

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

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

Date of report (Date of earliest event reported): **October 27, 2011**

**CRA INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Massachusetts**  
(State or other jurisdiction  
of incorporation)

**000-24049**  
(Commission  
file number)

**04-2372210**  
(IRS employer  
identification no.)

**200 Clarendon Street, Boston, Massachusetts**  
(Address of principal executive offices)

**02116**  
(Zip code)

Registrant's telephone number, including area code: **(617) 425-3000**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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

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

**Item 2.02 Results of Operations and Financial Condition.**

On October 27, 2011, we issued a press release reporting our financial results for our third quarter ended October 1, 2011. A copy of the press release is set forth as Exhibit 99.1 and is incorporated by reference herein. On October 27, 2011, we also posted on our website supplemental financial information, including prepared CFO remarks. A copy of the supplemental financial information is set forth as Exhibit 99.2 and is incorporated by reference herein.

The information contained in Item 2.02 of this report and Exhibits 99.1 and 99.2 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Number</u>	<u>Title</u>
99.1	October 27, 2011 press release
99.2	Supplemental financial information

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 hereunto duly authorized.

**CRA INTERNATIONAL, INC.**

Dated: October 27, 2011

By: /s/ Wayne D. Mackie  
Wayne D. Mackie  
Executive Vice President, Treasurer, and Chief Financial Officer

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**Exhibit Index**

<b>Number</b>	<b>Title</b>
99.1	October 27, 2011 press release
99.2	Supplemental financial information

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**FOR IMMEDIATE RELEASE****Contact:**

Wayne D. Mackie  
 Executive Vice President, CFO  
 Charles River Associates  
 617-425-3740

Jim Buckley  
 Executive Vice President  
 Sharon Merrill Associates, Inc.  
 617-542-5300

**CHARLES RIVER ASSOCIATES (CRA) ANNOUNCES FINANCIAL RESULTS  
 FOR THIRD QUARTER 2011**

***Reports Lower-than-Expected Revenue Due to Project Completions and Slowdown in Activity of Several Large Management Consulting Projects;  
 Litigation Performance Remains Solid***

BOSTON, October 27, 2011 — Charles River Associates (NASDAQ: CRAI), a worldwide leader in providing management, economic and financial consulting services, today announced third-quarter financial results for the 13 weeks ended October 1, 2011. Third-quarter revenue was \$71.0 million compared with \$80.6 million for the 13-week second quarter of fiscal 2011 and \$84.6 million for the 16-week third quarter of fiscal 2010. Non-GAAP revenue for the third quarter was \$69.4 million compared with \$79.6 million for the 13-week second quarter of fiscal 2011 and \$82.4 million for the 16-week third quarter of fiscal 2010.

Net income for the third quarter of fiscal 2011 was \$3.7 million, or \$0.34 per diluted share. This compares with net income for the second quarter of fiscal 2011 of \$4.3 million, or \$0.40 per diluted share, and net income of \$2.1 million, or \$0.19 per diluted share, for the third quarter of fiscal 2010. Non-GAAP net income for the third quarter of fiscal 2011 was \$3.3 million, or \$0.31 per diluted share, compared with \$5.2 million, or \$0.48 per diluted share, for the second quarter of fiscal 2011 and \$3.2 million, or \$0.30 per diluted share, for the third quarter of fiscal 2010.

A complete reconciliation between revenue, net income and net income per share on a GAAP and non-GAAP basis for the third quarters of fiscal 2011 and fiscal 2010, the second quarter of fiscal 2011, and the year-to-date periods for fiscal 2011 and fiscal 2010 is provided in the financial tables at the end of this release.

**Financial Results Comments**

“During the third quarter, we experienced lower-than-expected revenue due to project completions and slowdown in activity of several large projects within our Management Consulting business,” said Paul Maleh, CRA’s President and Chief Executive Officer. “As a result of the scale of these engagements, the contribution of the Management Consulting business was below expectations for the quarter, particularly in our overseas business. International revenue accounted for 24% of the quarter’s revenue compared with 29% in the first half of fiscal 2011 and 28% in the third quarter of fiscal 2010.”

“In the third quarter, our Litigation business delivered a solid performance, consistent with what we saw in the first half of the year,” Maleh said. “The Litigation business, which typically accounts for approximately two-thirds of our total revenue, was led by steady contributions from our Competition and Finance practices, among others. Our Litigation business also was the key driver in our overall utilization rate of 73% for the third quarter, which is in-line with our goal of low-to-mid 70s utilization for the second half of fiscal 2011.”

