

**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): **June 10, 2010**

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 June 10, 2010, we issued a press release reporting our financial results for our second quarter ended May 14, 2010. A copy of the press release is set forth as Exhibit 99.1 and is incorporated by reference herein. On June 10, 2010, 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

Number	Title
99.1	June 10, 2010 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: June 10, 2010

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

3

Exhibit Index

Number	Title
99.1	June 10, 2010 press release
99.2	Supplemental financial information

4

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 SECOND-QUARTER
 FISCAL 2010 FINANCIAL RESULTS**

*Company Momentum Shifts Favorably as Non-GAAP Revenue
 and Profitability Improve from First Quarter*

BOSTON, June 10, 2010 — Charles River Associates (NASDAQ: CRAI), a worldwide leader in providing management, economic and financial consulting services, today announced financial results for its fiscal second quarter, the twelve weeks ended May 14, 2010.

Revenue for the second quarter of fiscal 2010 was \$68.1 million, compared with \$72.0 million for the second quarter of fiscal 2009 and \$58.8 million in the first quarter of fiscal 2010. Non-GAAP revenue for the second quarter of fiscal 2010 was \$66.3 million, compared with \$69.3 million in the same period of fiscal 2009 and \$57.8 million in the first quarter of fiscal 2010.

The net loss for the second quarter of fiscal 2010 was \$1.5 million, or \$0.14 per share, compared with net income of \$1.2 million, or \$0.11 per diluted share, in the second quarter of fiscal 2009, and net income of \$266,000, or \$0.02 per diluted share, in the first quarter of fiscal 2010. The net loss for the second quarter of fiscal 2010 included a pre-tax restructuring charge of \$5.0 million and a pre-tax charge of \$425,000 related to the repurchase of convertible bonds. Excluding these charges and the effect of the Company's NeuCo subsidiary, non-GAAP net income for the second quarter of fiscal 2010 was \$2.0 million, or \$0.19 per diluted share, compared with non-GAAP net income of \$3.0 million, or \$0.28 per diluted share, in the second quarter of fiscal 2009, and \$446,000, or \$0.04 per diluted share, in the first quarter of fiscal 2010.

A complete reconciliation between GAAP and non-GAAP financial information for the second quarters of fiscal 2010 and fiscal 2009, the first quarter of fiscal 2010, and the first two quarters of fiscal 2010 and fiscal 2009 is provided in the financial tables at the end of this release.

The Company ended the second quarter with cash and equivalents and short-term investments of \$80.0 million, compared with \$113.3 million at the end of the first quarter of fiscal 2010. The difference primarily reflects the payment of the fiscal 2009 bonuses in the second quarter and \$15 million related to the repurchase of the Company's convertible bonds.

Comments on the Second Quarter

"CRA's non-GAAP revenue for the second quarter grew 15% from the sequential first quarter, driven by positive contributions from several practices within our litigation and management consulting service offerings," said Paul Maleh, CRA's President and Chief Executive Officer. "Our ability to achieve double-digit sequential revenue growth is notable, considering that we executed a series of restructuring activities during the second quarter. We expect these restructuring activities will yield annualized savings of approximately \$9.3 million. As a result of these actions and an increased demand for our services, utilization improved to 65% from 60% in the first quarter. Although this remains below our target utilization rate, several practices have responded positively to the challenging environment. Across the Company, we are focused on maintaining the momentum gained during the second quarter."

"As a result, our non-GAAP operating margin increased to 6.5% from 3.2% in the first quarter of fiscal 2010," Maleh said. "On a non-GAAP basis, second-quarter SG&A as a percentage of revenue declined to 22.2%, compared with 25.3% in the first quarter. Our non-GAAP SG&A costs were flat sequentially while adding \$8.5 million of revenue in the quarter. We will continue to work at reducing our SG&A expense while improving the support services provided to our consultants."

Outlook

"We believe the underlying fundamentals of our business have improved from the slow start we experienced at the beginning of the fiscal year," said Maleh. "CRA is continuing to win new engagements across a number of practice areas, and the cost reduction and strategic initiatives we implemented over the past two years have strengthened the foundation of our business. Looking forward, however, the impact of these positive factors may be tempered by the uncertain economic environment, as clients continue to be hesitant about spending on major consulting projects and the pace of litigation-related activity remains sluggish."

