31, 2011 and 2010 were as follows (in thousands, except percentages):

	Three Months Ended			
	March 31, 2011	March 31, 2010	Increase/ (Decrease)	Percentage Increase
Selling and marketing expenses	$10,156	$8,647	$1,509	17%
Selling and marketing expenses as a percentage of service revenues	4%	5%	(1 point)	

The increase for the three months ended March 31, 2011 was primarily due to costs incurred to drive the 32% increase in service revenues, and to a lesser extent, an increase in sales and marketing peoplecount. Compensation expense increased $0.6 million due to the increase in peoplecount. Travel costs increased $0.6 million as the Company incurred greater transportation costs due to the increase in peoplecount. External consultant expense increased $0.2 million due to the increase in service revenues, as this required more general sales support, in addition to costs associated with specific projects that required the use of external consultants. The remaining increase was due to increases in various other selling and marketing expenses.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and employee benefits associated with our management, legal, finance, information technology, hiring, training and administrative groups, and depreciation and occupancy expenses. Our general and administrative expenses for the three months ended March 31, 2011 and 2010 were as follows (in thousands, except percentages):

	Three Months Ended			
	March 31, 2011	March 31, 2010	Increase/ (Decrease)	Percentage Increase
General and administrative expenses	$39,105	$35,943	$3,162	9%
General and administrative expenses as a percentage of service revenues	16%	20%	(4 points)	

The increase for the three months ended March 31, 2011 was primarily due to the following factors: (i) facilities expenses increased $2.3 million due to the opening of a new office in India in the first quarter of 2010, (ii) compensation expense increased $1.2 million due to an increase in general and administrative peoplecount, (iii) a currency gain of $0.4 million was recognized in 2011 and a currency loss of $0.9 million was recognized in 2010 as currency rates fluctuated on our short-term transactions, these amounts were offset by hedging losses of $0.3 million in 2011 and hedging gains of $0.6 million in 2010, (iv) travel costs increased $0.5 million due to the increase in peoplecount, (v) insurance costs increased $1.5 million due to the increase in peoplecount and rate increases, (vi) a $0.9 million legal accrual is included in 2011 and (vii) use of external contractors and consultants increased $0.7 million. These increases were partially offset by insurance recovery proceeds of $3.5 million received during the first quarter of 2011 as reimbursement for expenses incurred during the stock option review and restatement in 2006 and 2007. The remaining net decrease was due to changes in various other general and administrative expenses.

Restructuring and Other Related Charges

Restructuring and other related charges were $5.6 million for the three months ended March 31, 2011, compared to $0.3 million during the same period in 2010. The restructuring charge in the first quarter of 2011 related primarily to cash and other termination benefits for two former Nitro executives whose positions were made redundant, as well as the re-positioning of a portion of our SapientNitro business in Australia from traditional advertising capabilities to digitally-led capabilities. The restructuring charge consisted of $1.1 million of cash severance and other associated termination benefits, and a $4.6 million non-cash charge related to the acceleration of unrecognized compensation expense. The restructuring charge in the first quarter of 2010 consisted of $0.9 million for the consolidation of our UK operations into one office space, offset by a $0.6 million benefit related to changes in the Company's estimated operating expenses to be incurred and sub-lease income in connection with a previously restructured lease, which ends in the fourth quarter of 2011.

We expect to incur additional restructuring charges of approximately $1.5 million in the third quarter of 2011 related to the consolidation of our two office locations in New York City into one office. The $1.5 million is expected to comprise a charge for future committed rental payments and operating expenses after the cease-use date, offset by estimated sublease income over the remaining lease term.

Amortization of Purchased Intangible Assets

Amortization of intangible assets consists of non-compete and non-solicitation agreements, customer lists and tradenames acquired in business combinations. Amortization of purchased intangible assets was $1.3 million for the three months ended March 31, 2011, compared to $1.5 million for the same period in 2010. The decrease in expense was due to the fact that certain intangible assets from previous acquisitions have been fully amortized.

Acquisition Costs and Other Related Charges

Acquisition costs and other related charges are costs associated with third-party professional services we incur related to our evaluation process of potential acquisition opportunities. Although we may incur acquisition costs and other related charges, this is not indicative that any transaction will be consummated. We did not incur any acquisition costs in the first quarter of 2011, compared to a $0.1 million charge for the first quarter of 2010.

Interest and Other Income, Net

Interest and other income is derived primarily from investments in U.S. government securities, bank time deposits and money market funds. Our interest and other income, net for the three months ended March 31, 2011 and 2010 were as follows (in thousands, except percentages):

	Three Months Ended			
	March 31, 2011	**March 31, 2010**	**Increase**	**Percentage Increase**
Interest and other income, net	$1,459	$800	$659	82%

The increase for the three months ended March 31, 2011 was primarily due to higher interest income. This increase in interest income was due to increases in local interest rates on our foreign currency cash and equivalents and higher average cash balances for the three months ended March 31, 2011 compared to the same period in 2010.

Provision for Income Taxes

For the three months ended March 31, 2011, we recorded an income tax provision of $7.8 million, compared to $3.6 million in 2010. Income tax is related to federal, state and foreign tax obligations. The increase in tax expense was primarily related to an increase in profits.

Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss by jurisdiction, changes to the valuation allowance, changes to federal, state or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction and as a result of acquisitions.

We enjoy the benefits of income tax holidays in certain jurisdictions in which we operate.

The tax holidays for our business located in Bangalore and Noida, India, expired on March 31, 2011. In addition, in 2009 we established a new India unit in a Special Economic Zone ("SEZ") which is entitled to a five year, 100% tax holiday. Immediately following the expiration of the 100% tax holiday, the SEZ unit is entitled to a five year, 50% tax holiday.

Deferred tax assets are to be reduced by a valuation allowance if, based on the weight of available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At March 31, 2011, certain state tax net operating loss carry forwards, as well as a portion of the net operating loss carry forwards relating to certain stock-based compensation deductions, remain with a valuation allowance recorded against them. Additionally, we maintain a valuation allowance against our deferred tax assets in Switzerland but believe that deferred tax assets in various other foreign jurisdictions are more likely than not to be realized and, therefore, no valuation allowance has been recorded against these assets.

We had gross unrecognized tax benefits, including interest and penalties, of approximately $13.2 million as of March 31, 2011 and $12.0 million as of December 31, 2010. These amounts represent the amount of unrecognized tax benefits that, if recognized, would result in a reduction of our effective tax rate. We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of March 31, 2011 and December 31, 2010, accrued interest and penalties totaled approximately $1.2 million and $1.1 million, respectively.

We conduct business globally and, as a result, our subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, Germany, India, the United Kingdom and the United States. Our U.S. federal tax filings are open for examination for tax years 2007 through the present. The statutes of limitations in our other tax jurisdictions remain open for 2004 through the present. However, carry forward attributes from prior years may still be adjusted upon examination by tax authorities if they are used in a future period.

Although we believe our tax estimates are appropriate, the final determination of tax audits could result in favorable or unfavorable changes in our estimates. We anticipate the settlement of tax audits in the next twelve months and the expiration of relevant statutes of limitations could result in a decrease in our unrecognized tax benefits of an amount between $1.0 million and $2.0 million.

Results by Operating Segment

We have discrete financial data by operating segments available based on our method of internal reporting, which disaggregates our operations. Operating segments are defined as components of the Company for which separate financial information is available to manage resources and evaluate performance.

We do not allocate certain marketing and general and administrative expenses to our business unit segments because these activities are managed separately from the business units. Management does not allocate restructuring and other related charges, amortization of purchased intangible assets, stock-based compensation expense, interest and other income, net or acquisition expenses and other related charges to the segments for the review of results by the Chief Operating Decision Maker ("CODM"). Asset information by operating segment is not reported to or reviewed by the CODM, and therefore, we have not disclosed asset information for each operating segment.

The tables below present the service revenues and income before income taxes attributable to these operating segments for the periods presented (in thousands):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Service Revenues:		
SapientNitro	$154,320	$115,692
Sapient Global Markets	73,565	57,111
Sapient Government Services	13,455	10,420
Consolidated Service Revenues	$241,340	$183,223
Income Before Income Taxes:		
SapientNitro	$ 46,298	$ 29,442
Sapient Global Markets	21,740	20,706
Sapient Government Services	3,742	2,772
Total reportable segments operating income (1)	71,780	52,920
Less reconciling items (2)	(51,833)	(43,118)
Consolidated Income Before Income Taxes	$ 19,947	$ 9,802

(1) Reflects only the direct controllable expenses of each business unit segment. It does not represent the total operating results for each business unit as it does not contain an allocation of certain corporate and general and administrative expenses incurred in support of the business unit segments.