**Outlook**

“Looking ahead, we remain confident in CRA’s prospects for profitable growth,” Maleh said. “Year-to-date, revenue in our Management Consulting business has increased 25% on a normalized basis, compared to the first three quarters of fiscal 2010, and we are optimistic about its growth prospects. We expect our Litigation business to continue to perform well as our lead flow remains strong, our conversion rates are steady and industry demand is expected to be relatively stable.”

“With more than \$54 million in cash, cash equivalents, and short-term investments at the end of the quarter, we are well-positioned to execute our growth strategy. Going forward, we intend to be more aggressive in our recruiting as we continue to pursue additional rainmakers, as well as broad-based growth across our business. We believe our portfolio of services and stellar reputation will continue to differentiate us in the markets we serve,” Maleh concluded.

**Conference Call Information and Prepared CFO Remarks**

CRA will host a conference call this morning at 9:00 a.m. ET to discuss its third-quarter fiscal 2011 financial results. To listen to a live webcast of the call, please visit the Company’s website at <http://www.crai.com> prior to the event’s broadcast. To listen to the call via telephone, dial (201) 689-8881 or (877) 709-8155. Interested parties unable to participate in the live call may access an archived version of the webcast on CRA’s website.

In combination with this press release, CRA will be providing prepared remarks by its CFO Wayne Mackie under “Conference Call Materials” in the investor relations section on the Company’s website at <http://www.crai.com>. These remarks are offered to provide the investment community with additional background on CRA’s financial results prior to the start of the conference call.

**About Charles River Associates (CRA)**

Charles River Associates® is a global consulting firm specializing in litigation, regulatory, and financial consulting, and management consulting. CRA advises clients on economic and financial matters pertaining to litigation and regulatory proceedings, and guides corporations through critical business strategy and performance-related issues. Since 1965, clients have engaged CRA for its unique combination of functional expertise and industry knowledge,

and for its objective solutions to complex problems. Headquartered in Boston, CRA has offices throughout North America, Europe, the Middle East, and Asia. Detailed information about Charles River Associates, a registered trade name of CRA International, Inc., is available at <http://www.crai.com>.

## NON-GAAP FINANCIAL MEASURES

In addition to reporting its financial results in accordance with U.S. generally accepted accounting principles, or GAAP, the Company has also provided in this release non-GAAP financial information. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method of evaluating its results of operations. The Company believes that presenting its financial results excluding certain restructuring costs, expenses related to the repurchase of its convertible bonds, and the results of the Company's NeuCo subsidiary is important to investors and management because it is more indicative of the Company's ongoing operating results and financial condition. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, the financial information presented in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Specifically, for the third quarter of fiscal 2011, the

Company has excluded NeuCo's results. For the second quarter of fiscal 2011 and for the third quarter of fiscal 2010, the Company has excluded certain restructuring costs and NeuCo's results. In addition, the Company has provided in this release normalized non-GAAP financial information for the fiscal year-to-date period ending September 3, 2010 on a basis intended to convert the 40-week period to an "as if" 39-week period in order to provide an equivalent comparison to financial information for the 39-week fiscal year-to-date period ending October 1, 2011.

Statements in this press release concerning the future business, operating results, estimated cost savings, and financial condition of the Company and statements using the terms "anticipates," "believes," "expects," "should," or similar expressions, are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. Such factors that could cause actual results to differ materially from any forward-looking statements made by the Company include, among others, the Company's restructuring costs and attributable annual cost savings, changes in the Company's effective tax rate, share dilution from the Company's stock-based compensation, dependence on key personnel, attracting and retaining qualified consultants, dependence on outside experts, utilization rates, factors related to its acquisitions, including integration of personnel, clients and offices, and unanticipated expenses and liabilities, the risk of impairment write downs to the Company's intangible assets, including goodwill, if the Company's enterprise value declines below certain levels, risks associated with acquisitions it may make in the future, risks inherent in international operations, the performance of NeuCo, changes in accounting standards, rules and regulations, changes in the law that affect the Company's practice areas, management of new offices, the potential loss of clients, the ability of customers to terminate the Company's engagements on short notice, dependence on the growth of the Company's management consulting practice, the unpredictable nature of litigation-related projects, the ability of the Company to integrate successfully new consultants into its practice, general economic conditions, intense competition, risks inherent in litigation, and professional liability. Further information on these and other potential factors that could affect the Company's financial results is included in the Company's periodic filings with the Securities and Exchange Commission. The Company cannot guarantee any future results, levels of activity, performance or achievement. The Company undertakes no obligation to update any of its forward-looking statements after the date of this press release.