Conference Call Information and Prepared CFO Remarks

CRA will host a conference call this morning at 9:00 a.m. ET to discuss its second quarter 2010 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 is 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)

to CRA International, Inc.:				
Basic	\$ (0.14)	\$ 0.19	\$ 0.11	\$ 0.28
Diluted	\$ (0.14)	\$ 0.19	\$ 0.11	\$ 0.28
Weighted average number of shares outstanding:				
Basic	10,713	10,713	10,603	10,603
Diluted	10,713 ⁽¹⁾	10,856 ⁽¹⁾	10,683	10,683

(1) Approximately 143,000 common stock equivalents are excluded from the GAAP results because they are antidilutive in the second quarter of fiscal 2010 but they are included in the non-GAAP results because they are dilutive.

(2) During the twelve weeks ended May 14, 2010, the Company incurred pre-tax expenses of \$5.0 million and related income tax effect of \$1.8 million principally associated with an employee workforce reduction designed to better align staffing levels with revenue, closing the Houston, TX office, and restructuring select practice areas.

(3) During the twelve weeks ended May 14, 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.

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

(5) These amounts are revised based upon the Company's adoption of FASB Accounting Standards Codification Topic 470-20, "Debt", which was formerly referred to as FASB Staff Position APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)". This standard changed the accounting treatment for convertible debt instruments.

(6) During the twelve weeks ended May 15, 2009, the Company incurred pre-tax expenses of \$2.4 million and related income tax effect of \$0.7 million principally associated with an employee workforce reduction designed to reduce the Company's operating expenses and improve its utilization rate. The \$2.4 million also includes a \$0.3 million revision to an estimate for a previously recorded office closure liability.

(7) During the twelve weeks ended May 15, 2009, the Company repurchased \$7.0 million of its convertible bonds at a discount, however, under FASB Accounting Standards Codification Topic 470-20, "Debt", this resulted in a \$29,000 loss on a pre-tax basis.

CRA INTERNATIONAL, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS
FOR THE TWENTY-FOUR WEEKS ENDED MAY 14, 2010 COMPARED TO THE TWENTY-FOUR WEEKS ENDED MAY 15, 2009
(In thousands, except per share data)

	Twenty-four Weeks Ended May 14, 2010					Twenty-four Weeks Ended May 15, 2009 (as revised) (5)				
	GAAP Results	Adjustments to GAAP Results (Restructuring) (2)	Adjustments to GAAP Results (Bond Buyback) (3)	Adjustments to GAAP Results (NeuCo) (4)	Non-GAAP Results	GAAP Results	Adjustments to GAAP Results (Restructuring) (8)	Adjustments to GAAP Results (Bond Buyback) (8)	Adjustments to GAAP Results (NeuCo) (4)	Non-GAAP Results
Revenues	\$ 126,921	—	\$ —	\$ 2,870	\$ 124,051	\$ 137,795	\$ —	\$ —	\$ 4,147	\$ 133,648
Costs of services	90,509	3,687	—	847	85,975	90,859	1,944 ⁽⁶⁾	—	2,353	86,562
Gross profit (loss)	36,412	(3,687)	—	2,023	38,076	46,936	(1,944)	—	1,794	47,086
Selling, general and administrative expenses	33,269	1,324	—	2,580	29,365	35,764	1,284 ⁽⁶⁾	—	2,123	32,357
Depreciation and amortization	2,725	31	—	103	2,591	3,682	—	—	313	3,369
Income (loss) from operations	418	(5,042)	—	(660)	6,120	7,490	(3,228)	—	(642)	11,360
Interest and other income (expense), net	(2,040)	—	(425)	(79)	(1,536)	(1,905)	(390) ⁽⁷⁾	(29)	(69)	(1,417)
Income (loss) before benefit (provision) for income taxes and noncontrolling interest	(1,622)	(5,042)	(425)	(739)	4,584	5,585	(3,618)	(29)	(711)	9,943
Benefit (provision) for income taxes	141	1,819	175	262	(2,115)	(4,055)	728 ⁽⁶⁾	12	237	(5,032)
Net income (loss)	(1,481)	(3,223)	(250)	(477)	2,469	1,530	(2,890)	(17)	(474)	4,911
Net loss (income) attributable to noncontrolling interest, net of tax	224	—	—	224	—	170	—	—	170	—
Net income (loss) attributable to CRA International, Inc.	\$ (1,257)	\$ (3,223)	\$ (250)	\$ (253)	\$ 2,469	\$ 1,700	\$ (2,890)	\$ (17)	\$ (304)	\$ 4,911
Net income per share attributable to CRA International, Inc.:										
Basic	\$ (0.12)				\$ 0.23	\$ 0.16				\$ 0.46
Diluted	\$ (0.12)				\$ 0.23	\$ 0.16				\$ 0.46
Weighted average number of shares outstanding:										
Basic	10,683				10,683	10,581				10,581
Diluted	10,683 ⁽¹⁾				10,846 ⁽¹⁾	10,670				10,670