(2) Adjustments that are made to the total of the segments' operating income to arrive at consolidated income before income taxes include the following (in thousands):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Centrally managed functions	$ 46,001	$ 38,124
Restructuring and other related charges	5,642	286
Amortization of purchased intangible assets	1,273	1,467
Stock-based compensation expense	3,876	4,231
Interest and other income, net	(1,459)	(800)
Acquisition expense and other related charges	—	111
Unallocated expenses (a)	(3,500)	(301)
Total	$ 51,833	$ 43,118

(a) Reflects stock option restatement-related benefits.

The increase in SapientNitro service revenues for the three months ended March 31, 2011 was primarily due to increases in demand for our services in the majority of the industry sectors we operate in. The following table compares SapientNitro service revenues by industry sector for the three months ended March 31, 2011 compared to the same period in 2010 (in millions, except percentages):

Industry Sector	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Increase / (Decrease)	Percentage Increase / (Decrease)
Consumer, Travel & Automotive	$ 81.7	$ 53.4	$ 28.3	53%
Technology & Communications	32.1	27.2	4.9	18%
Financial Services	28.7	17.1	11.6	68%
Government, Health & Education	9.8	15.6	(5.8)	(37%)
Energy Services	2.0	2.4	(0.4)	(18%)
Total	$ 154.3	$ 115.7	$ 38.6	33%

For the three months ended March 31, 2011, the increases in sector service revenues were primarily due to increases in demand in these sectors, while the decreases were due to decreased demand. In constant currency terms, SapientNitro service revenues increased 31% for the three months ended March 31, 2011 compared to the same period in 2010. The overall increase in demand for our services contributed to SapientNitro's average project personnel peoplecount increasing compared to 2010.

The increase in Sapient Global Markets revenue for the three months ended March 31, 2011 was due to increases in demand for our services compared to 2010. The following table compares Sapient Global Markets service revenues by industry sector for the three months ended March 31, 2011 compared to the same period in 2010 (in millions, except percentages):

Industry Sector	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Increase / (Decrease)	Percentage Increase / (Decrease)
Financial Services	$ 54.1	$ 37.4	$ 16.7	45%
Energy Services	19.5	19.7	(0.2)	(1%)
Total	$ 73.6	$ 57.1	$ 16.5	29%

The increase in Financial Services was due to increases in demand for our services in this sector. In constant currency terms, Sapient Global Markets service revenues increased 27% for the three months ended March 31, 2011 compared to 2010. The overall increase in demand for our services contributed to Sapient Global Markets' average project personnel peoplecount increasing compared to the same period in 2010.

Service revenues for our Sapient Government Services operating segment increased by 29% during the three months ended March 31, 2011 compared to the same period in 2010 due to increases in demand for our services in this segment. The increased demand contributed to Sapient Government Services' average project personnel peoplecount increasing compared to the same period in 2010.

Operating Income by Operating Segments

SapientNitro's operating income increased as a percentage of related service revenues to 30% for the three months ended March 31, 2011 compared to 25% for 2010. The increase was primarily due to a decrease in consultant expense as a percentage of revenue compared to 2010.

Sapient Global Markets' operating income decreased as a percentage of related service revenues to 30% for the three months ended March 31, 2011 compared to 36% for 2010. The decrease was primarily due to an increase in consultant expense as a percentage of revenue compared to 2010 as demand for our services in specialized areas increased.

Sapient Government Services' operating income as a percentage of related service revenues was 28% for the three months ended March 31, 2011 compared to 27% for the three months ended March 31, 2010.

Liquidity and Capital Resources

We invest our excess cash predominantly in money market funds, time deposits with maturities of less than or equal to 90 days and other cash equivalents. At March 31, 2011 we had approximately $210.3 million in cash, cash equivalents, restricted cash and marketable securities, compared to $234.1 million at December 31, 2010.

We had approximately $3.7 million with various banks as collateral for letters of credit and performance bonds and have classified this cash as restricted on our consolidated and condensed balance sheet at March 31, 2011.

Cash used in operating activities was $19.0 million for the three months ended March 31, 2011. This resulted from net income of $12.2 million and the addition of non-cash charges of $16.1 million being more than offset by increases in unbilled revenues and accounts receivable of $31.3 million and a decrease in accrued compensation of $18.1 million as a result of bonus payments relating to 2010 performance being paid in the first quarter of 2011. Cash used in operating activities increased compared to the same period in 2010 due to lower bonus payment of prior year bonuses — as bonuses based on 2010 results were higher than those paid in the first quarter of 2010 which were based on 2009 results — and an increase in Days sales outstanding ("DSO") described below which created increases in accounts receivable and unbilled revenue balances.

Days sales outstanding ("DSO") is calculated based on the actual three months of total revenue and period end receivables, unbilled and deferred revenue balances. Our DSO increased 12% to 73 days as of March 31, 2011 as compared to our DSO of 65 days as of December 31, 2010. DSO increased primarily due to the increase in unbilled revenues, specifically the timing of achieving certain project milestones and proportionately more revenue being recognized in the third month of the first quarter of 2011, resulting in a higher amount of invoices being sent in the first month of the following quarter. Time and materials arrangements have longer billing cycles than fixed-price contracts, which increase DSO. Approximately 55% of our services revenue for the first three months of 2011 was derived from time and materials arrangements as compared to 54% for the fourth quarter of 2010. We expect our unbilled revenues to be short-term in nature, with a majority being billed within 90 days.

Cash used in investing activities was $7.3 million for the three months ended March 31, 2011. This was primarily due to $8.1 million in capital expenditures, primarily for the buildout of facilities in our India locations and the costs of internally developed software being offset by a $0.9 million decrease in restricted cash balances. Cash used by investing activities increased compared to the same period in 2010. The current period reflected more capital expenditures, primarily related to build-out costs for new offices.

Cash provided by financing activities was $1.1 million for the three months ended March 31, 2011, primarily derived from $4.2 million of proceeds from stock option exercises being partially offset by net repayments of $3.1 million under our revolving credit facility in India. Cash used in financing activities was $44.3 million for the three months ended March 31, 2010 primarily as a result of the $46.8 million dividend payment being partially offset by $2.5 million in proceeds from stock option exercises.

We use foreign currency option contracts to partially mitigate the effects of exchange rate fluctuations on certain revenues and operating expenses denominated in foreign currencies. Please see “Item 3. Quantitative and Qualitative Disclosures About Market Risk” for a discussion of our use of such derivative financial instruments.

We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. We are subject to various legal claims totaling approximately $10.3 million, for which the likelihood of a loss is considered more than remote, and various administrative audits, each of which have arisen in the ordinary course of our business. We have recorded an accrual at March 31, 2011 of approximately $1.3 million related to certain of these items. Although we intend to defend these matters vigorously, the ultimate outcome of these matters is uncertain and the potential loss, if any, may be significantly higher or lower than the amounts that we have previously accrued and may have a material effect on our operating results.

We believe that our existing cash, credit facility and other short-term investments will be sufficient to meet our working capital and capital expenditure requirements, investing activities and the expected cash outlays for our previously recorded restructuring activities for at least the next 12 months.

New Accounting Pronouncements

There were no recently issued accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2011, that are expected to have a material effect on our financial condition, results of operations or cash flows.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate interest securities may have their market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, and we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. Should the interest rate fluctuate by 10%, the change in value of our marketable securities would not have been material as of March 31, 2011 and our interest income would not have changed by a material amount for the three months ended March 31, 2011.

As of March 31, 2011, we held, at fair value, $1.3 million in ARS classified as available-for-sale. We do not intend to sell the remaining $1.4 million (amortized cost) in ARS classified as available-for-sale until a successful auction occurs, nor do we believe that we will be required to sell these securities at less than amortized cost before a successful auction occurs. The inability to liquidate our remaining ARS may have a material impact on our liquidity and results of operations.

Exchange Rate Sensitivity

We face exposure to adverse movements in foreign currency exchange rates because a significant portion of our revenues, expenses, assets and liabilities are denominated in currencies other than the U.S. dollar, primarily the British pound sterling, the Euro, the Indian rupee and the Canadian dollar. These exposures may change over time as business practices evolve.

For the three months ended March 31, 2011, approximately 34% of our revenues and approximately 54% of our operating expenses were denominated in foreign currencies, as compared to 42% and 53%, respectively, during the same period in 2010. In addition, 53% of our assets and 53% of our liabilities were subject to foreign currency exchange fluctuations at March 31, 2011 as compared to 52% and 52% of our assets and liabilities, respectively, at December 31, 2010. We also have assets and liabilities in certain entities that are denominated in currencies other than the entity’s functional currency.