### CRA INTERNATIONAL, INC.

#### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS

FOR THE QUARTER ENDED OCTOBER 1, 2011 COMPARED TO THE QUARTER ENDED SEPTEMBER 3, 2010

(In thousands, except per share data)

	Quarter Ended October 1, 2011 (1)					Quarter Ended September 3, 2010 (1)					
	GAAP Results	GAAP % of Revenues	Adjustments to GAAP Results (NeuCo) (2)	Non-GAAP Results	Non-GAAP % of Revenues	GAAP Results	GAAP % of Revenues	Adjustments to GAAP Results (Restructuring) (3)	Adjustments to GAAP Results (NeuCo) (2)	Non-GAAP Results	Non-GAAP % of Revenues
Revenues	\$ 71,007	100.0%	\$ 1,619	\$ 69,388	100.0%	\$ 84,641	100.0%	\$ —	\$ 2,195	\$ 82,446	100.0%
Costs of services	46,571	65.6%	288	46,283	66.7%	54,860	64.8%	—	521	54,339	65.9%
Gross profit	24,436	34.4%	1,331	23,105	33.3%	29,781	35.2%	—	1,674	28,107	34.1%
Selling, general and administrative expenses	17,013	24.0%	837	16,176	23.3%	22,906	27.1%	1,625	1,519	19,762	24.0%
Depreciation and amortization	1,209	1.7%	5	1,204	1.7%	1,959	2.3%	156	81	1,722	2.1%
Income (loss) from operations	6,214	8.8%	489	5,725	8.3%	4,916	5.8%	(1,781)	74	6,623	8.0%
Interest and other income (expense), net	(256)	-0.4%	(39)	(217)	-0.3%	(1,143)	-1.4%	—	(45)	(1,098)	-1.3%
Income (loss) before (provision) benefit for income taxes and noncontrolling interest	5,958	8.4%	450	5,508	7.9%	3,773	4.5%	(1,781)	29	5,525	6.7%
(Provision) benefit for income taxes	(2,060)	-2.9%	148	(2,208)	-3.2%	(1,746)	-2.1%	704	(129)	(2,321)	-2.8%
Net income (loss)	3,898	5.5%	598	3,300	4.8%	2,027	2.4%	(1,077)	(100)	3,204	3.9%

Net (income) loss attributable to noncontrolling interest, net of tax	(238)	-0.3%	(238)	—	0.0%	44	0.1%	—	44	—	0.0%
Net income (loss) attributable to CRA International, Inc.	\$ 3,660	5.2%	\$ 360	\$ 3,300	4.8%	\$ 2,071	2.4%	\$ (1,077)	\$ (56)	\$ 3,204	3.9%
Net income per share attributable to CRA International, Inc.:											
Basic	\$ 0.35		\$ 0.31		\$ 0.19				\$ 0.30		
Diluted	\$ 0.34		\$ 0.31		\$ 0.19				\$ 0.30		
Weighted average number of shares outstanding:											
Basic	10,557		10,557		10,650				10,650		
Diluted	10,701		10,701		10,734				10,734		

- (1) The quarter ended October 1, 2011 includes thirteen weeks of operating results and the quarter ended September 3, 2010 includes sixteen weeks of operating results.
- (2) These adjustments include activity related to NeuCo in the Company's GAAP results.
- (3) During the sixteen weeks ended September 3, 2010, the Company incurred pre-tax expenses of \$1.8 million and related income tax effect of \$0.7 million principally associated with the office space reductions in Boston and Chicago.