(1) Approximately 163,000 common stock equivalents are excluded from the GAAP results because they are antidilutive in the fiscal year to date period ending May 14, 2010 but they are included in the non-GAAP results because they are dilutive.

(2) During the twenty-four weeks ended May 14, 2010, the Company incurred pre-tax expenses of \$5.0 million and related income tax effect of \$1.8 million principally associated with an employee workforce reduction designed to better align staffing levels with revenue, closing the Houston, TX office, and restructuring select practice areas.

(3) During the twenty-four weeks ended May 14, 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.

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

(5) These amounts are revised based upon the Company's adoption of FASB Accounting Standards Codification Topic 470-20, "Debt", which was formerly referred to as FASB Staff Position APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)". This standard changed the accounting treatment for convertible debt instruments.

(6) During the twenty-four weeks ended May 15, 2009, the Company incurred pre-tax expenses of \$3.2 million and related income tax effect of \$0.7 million associated principally with an employee workforce reduction designed to reduce the Company's operating expenses and improve its utilization rate. The \$3.2 million also includes a \$0.3 million revision to an estimate for a previously recorded office closure liability.

(7) During the twenty-four weeks ended May 15, 2009, the Company recognized \$0.4 million in foreign currency exchange loss related to the liquidation of the Company's Australian-based operations.

(8) During the twenty-four weeks ended May 15, 2009, the Company repurchased \$7.0 million of its convertible bonds at a discount, however, under FASB Accounting Standards Codification Topic 470-20, "Debt", this resulted in a \$29,000 loss on a pre-tax basis.

CRA INTERNATIONAL, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS INCLUDING A RECONCILIATION TO NON-GAAP RESULTS
FOR THE TWELVE WEEKS ENDED MAY 14, 2010 COMPARED TO THE TWELVE WEEKS ENDED FEBRUARY 19, 2010
(In thousands, except per share data)

	Twelve Weeks Ended May 14, 2010					Twelve Weeks Ended February 19, 2010		
	GAAP Results	Adjustments to GAAP Results (Restructuring) (2)	Adjustments to GAAP Results (Bond Buyback) (3)	Adjustments to GAAP Results (NeuCo) (4)	Non-GAAP Results	GAAP Results	Adjustments to GAAP Results (NeuCo) (4)	Non-GAAP Results
Revenues	\$ 68,075	\$ —	\$ —	\$ 1,786	\$ 66,289	\$ 58,846	\$ 1,084	\$ 57,762
Costs of services	50,055	3,687	—	473	45,895	40,454	374	40,080
Gross profit (loss)	18,020	(3,687)	—	1,313	20,394	18,392	710	17,682
Selling, general and administrative expenses	17,475	1,324	—	1,425	14,726	15,794	1,155	14,639
Depreciation and amortization	1,467	31	—	62	1,374	1,258	41	1,217
Income (loss) from operations	(922)	(5,042)	—	(174)	4,294	1,340	(486)	1,826
Interest and other income (expense), net	(1,235)	—	(425)	(49)	(761)	(805)	(30)	(775)
Income (loss) before benefit (provision) for income taxes	(2,157)	(5,042)	(425)	(223)	3,533	535	(516)	1,051
Benefit (provision) for income taxes	577	1,819	175	93	(1,510)	(436)	169	(605)
Net income (loss)	(1,580)	(3,223)	(250)	(130)	2,023	99	(347)	446
Net loss (income) attributable to noncontrolling interest, net of tax	57	—	—	57	—	167	167	—
Net income (loss) attributable to CRA International, Inc.	<u>\$ (1,523)</u>	<u>\$ (3,223)</u>	<u>\$ (250)</u>	<u>\$ (73)</u>	<u>\$ 2,023</u>	<u>\$ 266</u>	<u>\$ (180)</u>	<u>\$ 446</u>
Net income per share attributable to CRA International, Inc.:								
Basic	<u>\$ (0.14)</u>				<u>\$ 0.19</u>	<u>\$ 0.02</u>		<u>\$ 0.04</u>
Diluted	<u>\$ (0.14)</u>				<u>\$ 0.19</u>	<u>\$ 0.02</u>		<u>\$ 0.04</u>
Weighted average number of shares outstanding:								
Basic	<u>10,713</u>				<u>10,713</u>	<u>10,654</u>		<u>10,654</u>
Diluted	<u>10,713(1)</u>				<u>10,856(1)</u>	<u>10,835</u>		<u>10,835</u>