Approximately 17% of our operating expenses for the three months ended March 31, 2011 were denominated in Indian rupees. Because we have minimal associated revenues in Indian rupees, any significant movement in the exchange rate between the U.S. dollar and the Indian rupee has a significant impact on our operating expenses and operating profit. Approximately 15% of our service revenues for the three months ended March 31, 2011 were denominated in the British pound sterling. Any significant movement in the exchange rate between the U.S. dollar and the British pound has a significant impact on our revenues and operating income. Approximately 3% of our service revenues for the three months ended March 31, 2011 were denominated in the Euro. Any significant movement in the exchange rate between the U.S. dollar and the Euro has a significant impact on our revenues and operating income. Approximately 8% of our service revenues for the three months ended March 31, 2011 were denominated in Canadian dollars. Any significant movement in the exchange rate between the U.S. dollar and the Canadian dollar has a significant impact on our revenues and operating income. We manage these exposures through a risk management program that partially mitigates our exposure to operating expenses denominated in the Indian rupee and operating margins denominated in the British pound sterling, the Euro and the Canadian dollar, and that includes the use of derivative financial instruments which are not designated as accounting hedges. As of March 31, 2011, we had option contracts outstanding in the notional amount of approximately $27.3 million ($15.5 million for our Indian rupee contracts, $6.4 million for our British pound sterling contracts, $0.3 million for our Euro contracts and $5.1 million for our Canadian dollar contracts). Because these instruments are option collars that are settled on a net basis with the bank, we have not recorded the gross underlying notional amounts in our assets and liabilities as of March 31, 2011. The following table details our net realized and unrealized gains/losses on these option contracts for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	2010
(Loss) gain on foreign exchange option contracts not designated	$ (268)	$ 610

We also performed a sensitivity analysis of the possible loss that could be incurred on these contracts as a result of movements in the Indian rupee. Changes of 10%, 15% and 20% of the underlying average exchange rate of our unsettled Indian rupee positions as of March 31, 2011 would result in maximum losses on these positions of $.6 million, $1.2 million and $1.8 million, respectively. Changes of 10%, 15% and 20% of the underlying average exchange rate of our unsettled British pound sterling positions as of March 31, 2011 would result in maximum losses on these positions of $0.6 million, $0.9 million and $1.2 million, respectively. Changes of 10%, 15% and 20% of the underlying average exchange rate of our unsettled Euro positions as of March 31, 2011 would result in maximum losses on these positions of less than $0.1 million, less than $0.1 million and $0.1 million, respectively. Changes of 10%, 15% and 20% of the underlying average exchange rate of our unsettled Canadian dollar positions as of March 31, 2011 would result in maximum losses on these positions of $0.4 million, $0.8 million and $1.1 million, respectively. These positions expire in April and May of 2011 and therefore, any losses in respect to these positions after March 31, 2011 would be recognized in the three months ending June 30, 2011.

For additional quantitative and qualitative disclosures about market risk affecting Sapient, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk”, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), we conducted an evaluation of the effectiveness, as of March 31, 2011, of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on our evaluation our CEO and CFO have concluded that our disclosure controls and procedures (as defined by Rule 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and is accumulated and communicated to management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the three months ended March 31, 2011 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*

We are subject to certain legal proceedings and claims, as discussed below. We are also subject to certain other legal proceedings and claims that have arisen in the course of business that have not been fully adjudicated. However, the results of legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of these legal matters or should several of these legal matters be resolved against us in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. We are subject to various legal claims totaling $10.3 million, for which the likelihood of a loss is considered more than remote, and various administrative audits each of which have arisen in the ordinary course of our business. We have recorded an accrual at March 31, 2011 of approximately $1.3 million related to certain of these items. We intend to defend these matters vigorously; however, the ultimate outcome of these items is uncertain and the potential loss, if any, may be significantly higher or lower than the amounts that we have previously accrued.

Item 1A. Risk Factors

Risk Factors

The following important factors, among others, could cause our actual business, financial condition and future results to differ materially from those contained in forward-looking statements made in this Quarterly Report or presented elsewhere by management from time to time.

Our business, financial condition and results of operations may be materially impacted by economic conditions and related fluctuations in customer demand for marketing, business, technology and other consulting services.

The market for our consulting services and the technologies used in our solutions historically has tended to fluctuate with economic cycles — particularly those cycles in the United States and Europe, where we earn the majority of our revenues. During economic cycles in which many companies are experiencing financial difficulties or uncertainty, clients and potential clients may cancel or delay spending on marketing, technology and other business initiatives. Our efforts to down-size, when necessary, in a manner intended to mirror downturned economic conditions could be delayed and costly. A downturn could result in a reduced demand for our services, project cancellations or delays, lower revenues and operating margins resulting from price reduction pressures for our services, and payment and collection issues with our clients. Any of these events could materially and adversely impact our business, financial condition and results of operations.

Our markets are highly competitive and we may not be able to continue to compete effectively.

The markets for the services we provide are highly competitive. We believe that we compete principally with large systems consulting and implementation firms, offshore outsourcing companies, interactive and traditional advertising agencies, and clients' internal information systems departments. To a lesser extent, other competitors include boutique consulting firms that maintain specialized skills and/or are geography based. Regarding our Government Services practice, we both compete and partner with large defense contractors. Some of our competitors have significantly greater financial, technical and marketing resources, and generate greater revenues and have greater name recognition, than we do. Often, these competitors offer a larger and more diversified suite of products and services than we offer. These competitors may win client engagements by significantly discounting their services in exchange for a client's promise to purchase other goods and services from the competitor, either concurrently or in the future. If we cannot keep pace with the intense competition in our marketplace, our business, financial condition and results of operations will suffer.

Our international operations and Global Distributed Delivery ("GDD") model subject us to increased risk.

We have offices throughout the world. Our international operations generate a significant percentage of our total revenues, and our GDD model is a key component of our ability to deliver our services successfully. Our international operations are subject to inherent risks, including:

- economic recessions in foreign countries;
- fluctuations in currency exchange rates or impositions of restrictive currency controls;
- political instability, war or military conflict;
- changes in regulatory requirements;
- complexities and costs in effectively managing multi-national operations and associated internal controls and procedures;
- significant changes in immigration policies or difficulties in obtaining required immigration approvals for international assignments;

- restrictions imposed on the import and export of technologies in countries where we operate;
- reduced protection for intellectual property in some countries; and
- changes in tax laws.

In particular, our GDD model depends heavily on our offices in Gurgaon, Bangalore and Noida, India. Any escalation in the political or military instability in India or Pakistan or the surrounding countries, or a business interruption resulting from a natural disaster, such as an earthquake, could hinder our ability to use GDD successfully and could result in material adverse effects to our business, financial condition and results of operations. Furthermore, the delivery of our services from remote locations causes us to rely on data, phone, power and other networks which are not as reliable in India as those in other countries where we operate. Any failures of these systems, or any failure of our systems generally, could affect the success of our GDD model. Remote delivery of our services also increases the complexity and risk of delivering our services, which could affect our ability to satisfy our clients' expectations or perform our services within the estimated time frame and budget for each project. Changes to government structure or policies in countries in which we operate could negatively impact our operations if such changes were to limit or cease any benefits that may currently be available to us. For example, although the Indian government has historically offered generous tax incentives to induce foreign companies to base operations in India, new taxes have been introduced in recent years that partially offset those benefits. On April 1, 2009 the income tax incentive of one of our Software Technology Parks ("STPs") Units in India expired. Beginning April 1, 2011, the income tax incentives applicable to our other two STPs Units in India expired. In addition, in 2009 we established a new India unit in a Special Economic Zone ("SEZ") which is eligible for a five year, 100% tax holiday. This expiration of incentives may adversely affect our cost of operations and increase the risk of delivering our services on budget for client projects. Expiration of benefits provided to us by having operations based in India could have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations may be materially impacted by military actions, global terrorism, natural disasters and political unrest.

Military actions in Iraq, Afghanistan and elsewhere, global terrorism, natural disasters and political unrest in the Middle East and other countries are among the factors that may adversely impact regional and global economic conditions and, concomitantly, client investments in our services. In addition to the potential impact of any of these events on the business of our clients, these events could pose a threat to our global operations and people. Specifically, our people and operations in India could be impacted if the recent rise in civil unrest, terrorism and conflicts with bordering countries in India were to increase significantly. As a result, significant disruptions caused by such events could materially and adversely affect our business, financial condition and results of operations.

If we do not attract and retain qualified professional staff, we may be unable to perform adequately our client engagements and could be limited in accepting new client engagements.

Our business is labor intensive, and our success depends upon our ability to attract, retain, train and motivate highly skilled employees. The improvement in demand for marketing and business and technology consulting services has further increased the need for employees with specialized skills or significant experience in marketing, business and technology consulting, particularly at senior levels. We have been expanding our operations, and these expansion efforts will be highly dependent on attracting a sufficient number of highly skilled people. We may not be successful in attracting enough employees to achieve our expansion or staffing plans. Furthermore, the industry turnover rates for these types of employees are high, and we may not be successful in retaining, training and motivating the employees we attract. Any inability to attract, retain, train and motivate employees could impair our ability to manage adequately and complete existing projects and to bid for or accept new client engagements. Such inability may also force us to increase our hiring of expensive independent contractors, which may increase our costs and reduce our profitability on client engagements. We must also devote substantial managerial and financial resources to monitoring and managing our workforce and other resources. Our future success will depend on our ability to manage the levels and related costs of our workforce and other resources effectively.