**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS**  
**FOR THE YEAR TO DATE PERIOD ENDED OCTOBER 1, 2011 COMPARED TO THE YEAR TO DATE PERIOD ENDED SEPTEMBER 3,**  
**2010**  
(In thousands, except per share data)

	Year To Date Period Ended October 1, 2011 (1)						Year To Date Period Ended September 3, 2010 (1)						
	GAAP Results	GAAP % of Revenues	Adjustments to GAAP Results (Restructuring) (2)	Adjustments to GAAP Results (NeuCo) (3)	Non-GAAP Results	Non-GAAP % of Revenues	GAAP Results	GAAP % of Revenues	Adjustments to GAAP Results (Restructuring) (4)	Adjustments to GAAP Results (Bond Buyback) (5)	Adjustments to GAAP Results (NeuCo) (3)	Non-GAAP Results	Non-GAAP % of Revenues
Revenues	\$ 230,255	100.0%	\$ —	\$ 4,309	\$ 225,946	100.0%	\$ 211,562	100.0%	\$ —	\$ —	\$ 5,065	\$ 206,497	100.0%
Costs of services	151,862	66.0%	—	1,077	150,785	66.7%	145,369	68.7%	3,687	—	1,368	140,314	67.9%
Gross profit (loss)	78,393	34.0%	—	3,232	75,161	33.3%	66,193	31.3%	(3,687)	—	3,697	66,183	32.1%
Selling, general and administrative expenses	53,529	23.2%	1,020	2,966	49,543	21.9%	56,175	26.6%	2,949	—	4,099	49,127	23.8%
Depreciation and amortization	3,760	1.6%	—	20	3,740	1.7%	4,684	2.2%	187	—	184	4,313	2.1%
Income (loss) from operations	21,104	9.2%	(1,020)	246	21,878	9.7%	5,334	2.5%	(6,823)	—	(586)	12,743	6.2%
Interest and other income (expense), net	(918)	-0.4%	—	(124)	(794)	-0.4%	(3,183)	-1.5%	—	(425)	(124)	(2,634)	-1.3%
Income (loss) before (provision) benefit for income taxes and noncontrolling interest	20,186	8.8%	(1,020)	122	21,084	9.3%	2,151	1.0%	(6,823)	(425)	(710)	10,109	4.9%
(Provision) benefit for income taxes	(7,791)	-3.4%	379	34	(8,204)	-3.6%	(1,605)	-0.8%	2,523	175	133	(4,436)	-2.1%
Net income (loss)	12,395	5.4%	(641)	156	12,880	5.7%	546	0.3%	(4,300)	(250)	(577)	5,673	2.7%
Net loss attributable to noncontrolling interest, net of tax	7	0.0%	—	7	—	0.0%	268	0.1%	—	—	268	—	0.0%
Net income (loss) attributable to CRA International, Inc.	\$ 12,402	5.4%	\$ (641)	\$ 163	\$ 12,880	5.7%	\$ 814	0.4%	\$ (4,300)	\$ (250)	\$ (309)	\$ 5,673	2.7%
Net income per share attributable to CRA International, Inc.:													
Basic	\$ 1.17			\$ 1.21		\$ 0.08						\$ 0.53	
Diluted	\$ 1.15			\$ 1.20		\$ 0.08						\$ 0.53	
Weighted average number of shares outstanding:													
Basic	10,607			10,607		10,670						10,670	
Diluted	10,773			10,773		10,801						10,801	

- (1) The year to date period ended October 1, 2011 includes thirty-nine weeks of operating results and the year to date period ended September 3, 2010 includes forty weeks of operating results.
- (2) During the year to date period ended October 1, 2011, the Company incurred pre-tax expenses of \$1.0 million and related income tax effect of \$0.4 million principally associated with leased office space at the former Houston, TX office.
- (3) These adjustments include activity related to NeuCo in the Company's GAAP results.
- (4) During the year to date period ended September 3, 2010, the Company incurred pre-tax expenses of \$6.8 million and related income tax effect of \$2.5 million principally associated with an employee workforce reduction designed to better align staffing levels with revenue, closing the Houston, TX office, office space reductions in Boston and Chicago, and restructuring select practice areas.
- (5) During the year to date period ended September 3, 2010, the Company repurchased \$15.0 million of its convertible bonds at a discount, however, under FASB Accounting Standards Codification Topic 470-20, "Debt", this resulted in a \$0.4 million loss on a pre-tax basis.