(1) Approximately 143,000 common stock equivalents are excluded from the GAAP results because they are antidilutive in the second quarter of fiscal 2010 but they are included in the non-GAAP results because they are dilutive.

(2) During the twelve weeks ended May 14, 2010, the Company incurred pre-tax expenses of \$5.0 million and related income tax effect of \$1.8 million principally associated with an employee workforce reduction designed to better align staffing levels with revenue, closing the Houston, TX office, and restructuring select practice areas.

(3) During the twelve weeks ended May 14, 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.

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

	<u>May 14, 2010</u>	<u>November 28, 2009</u>
Assets		
Cash and cash equivalents and short-term investments	\$ 79,985	\$ 106,484
Accounts receivable and unbilled, net	77,942	88,222
Other current assets	38,579	35,076
Total current assets	<u>196,506</u>	<u>229,782</u>
Property and equipment, net	17,137	19,050
Goodwill and intangible assets, net	142,710	148,126
Other assets	15,276	25,153
Total assets	<u>\$ 371,629</u>	<u>\$ 422,111</u>
Liabilities and shareholders' equity		
Current liabilities	\$ 50,060	\$ 79,092
Long-term liabilities	71,053	87,304
Total liabilities	<u>121,113</u>	<u>166,396</u>
Total shareholders' equity	250,516	255,715
Total liabilities and shareholders' equity	<u>\$ 371,629</u>	<u>\$ 422,111</u>



**CHARLES RIVER ASSOCIATES (CRA)
SECOND QUARTER FISCAL YEAR 2010
EARNINGS ANNOUNCEMENT
PREPARED CFO REMARKS
June 10, 2010**

CRA is providing a copy of prepared remarks by CFO Wayne Mackie in combination with its second quarter fiscal 2010 earnings 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, June 10, 2010 at 9:00 am ET. These prepared remarks will not be read on the call.

Revenue

In today's press release, we reported Q2 GAAP revenue of \$68.1 million compared with \$72.0 million for Q2 of fiscal 2009 and \$58.8 million in Q1 of fiscal 2010. Our GAAP revenue in Q2 of fiscal 2010 included \$1.8 million from NeuCo compared with \$2.6 million in Q2 last year and \$1.1 million in Q1 of fiscal 2010. Excluding this revenue from all periods, non-GAAP revenue was \$66.3 million during the second quarter of fiscal 2010, a 4.4% decrease from \$69.3 million in Q2 of fiscal 2009, and a 14.8% increase over Q1 of fiscal 2010 revenue of \$57.8 million.

As a result of our sequential increase in revenues and restructuring activities, Q2 utilization was 65%, compared with 71% in Q2 of last year and 60% in Q1 of 2010.

Gross Margin

Gross margin during the second quarter of fiscal 2010 on a GAAP basis was 26.5%, compared with 33.6% for Q2 of fiscal 2009 and 31.3% last quarter. Non-GAAP gross margin, which excludes NeuCo and restructuring charges, for the second quarter of fiscal 2010 was 30.8%, compared with 35.2% in Q2 last year and 30.6% in Q1 of fiscal 2010. The year-over-year GAAP and non-GAAP declines were principally the result of lower revenue in the quarter. Non-GAAP gross margin percentage increased slightly on a sequential basis. This resulted from higher revenue in the quarter offset by various employee compensation items including an unanticipated level of health claims under our self-insured plan.