We earn revenues, incur costs and maintain cash balances in multiple currencies, and currency fluctuations affect our financial results.

We have significant international operations, and we frequently earn our revenues and incur our costs in various foreign currencies. Our international service revenues were $96.8 million for the first three months of 2011. Doing business in these foreign currencies exposes us to foreign currency risks in numerous areas, including revenues and receivables, purchases, payroll and investments. As of March 31, 2011, 53% of our assets and our liabilities were subject to foreign currency fluctuations. We also have a significant amount of foreign currency operating income and net asset exposures. Certain foreign currency exposures, to some extent, are naturally offset within an international business unit, because revenues and costs are denominated in the same foreign currency, and certain cash balances are held in U.S. dollar denominated accounts. However, due to the increasing size and importance of our international operations, fluctuations in foreign currency exchange rates could materially impact our financial results. Our GDD model also subjects us to increased currency risk because we incur a significant portion of our project costs in Indian rupees and earn revenue from our clients in other currencies. While we have entered into foreign currency offsetting option positions that allow the Company partially to hedge certain short-term translation exposures in Indian rupee, British pound sterling, Euro and Canadian dollar currencies, and may in the future enter into foreign currency exchanges swaps and purchases as well as sales of foreign currency options, we will continue to experience foreign currency gains and losses in certain instances where it is not possible or cost effective to hedge foreign currencies. There is no guarantee that such hedging activity will be effective or that our financial condition will not be negatively impacted by the currency exchange rate fluctuations of the Indian rupee versus the U.S. dollar.

Costs for our delivery of services, including labor, could increase as a result of the decrease in value of the U.S. dollar against the Indian rupee, affecting our reported results.

Our cash positions include amounts denominated in foreign currencies. We manage our worldwide cash requirements considering available funds from our subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of our subsidiaries outside the United States could have adverse tax consequences and be limited by foreign currency exchange controls. However, those balances are generally available without legal restrictions to fund ordinary business operations. Any fluctuations in foreign currency exchange rates, or changes in local tax laws, could materially impact the availability and size of these funds for repatriation or transfer.

We have significant fixed operating costs, which may be difficult to adjust in response to unanticipated fluctuations in revenues.

A high percentage of our operating expenses, particularly salary expense, rent, depreciation expense and amortization of purchased intangible assets, are fixed in advance of any particular quarter. As a result, an unanticipated decrease in the number or average size of, or an unanticipated delay in the scheduling for, our projects may cause significant variations in operating results in any particular quarter and could have a material adverse effect on operations for that quarter.

An unanticipated termination or decrease in size or scope of a major project, a client's decision not to proceed with a project we anticipated or the completion during a quarter of several major client projects could require us to maintain underutilized employees and could have a material adverse effect on our business, financial condition and results of operations. Our revenues and earnings may also fluctuate from quarter to quarter because of such factors as:

- the contractual terms and timing of completion of projects, including achievement of certain business results;
- any delays incurred in connection with projects;
- the adequacy of provisions for losses and bad debts;
- the accuracy of our estimates of resources required to complete ongoing projects;
- loss of key highly-skilled personnel necessary to complete projects; and
- general economic conditions.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

Our effective tax rate could be adversely impacted by several factors, some of which are outside our control, including:

- Changes in relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changes in tax laws and the interpretation of those tax laws;
- Changes to our assessments about the realizability of our deferred tax assets which are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies and the economic environment in which we do business;
- The outcome of future tax audits and examinations;
- Changes in generally accepted accounting principles that affect the accounting for taxes.

In the ordinary course of our business, many transactions occur where the ultimate tax determination is uncertain. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe our tax estimates are reasonable, the final determination could be materially different from our historical tax provisions and accruals.

Our profits may decrease and/or we may incur significant unanticipated costs if we do not accurately estimate the costs of fixed-price engagements.

Approximately 45% of our projects are based on fixed-price contracts, rather than contracts in which payment to us is determined on a time and materials or other basis. Our failure to estimate accurately the resources and schedule required for a project, or our failure to complete our contractual obligations in a manner consistent with the project plan upon which our fixed-price contract was based, could adversely affect our overall profitability and could have a material adverse effect on our business, financial condition and results of operations. We are consistently entering into contracts for large projects that magnify this risk. We have been required to commit unanticipated additional resources to complete projects in the past, which has occasionally resulted in losses on those contracts. We will likely experience similar situations in the future. In addition, we may fix the price for some projects at an early stage of the project engagement, which could result in a fixed price that is too low. Therefore, any changes from our original estimates could adversely affect our business, financial condition and results of operations.

Our profitability will be adversely impacted if we are unable to maintain our pricing and utilization rates as well as control our costs.

Our profitability derives from and is impacted primarily by three factors, primarily: (i) the prices for our services; (ii) our professionals' utilization or billable time; and (iii) our costs. To achieve our desired level of profitability, our utilization must remain at an appropriate rate, and we must contain our costs. Should we reduce our prices in the future as a result of pricing pressures, or should we be unable to achieve our target utilization rates and costs, our profitability could be adversely impacted and our stock price could decline materially.

We partner with third parties on certain complex engagements in which our performance depends upon, and may be adversely impacted by, the performance of such third parties.

Certain complex projects may require that we partner with specialized software or systems vendors or other partners to perform our services. Often in these circumstances, we are liable to our clients for the performance of these third parties. Should the third parties fail to perform timely or satisfactorily, our clients may elect to terminate the projects or withhold payment until the services have been completed successfully. Additionally, the timing of our revenue recognition may be affected or we may realize lower profits if we incur additional costs due to delays or because we must assign additional personnel to complete the project. Furthermore, our relationships with our clients and our reputation generally may suffer harm as a result of our partners' unsatisfactory performance.

Our clients could unexpectedly terminate their contracts for our services.

Most of our contracts can be canceled by the client with limited advance notice and without significant penalty. A client's termination of a contract for our services could result in a loss of expected revenues and additional expenses for staff that were allocated to that client's project. We could be required to maintain underutilized employees who were assigned to the terminated contract. The unexpected cancellation or significant reduction in the scope of any of our large projects, or client termination of one or more recurring revenue contracts (see explanation of "Long-Term and Retainer Revenue" in Part I, Item 2, above), could have a material adverse effect on our business, financial condition and results of operations.

We may be liable to our clients for substantial damages caused by our unauthorized disclosures of confidential information, breaches of data security, failure to remedy system failures or other material contract breaches.

We frequently receive confidential information from our clients, including confidential customer data that we use to develop solutions. If any person, including one of our employees, misappropriates client confidential information, or if client confidential information is inappropriately disclosed due to a breach of our computer systems, system failures or otherwise, we may have substantial liabilities to our clients or client customers.

Further, many of our projects involve technology applications or systems that are critical to the operations of our clients' businesses and handle very large volumes of transactions. If we fail to perform our services correctly, we may be unable to deliver applications or systems to our clients with the promised functionality or within the promised time frame, or to satisfy the required service levels for support and maintenance. While we have taken precautionary actions to create redundancy and back-up systems, any such failures by us could result in claims by our clients for substantial damages against us.

Although we attempt to limit the amount and type of our contractual liability for our breaches of confidentiality or data security, defects in the applications or systems we deliver or other material contract breaches that we may commit during the performance of our services (collectively, "Contract Breaches"), in certain circumstances we agree to unlimited liability for Contract Breaches. Additionally, while we carry insurance that is intended to mitigate our liabilities for such Contract Breaches, we cannot be assured that our insurance coverages will be applicable and enforceable in all cases, or sufficient to cover substantial liabilities that we may incur. Further, we cannot be assured that contractual limitations on liability will be applicable and enforceable in all cases. Accordingly, even if our insurance coverages or contractual limitations on liability are found to be applicable and enforceable, our liability to our clients for Contract Breaches could be material in amount and affect our business, financial condition and results of operations. Moreover, such claims may harm our reputation and cause us to lose clients.

Our services may infringe the intellectual property rights of third parties, and create liability for us as well as harm our reputation and client relationships.

The services that we offer to clients may infringe the intellectual property ("IP") rights of third parties and result in legal claims against our clients and Sapient. These claims may damage our reputation, adversely impact our client relationships and create liability for us. Moreover, although we generally agree in our client contracts to indemnify the clients for expenses or liabilities they incur as a result of third party IP infringement claims associated with our services, the resolution of these claims, irrespective of whether a court determines that our services infringed another party's IP rights, may be time-consuming, disruptive to our business and extraordinarily costly. Finally, in connection with an IP infringement dispute, we may be required to cease using or developing certain IP that we offer to our clients. These circumstances could adversely impact our ability to generate revenue as well as require us to incur significant expense to develop alternative or modified services for our clients.