**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS**  
**FOR THE QUARTER ENDED OCTOBER 1, 2011 COMPARED TO THE QUARTER ENDED JULY 2, 2011**  
(In thousands, except per share data)

	Quarter Ended October 1, 2011 (1)					Quarter Ended July 2, 2011 (1)					
	GAAP		Adjustments to		Non-GAAP	GAAP		Adjustments to		Non-GAAP	
	GAAP Results	% of Revenues	GAAP Results (NeuCo) (2)	Non-GAAP Results	% of Revenues	GAAP Results	% of Revenues	GAAP Results (Restructuring) (3)	GAAP Results (NeuCo) (2)	Non-GAAP Results	% of Revenues
Revenues	\$ 71,007	100.0%	\$ 1,619	\$ 69,388	100.0%	\$ 80,641	100.0%	\$ —	\$ 1,057	\$ 79,584	100.0%
Costs of services	46,571	65.6%	288	46,283	66.7%	53,731	66.6%	—	402	53,329	67.0%
Gross profit	24,436	34.4%	1,331	23,105	33.3%	26,910	33.4%	—	655	26,255	33.0%
Selling, general and administrative expenses	17,013	24.0%	837	16,176	23.3%	18,688	23.2%	1,020	1,113	16,555	20.8%
Depreciation and amortization	1,209	1.7%	5	1,204	1.7%	1,252	1.6%	—	5	1,247	1.6%
Income (loss) from operations	6,214	8.8%	489	5,725	8.3%	6,970	8.6%	(1,020)	(463)	8,453	10.6%
Interest and other income (expense), net	(256)	-0.4%	(39)	(217)	-0.3%	(206)	-0.3%	—	(42)	(164)	-0.2%
Income (loss) before (provision) benefit for income taxes and noncontrolling interest	5,958	8.4%	450	5,508	7.9%	6,764	8.4%	(1,020)	(505)	8,289	10.4%
(Provision) benefit for income taxes	(2,060)	-2.9%	148	(2,208)	-3.2%	(2,728)	-3.4%	379	(53)	(3,054)	-3.8%
Net income (loss)	3,898	5.5%	598	3,300	4.8%	4,036	5.0%	(641)	(558)	5,235	6.6%
Net (income) loss attributable to noncontrolling interest, net of tax	(238)	-0.3%	(238)	—	0.0%	271	-0.3%	—	271	—	0.0%
Net income (loss) attributable to CRA International, Inc.	\$ 3,660	5.2%	\$ 360	\$ 3,300	4.8%	\$ 4,307	5.3%	\$ (641)	\$ (287)	\$ 5,235	6.6%
Net income per share attributable to CRA International, Inc.:											
Basic	\$ 0.35		\$ 0.31		\$ 0.40					\$ 0.49	
Diluted	\$ 0.34		\$ 0.31		\$ 0.40					\$ 0.48	
Weighted average number of shares outstanding:											
Basic	10,557		10,557		10,650					10,650	
Diluted	10,701		10,701		10,820					10,820	

(1) The quarters ended October 1, 2011 and July 2, 2011 each include thirteen weeks of operating results.

(2) These adjustments include activity related to NeuCo in the Company's GAAP results.

(3) During the quarter ended July 2, 2011, the Company incurred pre-tax expenses of \$1.0 million and related income tax effect of \$0.4 million principally associated with leased office space at the former Houston, TX office.

**CRA INTERNATIONAL, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	October 1, 2011	January 1, 2011
<b>Assets</b>		
Cash and cash equivalents and short-term investments	\$ 54,288	\$ 87,505
Accounts receivable and unbilled, net	97,318	82,695

Other current assets	28,002	21,830
Total current assets	<u>179,608</u>	<u>192,030</u>
Property and equipment, net	20,719	17,618
Goodwill and intangible assets, net	143,745	143,828
Other assets	18,449	13,889
Total assets	<u>\$ 362,521</u>	<u>\$ 367,365</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities	\$ 78,356	\$ 91,497
Long-term liabilities	17,828	20,444
Total liabilities	<u>96,184</u>	<u>111,941</u>
Total shareholders' equity	266,337	255,424
Total liabilities and shareholders' equity	<u>\$ 362,521</u>	<u>\$ 367,365</u>

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**CHARLES RIVER ASSOCIATES (CRA)  
THIRD QUARTER 2011  
EARNINGS ANNOUNCEMENT  
PREPARED CFO REMARKS**

CRA is providing a copy of prepared remarks by CFO Wayne Mackie in combination with its press release. These remarks are offered to provide the investment community with additional information on CRA's financial results prior to the start of the conference call. As previously announced, the conference call will begin today, October 27, 2011, at 9:00 am ET. These prepared remarks will not be read on the call.