We may be unable to protect our proprietary methodology.

Our success depends, in part, upon our proprietary methodology and other IP rights. We rely upon a combination of trade secrets, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We enter into confidentiality agreements with our employees, contractors, vendors and clients, and limit access to and distribution of our proprietary information. We cannot be certain that the steps we take in this regard will be adequate to deter misappropriation of our proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our IP rights.

Our stock price is volatile and may result in substantial losses for investors.

The trading price of our common stock has been subject to wide fluctuations, particularly in the second half of 2008 and the first half of 2009. Our trading price could continue to be subject to wide fluctuations in response to:

- quarterly variations in operating results and achievement of key business metrics by us or our competitors;
- changes in operating results estimates by securities analysts;
- any differences between our reported results and securities analysts' published or unpublished expectations;
- announcements of new contracts or service offerings made by us or our competitors;
- announcements of acquisitions or joint ventures made by us or our competitors; and
- general economic or stock market conditions.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. The commencement of this type of litigation against us could result in substantial costs and a diversion of management's attention and resources.

Certain of our directors have significant voting power and may effectively control the outcome of any stockholder vote.

Jerry A. Greenberg, our former Co-Chairman of the Board of Directors and Chief Executive Officer of the Company and current member of our Board of Directors, and J. Stuart Moore, our former Co-Chairman of the Board of Directors and Co-Chief Executive Officer and current member of our Board of Directors, own, in the aggregate, approximately 20% of our outstanding common stock as of May 1, 2011. As a result, they have the ability to substantially influence and may effectively control the outcome of corporate actions requiring stockholder approval, including the election of directors. This concentration of ownership may also have the effect of delaying or preventing a change in control of Sapient, even if such a change in control would benefit other investors.

We are dependent on our key employees.

Our success depends in large part upon the continued services of a number of key employees. Our employment arrangements with key personnel provide that employment is terminable at will by either party. The loss of the services of any of our key personnel could have a material adverse effect on our business, financial condition and results of operations. In addition, if our key employees resign from Sapient to join a competitor or to form a competing company, the loss of such personnel and any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on our business, financial condition and results of operations. Although, to the extent permitted by law, we require our employees to sign agreements prohibiting them from joining a competitor, forming a competing company or soliciting our clients or employees for certain periods of time, we cannot be certain that these agreements will be effective in preventing our key employees from engaging in these actions or that courts or other adjudicative entities will substantially enforce these agreements.

We may be unable to achieve anticipated benefits from acquisitions.

The anticipated benefits from any acquisitions that we may undertake might not be achieved. For example, if we acquire a company, we cannot be certain that clients of the acquired business will continue to conduct business with us, or that employees of the acquired business will continue their employment or integrate successfully into our operations and culture. The identification, consummation and integration of acquisitions and joint ventures require substantial attention from management. The diversion of management's attention, as well as any difficulties encountered in the integration process, could have an adverse impact on our business, financial condition and results of operations. Further, we may incur significant expenses in completing any such acquisitions, and we may assume significant liabilities, some of which may be unknown at the time of such acquisition.

The failure to successfully and timely implement certain financial system changes to improve operating efficiency and enhance our reporting controls could harm our business.

In parallel with the foregoing operational process redesign and role transition activities, we have implemented and continue to install several upgrades and enhancements to our financial systems. We expect these initiatives to enable us to achieve greater operating and financial reporting efficiency and also enhance our existing control environment through increased levels of automation of certain processes. Failure to successfully execute these initiatives in a timely, effective and efficient manner could result in the disruption of our operations, the inability to comply with our Sarbanes-Oxley obligations and the inability to report our financial results in a timely and accurate manner.

A failure to maintain effective internal controls over financial reporting could have a material adverse impact on the Company.

We are required to maintain internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. We may in the future identify material weaknesses in our internal control over financial reporting. Further, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, regardless of the adequacy of such controls. Should we fail

either to maintain adequate internal controls or implement required new or improved controls, our business and results of operations could be harmed, we may be unable to report properly or timely the results of our operations, and investors could lose faith in the reliability of our financial statements. Consequently, the price of our securities may be adversely and materially impacted.

SAPIENT CORPORATION
PART II. OTHER INFORMATION

Item 6. ***Exhibits***

3.1	Second Amended and Restated Certificate of Incorporation (1)
3.2	Amended and Restated Bylaws (2)
4.1	Specimen Certificate for Shares of Common Stock, $.01 par value, of the Company (3)
10.1*	Separation Agreement between Sapient Corporation and Jane E. Owens dated March 4, 2011
31.1*	Certification of Alan J. Herrick pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Joseph S. Tibbetts, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Alan J. Herrick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Joseph S. Tibbetts, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	The following materials from Sapient Corporation on Form 10-Q for the quarterly period ended March 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated and Condensed Statements of Operations, (ii) the Consolidated and Condensed Balance Sheets, (iii) the Consolidated and Condensed Statements of Cash Flows and (iv) Notes to the Consolidated and Condensed Financial Statements, tagged as blocks of text.

* Exhibits filed herewith.

(1) Incorporated herein by reference to the Company’s Form 10-Q for the fiscal quarter ended September 30, 2004 (File No. 000-28074).

(2) Incorporated herein by reference to the Company’s Form 8-K, filed February 10, 2009.

(3) Incorporated herein by reference to the Company’s Registration Statement on Form S-1 (File No. 333-12671).

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.

Signature	Title	Date
/s/ Alan J. Herrick Alan J. Herrick	President and Chief Executive Officer *(Principal Executive Officer)*	May 5, 2011
/s/ Joseph S. Tibbetts, Jr. Joseph S. Tibbetts, Jr.	Chief Financial Officer *(Principal Financial Officer)*	May 5, 2011

Exhibit 10.1

February 11, 2011

Jane Owens
1200 Washington Street,
Unit 409 Boston, MA 02118

Dear Jane:

The purpose of this letter severance agreement (the " **Agreement** ") is to describe the terms of your separation from Sapient Corporation ("Sapient" or the "Company").[1] The severance pay and benefits described in Section 2(a), 2(c) and 2(d) of this Agreement ("Severance Pay and Benefits") are contingent on your agreement to and compliance with the terms of this Agreement and the Supplemental Release Agreement defined in Section 14 and attached hereto as Exhibit B. Once the Supplemental Release Agreement is executed and not revoked it becomes part of this Agreement. The eighth (8 th) day after which you sign the Supplemental Release Agreement shall be referred to as the " **Effective Date** ."

1. **Special Employment** .

As of the date of this agreement through **April 5, 2011, or earlier if you resign** (the " **Special Employment Period** ") you will be a Special Employee of Sapient so long as you comply with this Agreement. During the Special Employment Period Sapient will continue your regular base salary and your participation in those Sapient employee benefits programs in which you currently participate. During the Special Employment Period you shall, in a positive and constructive manner, perform any assigned tasks assigned by Sapient and assist in the smooth transition of your work as specified by Sapient.

If during the Special Employment Period you are terminated by Sapient for Cause, you will not be entitled to any Severance Pay and Benefits, and in such event the Separation Date shall be deemed to be the date the Cause termination becomes effective. Cause is defined as (i) the willful or repeated failure by you to perform your responsibilities at Sapient, (ii) the commission of an act of embezzlement, fraud, theft, misappropriation of assets or property (tangible or intangible); or (iii) gross negligence or misconduct in the performance of your duties.

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1 Except for the obligations set forth in Section 1 and 2 of this Agreement, which shall be the sole obligation of Sapient Corporation, and its successors and assigns, whenever the term "Sapient" or "Company" is used in this Agreement (including, without limitation, Sections 12 and 13 and the Supplemental Release), it shall be deemed to include Sapient Corporation, its subsidiaries and affiliates, and its and their respective officers, directors, employees, agents, successors and assigns.

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Sapient
131 Dartmouth Street
Boston, MA 02116
United States
TEL +1 617 621 0200
FAX +1 617 621 1300

2. **Separation of Employment/Severance Pay and Benefits** .

Your employment with Sapient will terminate at the end of the Special Employment Period or earlier as set forth in Section 1 above (the " **Separation Date** "). You acknowledge that from and after the Separation Date, you shall have no authority to represent yourself as an employee or agent of Sapient, and you agree not to do so. You agree that in the event you re-apply for employment (or engagement as an independent contractor) with Sapient, the Company shall have no obligation to re-hire or engage you.