Please note that this marks the third quarter that we are reporting our results using the Company's revised fiscal year end, which shifted from the last Saturday in November to the Saturday nearest December 31. Under the new reporting schedule, each year will now have four 13-week quarters, compared with our prior schedule of reporting three 12-week quarters and one 16-week quarter. It should be noted that we have not recast our previously reported fiscal 2010 results. This means that our fiscal 2011 quarterly results are not directly comparable to our fiscal 2010 quarterly results.

In addition, all comparisons of Q3 of fiscal 2011 to Q3 of fiscal 2010 are affected by the inclusion of 13 weeks in 2011 versus 16 weeks in 2010. As a result, our Q3 of fiscal 2011 results reflect a 13-week quarter compared with the 16-week quarter we reported for Q3 of fiscal 2010, so our year-over-year results are not directly comparable. In today's press release, we have also provided a sequential comparison to Q2 of this year, which was 13 weeks in length.

**Q3 2011 Summary (13-weeks ended October 1, 2011)**

- Non-GAAP Revenue: \$69.4 million
- Non-GAAP Net Income: \$3.3 million, or \$0.31 per diluted share
- Non-GAAP Operating Margin: 8.3%
- Utilization: 73%
- Cash, Cash Equivalents, and Short-term Investments: \$54.3 million at October 1, 2011

**Revenue**

In today's press release, we reported Q3 GAAP revenue of \$71.0 million for the 13-week period ended October 1, 2011, compared with GAAP revenue of \$84.6 million for Q3 of fiscal 2010, the 16-week period ended September 3, 2010, and \$80.6 million for Q2 of fiscal 2011, the 13-week period ended July 2, 2011. GAAP revenue for Q3 of fiscal 2011 included \$1.6 million from our NeuCo subsidiary. GAAP revenue for Q3 of fiscal 2010 included \$2.2 million from NeuCo and Q2 of fiscal 2011 included \$1.1 million.

Excluding NeuCo revenue from all periods, non-GAAP revenue was \$69.4 million for Q3 of fiscal 2011 compared with \$82.4 million for Q3 of fiscal 2010 and \$79.6 million for Q2 of fiscal 2011.

The quarterly year-over-year decline and sequential decrease in non-GAAP revenue are related to:

- Weaker results from our Management Consulting business due to project completions and slowdown in activity of several large assignments during the third quarter of fiscal 2011,
- Our Litigation business, which delivered a solid performance, consistent with what we saw in the first half of fiscal 2011, was unable to offset the decreased revenue in Management Consulting,
- Lower contributions from our international operations, which accounted for 24% of revenue in Q3 of fiscal 2011 vs. 28% in Q3 of fiscal 2010 and 29% in Q2 of fiscal 2011,
- The additional 3-weeks of results in Q3 of fiscal 2010 compared to Q3 of fiscal 2011, due to the change in our fiscal year,
- Typical third-quarter seasonality when compared with Q2 of fiscal 2011, and
- Client reimbursable expenses were \$8.7 million for Q3 compared with \$10.8 million for Q3 of fiscal 2010 and \$11.2 million for Q2 of fiscal 2011.

**Utilization**

Q3 utilization was 73%. This compares with 68% in Q3 of fiscal 2010 and 74% in Q2 of fiscal 2011. The year-over-year increase in utilization is primarily related to:

- Revenue growth (on a normalized basis),
- Increased activity within our Litigation business, and



- The restructurings and cost reduction efforts we have implemented.

## Gross Margin

Q3 of fiscal 2011 GAAP gross margin was 34.4%, compared with 35.2% in Q3 of fiscal 2010 and 33.4% in Q2 of this year. Non-GAAP gross margin for Q3 of fiscal 2011 was 33.3% compared with non-GAAP gross margin of 34.1% in Q3 of fiscal 2010 and 33.0% in

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the second quarter of this year. The year-over-year decline in gross margin was primarily driven by our lower revenue and higher compensation costs offset partially by a decrease in client reimbursable expenses.

## SG&A Expenses

We continue to focus on tightly managing our SG&A expenses through ongoing productivity improvements and expense reduction initiatives. For Q3 of fiscal 2011, our SG&A expenses were \$17.0 million, or 24.0% of revenue, on a GAAP basis, compared with GAAP SG&A expenses of \$22.9 million, or 27.1% of revenue in Q3 of fiscal 2010 and \$18.7 million, or 23.2% of revenue in Q2 of this year.