In exchange for your promises, covenants and releases set forth in this Agreement (including, without limitation, the covenants set forth in Section 9 of this Agreement, the release of claims set forth in Section 12 and the Supplemental Release Agreement), provided only that you (i) comply with Section 1 of this Agreement (ii) are not terminated for Cause during the Special Employment Period, (iii) you deliver to the Company this Agreement and the Supplemental Release Agreement in a timely fashion and (iv) you do not exercise your revocation right as set forth in the this Agreement and the Supplemental Release Agreement, the Company agrees to provide you with the following Severance Pay and Benefits set out in Sections 2(a), 2(c) and 2(d) of this Agreement:

2 (a). Gross Severance.

A lump sum payment of two hundred and fifty five thousand eight hundred and thirty-three dollars (**$255,833**), which shall be subject to all ordinary payroll taxes and withholdings, in accordance with the Company's standard payroll policies and procedures the first pay roll period following the Effective Date. In accordance with your prior agreements with the Company, the Gross Severance Pay may be further reduced for the following reasons, as applicable: vacation time taken in excess of vacation time accrued; an outstanding balance on any guaranteed American Express Corporate Card; or any other outstanding balances owed to the Company, such as Java Bean expenses, commuter passes, etc ("Net Severance Pay").

2 (b). Bonus.

Regardless of whether you sign this Agreement, you will be eligible to receive your 2010 bonus payment in accordance with the guidelines of the of the 2010 Global Performance Bonus Plan (the "Bonus Plan"). The Bonus shall be subject to all ordinary payroll taxes and withholdings, in accordance with the Company's standard payroll policies and procedures and shall be paid out to you no later than March 15, 2011, consistent with when it will be paid out for all eligible Sapient employees.

According to the Global Performance Bonus Plan, an individual must be actively employed by Sapient in an eligible title during the entire Plan Period and from the end of the Plan Period through the date any payout is made under this Plan. Since your employment will terminate April 2011, you will not be eligible for any additional bonus payments not otherwise stated herein.

2 (c). Continued Health Care Coverage.

The following shall not apply to you if are not currently enrolled in medical, dental or vision coverage through Sapient: Regardless of whether you sign this Agreement, and upon completion of the appropriate forms, you will have the right, at your own expense (except at otherwise provided in this Section 2(c)), to continue your participation in the Company's group medical, dental or vision insurance plans pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). The “qualifying event” under COBRA shall be deemed to have occurred on the Separation Date. UnitedHealthcare will send you a COBRA package that will explain what the COBRA benefit is, how to elect this coverage and what it will cost you to continue your benefits under COBRA. If you do not receive this package within thirty (30) days of your Separation Date, please call UnitedHealthcare at 1-800-245-6121. If you do not elect COBRA, your coverage under Sapient’s medical, dental and/or vision insurance for you and, if applicable, your eligible dependent(s), will end on the last day of the month in which the Separation Date occurs.

If you elect to continue your health coverage (medical and/or dental plans) through COBRA, Sapient will cover the entire cost of your COBRA coverage for the first **eleven (11) months** (the “Premium Payment Period”) following the month in which your Separation Date occurred. After the Premium Payment Period, you will be required to pay the full cost of the COBRA premiums for medical and/or dental coverage based on the premium rates established at that time. Important note: You must respond to UnitedHealthcare per the timelines set forth in your COBRA package if you wish to elect COBRA coverage. As a reminder, the Employment Retirement Income Security Act (“ERISA”), the federal law that regulates COBRA, in conjunction with the Internal Revenue Code, permits only “qualified beneficiaries” to receive COBRA benefits. Under IRS 1999 final regulations, a qualified beneficiary is defined only as a covered employee, the spouse of a covered employee, or eligible dependent children of a covered employee, as defined by the terms of the health plan. As such, domestic partners are not eligible to continue health care coverage through COBRA. Please refer to your exit materials for more information on COBRA.

2 (d). Outplacement Service.

You will be eligible to receive **twelve (12) months of senior executive outplacement services** with Lee Hecht Harrison. You need to start your services no later than June 1, 2011. Should you desire a different provider, Sapient will provide up to $25,000 to cover the expense of your chosen outplacement program. Sapient will pay the provider of your choice within 10 business days after receipt of an invoice from such provider which must be received no later than June 1, 2011.

2 (e). Non-Compete Waiver.

The following shall not apply to you if you work for Sapient in California: Sapient will waive the non-compete provision in Section 7 (a) (ii) of your Non-Disclosure, Non-Solicitation and Non-Compete Agreement (“NDA”), or Section 4.3 of your Fair Compete Agreement, as applicable, provided that you continue to abide by your remaining non-solicitation and confidentiality obligations, as further explained in Section 9 of this Agreement; and

2 (f). Monies Owed.

You understand that forgiveness of monies owed to Sapient constitutes income received by you, which shall be subject to all ordinary payroll taxes and withholdings, in accordance with the Company’s standard payroll policies and procedures.

You acknowledge and agree that the Severance Pay and Benefits set out in Sections 2(a), 2(c) and 2(d) are not otherwise due or owing to you by the Company, whether under any employment agreement (oral or written), Company policy or practice. You also agree that the Severance Pay and Benefits set out in Sections 2(a), 2(c) and 2(d) to be provided to you are not intended to and do not constitute a severance plan and do not confer a benefit on anyone other than the parties. You further acknowledge that except for the specific financial consideration set forth in this Agreement, your final wages and any accrued but unused vacation (which shall be paid to you in accordance with the Company's regular payroll practices and applicable law), you are not now and shall not in the future be entitled to any other compensation, other than is what is stated in this Agreement, from the Company including, without limitation, other wages, commissions, bonuses, stock options, restricted stock, equity, vacation pay, holiday pay, paid time off or any other form of compensation or benefit. For the purposes of clarity, you will only receive the Severance Pay and Benefits set out in Sections 2(a), 2(c) and 2(d), if you (i) comply with Section 1 of this Agreement, (ii) are not terminated for Cause during the Special Employment Period, (iii) you deliver to the Company this Agreement and the Supplemental Release Agreement in a timely fashion, and (iv) you do not exercise your revocation right as set forth in the this Agreement and the Supplemental Release Agreement.

3. Employee Assistance Program.

Regardless of whether you sign this Agreement, Sapient will extend your eligibility to participate in the Company's Employee Assistance Program (EAP) benefit for sixty (60) days from the Separation Date. You may contact the Wellness Corporation at 1-800-828-6025.

4. Unemployment Benefits.

Enclosed is a pamphlet describing unemployment compensation benefits. You may seek unemployment benefits (from the applicable state depending on your location) as a result of your termination from Sapient. Decisions regarding eligibility for and amounts of unemployment benefits are made by the applicable state unemployment agency, not by Sapient.

5. Expense Reimbursement.

If you have pending expenses that have not been formally approved in Oracle by the Separation Date, these expenses can be manually submitted to Sapient, as follows. Please submit the following details to Lauri McBurney at lmcburney@sapient.com within thirty (30) days from the time your expenses were incurred:

A. Copies of required receipts

B. Details regarding your expenses:

   i. Brief description of the expense

   ii. Dollar amount

   iii. PID

   iv. Billable or Non-Billable

   v. Date the expense was incurred

C. Name of the related PID approver(s).

Approved expense reports will be processed and payment made in accordance with Sapient's standard expense reimbursement policy.

If you have an American Express Corporate Card, you are responsible for paying any outstanding balances in accordance with your prior agreement with Sapient and American Express.

6. 401(k) Plan.

If you participate in the Sapient 401(k) Plan and you have a vested account balance of $1,000 or more, you may either keep your vested balance in the Sapient Plan or request to have the entire vested balance paid out to you or rolled over into another plan. [Note: If your vested 401(k) account balance is under $1,000, you must request a roll-over or distribution within 90 days of the Exit Date. Otherwise, the balance will automatically be paid out to you and you will be subject to penalties and tax withholdings for early distribution.] If you currently have a 401(k) loan outstanding, please contact Fidelity to discuss repayment options. If you wish to transfer your funds, please visit the Fidelity Web site at www.401k.com and follow the instructions there to complete the transfer. If you have questions related to your 401(k) Plan, please contact Fidelity at 1-800-890-4015.

7. Stock Options and Restricted Stock Units ("RSUs").

If you have Sapient Stock Options and/or Restricted Stock Units, your E*Trade equity account will remain active in accordance with E*Trade's policies. These policies currently permit your account to remain active as long as you have Sapient shares in your account. After the Separation Date E*Trade will send a packet of information to your home address which will include a statement of your exercisable options and vested RSUs, as well as relevant date and exercise information. If you do not receive this packet within thirty (30) days of the Separation Date, please contact E*Trade at 1-800-838-0908.

Sapient's equity incentive plans (and any Sapient Stock Option Agreements that you have agreed to) give you three (3) months from the Separation Date to exercise any options that were vested and exercisable as of the Separation Date. Please note that the period is three (3) months, and not ninety (90) days. Options that you do not exercise within that three (3) month period automatically terminate. In accordance with any Restricted Stock Unit grants that you may have, all of your unvested RSUs will be cancelled on the Separation Date.

8. Address Changes.

If your address changes at any time between now and the end of calendar year 2012, please email PeopleSuccess-RecordManagementIndia@Sapient.com . This notification will help ensure receipt of your W-2 in a timely manner at year-end.

9. Confidentiality and Other Obligations.

You expressly acknowledge and agree to the following:

9 (a). Return Company Property.

that you will promptly return to the Company on your Separation Date all Company or Company-client property in your possession or control, including (without limitation) building and office access cards, credit and calling cards, laptop computers and accessories, communication devices, correspondence, files and documents whether in hard copy, originals or copies, on electronic media or otherwise.

9 (b). NDA or Confidentiality Agreement.

that you will abide by the confidentiality obligations contained in your ("NDA") or Confidentiality Agreement, as applicable, attached as **Exhibit A** , the terms of which are hereby incorporated into this Agreement by reference, and that you otherwise will keep all confidential information and trade secrets of the Company confidential; and that you will abide by any and all common law and/or statutory obligations relating to protection and non-disclosure of the Company's trade secrets and/or confidential and proprietary information;

9 (c). Agreement Confidentiality.

that all information relating in any way to the negotiation of this Agreement, including the terms and amount of financial consideration provided for in this Agreement, shall be held confidential by you and shall not be publicized or disclosed to any person (other than an immediate family member, legal counsel, or financial advisor, provided that any such individual to whom disclosure is made agrees to be bound by these confidentiality obligations or as otherwise mandated by state or federal law);

9 (d). Disparaging Statements.

that you will not make any statements that are professionally or personally disparaging about, or adverse to, the interests of the Company (including its officers, directors, employees and consultants) including, but not limited to, any statements that disparage any person, product, service, finances, financial condition, capability or any other aspect of the business of the Company, and that you will not engage in any conduct which could reasonably be expected to harm professionally or personally the reputation of the Company (including its officers, directors, employees and consultants), except as required by law;

9 (e). Non-solicitation Obligations.

that you will continue to abide by the non-solicitation obligations contained in your NDA, or Sections 5.3 and 6 of your Fair Compete Agreement, as applicable, attached as **Exhibit A** , the terms of which are hereby incorporated into this Agreement by reference; and

9 (f). Breach.

that a breach of this Section 9 shall constitute a material breach of this Agreement and, in addition to any other legal or equitable remedy available to the Company, shall entitle the Company to recover any payments made under Sections 2(a), 2(c) and 2(d) under Section 2 and/or not comply with Sections 2(a), 2(c) and 2(d) of this Agreement.

10. Press Release.

Sapient agrees to work with you regarding the release of any publicity associated with your departure from the Company.

11. References.

Sapient agrees to provide you a positive verbal reference.

12. Release of Claims.

In consideration of the promises, covenants, payments and agreements set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, you agree to waive and release your right to assert any form of legal claim against Sapient (as defined in footnote number 1 to this Agreement) of any kind whatsoever from the beginning of time through and including the date you execute this Agreement. Your waiver and release is intended to bar any form of legal claim, charge, complaint or any other form of action (jointly referred to as " ***Claims*** ") against Sapient seeking any form of relief including, without limitation, equitable relief (whether declaratory, injunctive or otherwise), the recovery of any damages or any other form of monetary recovery whatsoever (including, without limitation, back pay, front pay, compensatory damages, emotional distress damages, punitive damages, attorneys' fees and any other costs) against Sapient up through and including the date you execute this Agreement. You understand that there could be unknown or unanticipated Claims resulting from your employment with and separation from Sapient and agree that such Claims are intended to be, and are, included in this waiver and release.

Without limiting the foregoing general waiver and release, you specifically waive and release Sapient from any Claims arising from or related to your employment relationship with and separation from Sapient, including without limitation: (i) Claims under any state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where you worked for Sapient) or federal discrimination (including but not limited to the Age Discrimination in Employment Act ("ADEA") and Title VII of the Civil Rights Act of 1964), fair employment practices or other employment-related statute, regulation or executive order (as they may have been amended through the the date you execute this Agreement); (ii) Claims under any other state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where you worked for Sapient) or federal employment-related statute, regulation or executive order (as they may have been amended through the date you execute this Agreement) relating to wages, hours or any other terms and conditions of employment; (iii) Claims under any state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where you worked for Sapient) or federal common law theory; and (iv) any other Claim arising under other state or federal law.

Notwithstanding the foregoing, this Section 12 does not release Sapient from any obligation expressly set forth in this Agreement, or from its obligation to make 401(k) Plan distributions to you under the terms of Sapient's 401(k) Plan.

13. California Release of Claims.

If you are employed by Sapient in California, you expressly and willingly waive and relinquish all rights and benefits afforded by Section 1542 of the California Civil Code in connection with potential claims arising out of or in any way connected with your employment relationship with or separation from employment at the Company. Section 1542 provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

However, notwithstanding the provisions of Section 1542, you specifically and expressly acknowledge that this Agreement and the release in Section 12 above are intended to include and extinguish all claims arising out of or in any way connected with your employment or separation from employment at the Company and that no possible claim against the Company would materially affect or change your complete and voluntary acceptance of this Agreement, even if such claim were unknown at the time of the execution of this Agreement and discovered after that execution.

14. Reaffirmation of Release of Claims.

No later than twenty-one (21) days after the Separation Date, you shall execute the Supplemental Release Agreement in the form attached hereto as Exhibit B and deliver it to Lauri McBurney at: lmcburney@sapient.com ; regular mail at: 131 Dartmouth St Boston, MA 02116; or via fax at: 617-621-1300. Under no circumstances can the Supplemental Release Agreement be executed prior to the Separation Date; however, if you execute the Supplemental Release Agreement on or after the Separation Date, but prior to the 21-day period, you expressly waive any rights to the balance of that period. Once executed, the Supplemental Release Agreement shall be deemed part of this Agreement and together with this Agreement shall be deemed to be a single merged an integrated document.

You also acknowledge and agree that the release of claims in Sections 12 and 13 above shall be fully effective if you do not execute the Supplemental Release Agreement , but that Sapient shall have no obligation to provide you with any of the Severance Pay and Benefits provided for in Sections 2(a), 2(c) and 2(d) of this Agreement not already provided as of the Separation Date until and unless you timely execute without revoking and properly delivering the Supplemental Release Agreement. Under no circumstances, however, shall any failure of you to execute and deliver the Supplemental Release Agreement or the exercise of your revocation right as provided in the Supplemental Release Agreement impact the validity of the releases contained in this Agreement, which releases, to the extent provided therein, forever any and all claims you have against Sapient, including all claims arising from your separation from the Sapient.

15. OWBPA.

It is Sapient's desire and intent to make certain that you fully understand the provisions and effects of this Agreement. To that end, you have been encouraged and given the opportunity to consult with legal counsel for the purpose of reviewing the terms of this Agreement, and if you execute this Agreement prior to the 21-day period, you expressly waive any rights to the balance of that period. Because you are over 40 years of age, you are granted specific rights under the Older Workers Benefit Protection Act (the "OWBPA"), which prohibits discrimination on the basis of age. The release set forth in Sections 12 and 13 is intended to release any rights you may have against Sapient alleging discrimination on the basis of age. You have twenty-one (21) days after the date of this letter (to March 4, 2011) to consider and accept the provisions of this Agreement. By executing this Agreement, you are waiving your claims knowingly and willingly and agreeing that changes to this Agreement, material or immaterial, do not restart the 21-day period. Furthermore, you may rescind your assent to this Agreement if, within seven (7) days after the date you sign this Agreement, you deliver a written notice of rescission to Sapient. To be effective, such notice of rescission must be postmarked, and sent by certified mail, return receipt requested, or delivered in-hand within the seven (7) day period to Lauri McBurney, NA GPC Lead, Sapient Corporation, 131 Dartmouth Street, Boston, MA 02116. If you do not rescind, this Agreement will become final and binding on all parties.

Consistent with the provisions of the OWBPA and other federal discrimination laws, nothing in this release prohibits you from challenging the validity of this release under the federal age or other discrimination laws (the " ***Federal Discrimination Laws*** ") or from filing a charge or complaint of age or other employment- related discrimination with the Equal Employment Opportunity Commission (the "EEOC"), or from participating in any investigation or proceeding conducted by the EEOC. Further, nothing in this Agreement limits the Company's right to seek immediate dismissal of such charge or complaint on the basis that your signing of this Agreement constitutes a full release of any individual rights under the Federal Discrimination Laws, or the Company's right to seek restitution of the economic benefits provided to you under this Agreement (or other legal remedies) if you successfully challenge the validity of this release and prevail in any claim under the Federal Discrimination Laws.