Non-GAAP SG&A expenses — which exclude restructuring charges and NeuCo — were \$16.2 million, or 23.3% of revenue, for Q3 of fiscal 2011, compared with \$19.8 million, or 24.0% of revenue, in Q3 of fiscal 2010 and \$16.6 million, or 20.8% of revenue, that we reported in Q2 of fiscal 2011. Although SG&A as a percentage of revenue increased in Q3 compared to Q2 of fiscal 2011 due to lower revenue, we were pleased to reduce our sequential non-GAAP SG&A expenses on an absolute dollar basis by \$379,000. Commissions to non-employee experts, which are included in non-GAAP SG&A, represented 1.6% of revenue in Q3 of fiscal 2011 compared to 2.6% of revenue in Q3 of fiscal 2010 and 1.6% of revenue in Q2 of fiscal 2011.

## Depreciation & Amortization

On a non-GAAP basis, depreciation and amortization expense was \$1.2 million for Q3 of fiscal 2011, as compared to \$1.7 million for Q3 of fiscal 2010 and \$1.2 million for Q2 of this year.

## Share-Based Compensation Expense

Share-based compensation expense was approximately \$1.1 million for Q3 of fiscal 2011, compared with \$1.8 million in Q3 of fiscal 2010 and \$1.5 million in Q2 of this year.

## Operating Income

On a GAAP basis, operating income was \$6.2 million, or 8.8% of revenue, in Q3 of fiscal 2011, compared with operating income of \$4.9 million, or 5.8% of revenue, in Q3 of fiscal 2010 and operating income of \$7.0 million, or 8.6% of revenue, for Q2 of this year. Non-GAAP operating income was \$5.7 million for Q3 of fiscal 2011, or 8.3% of revenue, compared with \$6.6 million, or 8.0% of revenue, for Q3 of fiscal 2010 and \$8.5 million, or 10.6% of revenue, for Q2 of this year. Year-to-date, our non-GAAP operating income stands at 9.7%, which is close to our 2011 target of 10%, and well ahead of the 6.2% we recorded in the first three quarters of fiscal 2010. Our strong year-to-date operating income performance versus fiscal 2010 reflects:

- Revenue growth,
- Higher utilization, and
- Effective SG&A expense management.

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## Interest and Other Income (Expense), net

In Q3 of fiscal 2011, interest and other expense was \$256,000 on a GAAP basis and \$217,000 on a non-GAAP basis. This is significantly lower than the interest and other expense of \$1.1 million on a GAAP basis and non-GAAP basis that we reported in Q3 of fiscal 2010. For Q2 of fiscal 2011, we reported \$206,000 on a GAAP basis and \$164,000 on a non-GAAP basis. The significant reduction in this line item since last year is directly attributable to the repurchases of our convertible bonds.

## Income Taxes

The following table outlines our income tax provision recorded and the resulting effective tax rates (in \$000):

	GAAP			NON-GAAP		
	Q3		YTD Q2	Q3		YTD Q2
	2011	2010	2011	2011	2010	2011
Provision	\$ 2,060	\$ 1,746	\$ 5,731	\$ 2,208	\$ 2,321	\$ 5,996
Effective Tax Rate	34.6%	46.3%	40.3%	40.1%	42.0%	38.5%

Our non-GAAP quarterly effective tax rate has improved compared with the prior year. The improved tax rate is primarily due to:

- Improved year-to-date performance in our overseas operations,
- Lower statutory tax rates in certain foreign locations,
- The effect of our restructuring efforts during fiscal 2010, and

Overall improved company performance.

Sequentially, the non-GAAP tax rate was slightly higher in Q3 of fiscal 2011 as international contributions accounted for only 24% of total revenue, compared with 29% in the first half of fiscal 2011.

### Net Income

GAAP net income for Q3 of fiscal 2011 was \$3.7 million, or \$0.34 per diluted share, compared with GAAP net income of \$2.1 million, or \$0.19 per share, for Q3 of last year and GAAP net income for Q2 of this year of \$4.3 million, or \$0.40 per diluted share. Excluding NeuCo's results and adjustments related to restructuring, non-GAAP net income for Q3 of fiscal 2011 was \$3.3 million, or \$0.31 per diluted share, compared with \$3.2 million, or \$0.30 per diluted share for Q3 of fiscal 2010 and \$5.2 million, or \$0.48 per diluted share, for Q2 of this year.