16. Entire Agreement/Choice of Law/Enforceability/Jury Waiver.

This Agreement together with the Supplemental Release Agreement (when executed) and its other Exhibits supersedes any and all other prior oral and/or written agreements, and sets forth the entire agreement between you and Sapient. No variations or modifications of this Agreement shall be valid unless in writing and signed by both you and either the Company's Chief Executive Officer or its General Counsel. This Agreement shall be deemed to have been made in the Commonwealth of Massachusetts, shall take effect as an instrument under seal, and the validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal law of the Commonwealth of Massachusetts, without giving effect to conflict of law principles. This Agreement will be binding on Sapient, and its successors and assigns, and you and your heirs, administrators, representatives, executors, successors and assigns. Both parties further agree that any action, demand, claim or counterclaim shall be resolved by a judge alone, and both parties hereby waive and forever renounce the right to a trial before a civil jury. The terms of this Agreement are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining terms and conditions shall be enforced in full. The failure of either party to require performance of any term or obligation of this Agreement by the other party, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

By executing this Agreement, you are acknowledging that you have been afforded sufficient time to understand the provisions and effects of this Agreement, that your agreements and obligations hereunder are made voluntarily, knowingly and without duress, and that neither Sapient nor its agents or representatives have made any representations inconsistent with the provisions of this Agreement.

Nothing in this Agreement and/or the Supplemental Release Agreement will be construed as an admission of liability by Sapient.

If you agree with the terms of this Agreement, please return a signed copy, including all pages to **Lauri McBurney within twenty one (21) business days** . The following methods listed in preferred order are acceptable:

1. **Email (scanned)** sent directly to Lauri McBurney at: lmcburney@sapient.com
2. **Confidential Direct Fax** at: 617-963-1799.
3. **Regular Mail, to the attention of Lauri McBurney at** : Sapient Corporation, 131 Dartmouth St, 3 rd floor, Boston, MA 02116

This Agreement and Supplemental Release Agreement may be executed in any number of counterparts and those counterparts collectively will comprise the entire Agreement.

We wish you the best of luck in all of your future endeavors.

Yours very truly,

Sapient Corporation

By: /s/ Frank Schettino
Frank Schettino
Vice President, People Success

ACCEPTED AND AGREED TO:

/s/ Jane E. Owens
Jane Owens

Dated: March 4, 2011

To ensure we can contact you regarding subsequent separation logistics, please provide your personal contact information.

Email: ____________________

Phone: ____________________

Address:
____
____
____
____

EXHIBIT B

SUPPLEMENTAL RELEASE AGREEMENT

THIS SUPPLEMENTAL RELEASE AGREEMENT (the "Supplemental Release Agreement") is made and entered into on ____— 2011 by and between Sapient Corporation ("Sapient" or the "Company" and Jane Owens ("Employee").

WHEREAS, on March 4, 2011, the parties entered into a letter severance and release agreement ("Agreement"); and

WHEREAS as a condition to Employee receiving certain payments she is entitled to under that Agreement, Employee is required to execute and be bound by this Supplemental Releas Agreement; and

WHEREAS, this Supplemental Release Agreement is to be construed together with the Agreement and shall be deemed to be part of the Agreement and subject to the other terms and conditions contained in the Agreement;

NOW THEREFORE, in consideration of the promises, covenants, payments and agreements set forth in the Agreement, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Employee covenants and agrees as follows:

In consideration of the promises, covenants, payments and agreements set forth in the Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, Employee agrees to waive and release her right to assert any form of legal claim against Sapient (as defined in footnote number 1 to the Agreement) of any kind whatsoever from the beginning of time through and including the date you sign this Supplemental Release Agreement. Employee's waiver and release is intended to bar any form of legal claim, charge, complaint or any other form of action (jointly referred to as " ***Claims*** ") against Sapient seeking any form of relief including, without limitation, equitable relief (whether declaratory, injunctive or otherwise), the recovery of any damages or any other form of monetary recovery whatsoever (including, without limitation, back pay, front pay, compensatory damages, emotional distress damages, punitive damages, attorneys' fees and any other costs) against Sapient up through and including the date she signs this Supplemental Release Agreement. Employee understands that there could be unknown or unanticipated Claims resulting from her employment with and separation from Sapient and agree that such Claims are intended to be, and are, included in this waiver and release.

Without limiting the foregoing general waiver and release, Employee specifically waives and releases Sapient from any Claims arising from or related to her employment relationship with and separation from Sapient, including without limitation: (i) Claims under any state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where she worked for Sapient) or federal discrimination (including but not limited to the Age Discrimination in Employment Act ("ADEA") and Title VII of the Civil Rights Act of 1964), fair employment practices or other employment-related statute, regulation or executive order (as they may have been amended through the date Employee executes this Supplemental Release); (ii) Claims under any other state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where she worked for Sapient) or federal employment-related statute, regulation or executive order (as they may have been amended through the date she executed this Supplemental Release) relating to wages, hours or any other terms and conditions of employment; (iii) Claims under any state (including, without limitation, Massachusetts, Georgia, Illinois, Colorado, Texas, Kansas, California, Florida, New York or any other state where Employee worked for Sapient) or federal common law theory; and (iv) any other Claim arising under other state or federal law.

Notwithstanding the foregoing, this Supplemental Release Agreement does not release Sapient from any obligation expressly set forth in the Agreement, or from its obligation to make 401(k) Plan distributions to you under the terms of Sapient's 401(k) Plan

It is Sapient's desire and intent to make certain that Employee fully understands the provisions and effects of the Agreement and Supplemental Release Agreement. To that end, Employee has been encouraged and given the opportunity to consult with legal counsel for the purpose of reviewing the terms of the Agreement and Supplemental Release Agreement. Because Employee is over 40 years of age, Employee is granted specific rights under the Older Workers Benefit Protection Act (the "OWBPA"), which prohibits discrimination on the basis of age. The release set forth in Sections 12 and 13 of the Agreement and in this Supplemental Release Agreement are intended to release any rights Employee may have against Sapient alleging discrimination on the basis of age. Employee has twenty-one (21) days from the date of the Separation Date to consider and accept the provisions of this Supplemental Release Agreement and Agreement. By executing this Supplemental Release Agreement, Employee is waiving her claims knowingly and willingly. Furthermore, Employee may rescind her assent to this Supplemental Release Agreement if, within seven (7) days after the date Employee signs this Supplemental Release Agreement, she delivers a written notice of rescission to Sapient. To be effective, such notice of rescission must be postmarked, and sent by certified mail, return receipt requested, or delivered in-hand within the seven (7) day period to Lauri McBurney, NA GPC Lead, Sapient Corporation, 131 Dartmouth Street, Boston, MA 02116. If Employee does not timely rescind, the Agreement and the Supplemental Release Agreement will become final and binding on all parties upon the Effective Date.

Consistent with the provisions of the OWBPA and other federal discrimination laws, nothing in this Supplemental Release prohibits Employee from challenging the validity of this Supplemental Release Agreement under the federal age or other discrimination laws (the " ***Federal Discrimination Laws*** ") or from filing a charge or complaint of age or other employment- related discrimination with the Equal Employment Opportunity Commission (the "EEOC"), or from participating in any investigation or proceeding conducted by the EEOC. Further, nothing in this Supplemental Release Agreement limits the Company's right to seek immediate dismissal of such charge or complaint on the basis that Employee's signing of this Supplemental Release Agreement constitutes a full release of any individual rights under the Federal Discrimination Laws, or the Company's right to seek restitution of the economic benefits provided to Employee under the Agreement (or other legal remedies) if Employee successfully challenge the validity of the Agreement and/or the Supplemental Release Agreement and prevails in any claim under the Federal Discrimination Laws.

/s/ Jane E. Owens

Jane Owens

March 4, 2011

Date

Exhibit 31.1

I, Alan J. Herrick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sapient Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature	Title	Date
/s/ Alan J. Herrick	President and Chief Executive Officer	May 5, 2011
Alan J. Herrick	(*Principal Executive Officer*)	

Exhibit 31.2

I, Joseph S. Tibbetts, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sapient Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature	**Title**	**Date**
/s/ Joseph S. Tibbetts, Jr.	Chief Financial Officer	May 5, 2011
Joseph S. Tibbetts, Jr.	(*Principal Financial Officer*)	

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sapient Corporation (the "Corporation") on Form 10-Q for the fiscal quarter ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan J. Herrick, the Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Alan J. Herrick
Alan J. Herrick
President and Chief Executive Officer

Dated: May 5, 2011

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sapient Corporation (the "Corporation") on Form 10-Q for the fiscal quarter ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph S. Tibbetts, Jr., the Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Joseph S. Tibbetts, Jr.
Joseph S. Tibbetts, Jr.
Chief Financial Officer

Dated: May 5, 2011