### Key Balance Sheet Metrics

Turning to the balance sheet, billed and unbilled receivables at October 1, 2011 were \$97.3 million compared with \$99.2 million at July 2, 2011 and \$88.7 million at April 2, 2011. Current liabilities at the end of Q3 of fiscal 2011 were \$78.4 million compared with \$74.1 million at the end of Q2 of fiscal 2011 and \$89.5 million at the end of Q1 of fiscal 2011.

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Total DSOs in Q3 of fiscal 2011 were 120 days consisting of 70 days of billed and 50 days of unbilled. This is up from the 105 days we reported in Q2 of this year consisting of 62 days of billed and 43 days of unbilled. The lower revenue in the third quarter compounded the increase in DSO. This billing and collection effort is not satisfactory and we have communicated with each of our client-facing consultants who have accounts receivable and unbilled balances that require immediate billing and collection actions. The initial response from our team has been encouraging and, this focus on billing and collections will continue as we reduce our DSO to an acceptable level during Q4.

### Cash and Cash Flow

Cash, cash equivalents, and short-term investments stood at \$54.3 million at October 1, 2011, compared with \$51.6 million at July 2, 2011 and \$81.9 million at April 2, 2011. The increase in cash and cash equivalents in Q3 of fiscal 2011 resulted from an increase in cash from operating activities of \$9.6 million. In addition, \$4.4 million was spent to repurchase approximately 179,000 shares of our common stock.

Our capital expenditures totaled approximately \$1.8 million this quarter compared with approximately \$2.0 million in Q2 of fiscal 2011, and \$1.2 million in Q3 of fiscal 2010. Our increased capital expenditures during Q2 and Q3 of fiscal 2011 reflect our investment in a new financial system.

This concludes the prepared CFO remarks.

### NON-GAAP FINANCIAL MEASURES

In addition to reporting its financial results in accordance with U.S. generally accepted accounting principles, or GAAP, the Company has also provided in these remarks non-GAAP revenue, non-GAAP gross margin, non-GAAP SG&A, non-GAAP operating income, non-GAAP interest and other income, non-GAAP tax provision, non-GAAP net income, and non-GAAP net income per share. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method of evaluating its results of operations. The Company believes that presenting its financial results excluding certain restructuring costs, expenses related to the repurchase of its convertible bonds, and NeuCo's results is important to investors and management because it is more indicative of its ongoing operating results and financial condition. These non-GAAP financial measures should be considered in conjunction with, but not as a substitute for, the financial information presented in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Specifically, for the third quarter of fiscal 2011, the Company has excluded NeuCo's results. For Q2 of fiscal 2011 and for Q3 of fiscal 2010, the Company has excluded certain restructuring costs and NeuCo's results.

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### SAFE HARBOR STATEMENT

Statements in these prepared CFO remarks concerning the future business, operating results, estimated cost savings, and financial condition of the Company and statements using the terms "anticipates," "believes," "expects," "should," or similar expressions, are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. Such factors that could cause actual results to differ materially from any forward-looking statements made by the Company include, among others, the Company's restructuring costs and attributable annual cost savings, changes in the Company's effective tax rate, share dilution from the Company's stock-based compensation, dependence on key personnel, attracting and retaining qualified consultants, dependence on outside experts, utilization rates, factors related to its acquisitions, including integration of personnel, clients and offices, and unanticipated expenses and liabilities, the risk of impairment write downs to the Company's intangible assets, including goodwill, if the Company's enterprise value declines below certain levels, risks associated with acquisitions it may make in the future, risks inherent in international operations, the performance of NeuCo, changes in accounting standards, rules and regulations, changes in the law that affect the Company's practice areas, management of new offices, the potential loss of clients, the ability of customers to terminate the Company's engagements on short notice, dependence on the growth of the Company's management consulting practice, the unpredictable nature of litigation-related projects, the ability of the Company to integrate successfully new consultants into its practice, general economic conditions, intense competition, risks inherent in litigation, and professional liability. Further information on these and other potential factors that could affect the Company's financial results is included in the Company's filings with the Securities and Exchange Commission. The Company cannot guarantee any future results, levels of activity, performance or achievement. The Company undertakes no obligation to update any of its forward-looking statements after the date of these remarks.