1

SG&A Expenses

Second-quarter SG&A expenses on a GAAP basis were \$17.5 million, or 25.7% of revenue compared with \$18.5 million, or 25.7% of revenue a year ago and \$15.8 million, or 26.8% of revenue last quarter. On a non-GAAP basis, SG&A expenses for the second quarter were \$14.7 million, or 22.2% of revenue, compared with \$16.3 million, or 23.4% of revenue a year ago and \$14.6 million, or 25.3% of revenue last quarter.

On a year-over-year basis, we were able to lower our non-GAAP SG&A on an absolute dollar basis by \$1.5 million, or 9.4%, for the second quarter compared to the same period in 2009 primarily through expense reduction efforts. On a sequential basis, we maintained flat SG&A with Q1 while adding \$8.5 million in revenue. This is an indication of the leverage effect we have created in our business model. We will continue to manage SG&A costs closely going forward.

Share-Based Compensation Expense

Share-based compensation expense was approximately \$1.5 million for the second quarter, compared with \$1.5 million for Q2 of fiscal 2009 and \$1.7 million for Q1 of fiscal 2010.

Operating Income

On a GAAP basis, the operating loss for the second quarter of fiscal 2010 was \$0.9 million, compared with operating income of \$3.9 million, or 5.4% of revenue, in Q2 last year and operating income of \$1.3 million, or 2.3% of revenue last quarter. The GAAP operating loss for Q2 of fiscal 2010 includes \$5.0 million in restructuring expenses and \$0.2 million for NeuCo's operating loss. GAAP operating income for Q2 of fiscal 2009 included \$2.4 million in restructuring expenses and \$0.1 million for NeuCo's operating loss. Non-GAAP operating income for Q2 of fiscal 2010 was \$4.3 million, or 6.5% of revenue, compared with \$6.5 million, or 9.4% of revenue in the second quarter last year and \$1.8 million, or 3.2% of revenue for Q1 of fiscal 2010.

On a non-GAAP basis, the decrease in operating margin in the current quarter versus Q2 of fiscal 2009 is due to a decrease in revenue, attributable to a decrease in market demand and an increase in cost of services, primarily related to higher employee compensation costs in the current quarter. These increases were offset by decreased SG&A expenses, which is primarily due to expense reduction efforts.

On a sequential, non-GAAP basis, operating margin increased from Q1 of fiscal 2010 to Q2 fiscal 2010 due to higher revenue related to increased market demand in the current quarter, offset by an increase in cost of services related primarily to employee compensation items.

2

In Q1 of fiscal 2010, we adopted FASB Accounting Standards Codification Topic 470-20, which was formerly referred to as FASB Staff Position APB 14-1. This new accounting standard applies to the convertible bonds that we issued several years ago. It is having the net effect of increasing our non-cash interest expense. As we mentioned on our prior conference call, we are anticipating an incremental non-cash interest expense in fiscal 2010 of \$1.2 million. The incremental non-cash interest expense for Q2 was \$292,000, compared with \$343,000 a year ago and \$317,000 last quarter.

Interest and Other Income (Expense), net

In Q2 of fiscal 2010, interest and other expense was \$1.2 million on a GAAP basis, compared with \$941,000 a year ago and \$805,000 last quarter. The second quarters of fiscal 2010 and fiscal 2009 include non-cash, pre-tax losses of \$425,000 and \$29,000, respectively, related to the repurchase of convertible bonds in those quarters. Although we repurchased our debt at a discount during these quarters, we incurred losses on the repurchases. This is due to the adoption of FASB Accounting Standards Codification Topic 470-20, which required us to discount our debt for the equity conversion feature of the debt instrument. When we redeemed \$15.0 million in 2010 and \$7.0 million in 2009, we wrote off the discount attributable to these repurchased amounts as a loss in the respective quarter.

On a non-GAAP basis, excluding the \$425,000 and \$29,000, respectively, interest and other expense for the second quarter was \$761,000, compared with \$876,000 in Q2 last year and \$775,000 in Q1 of fiscal 2010. On a GAAP basis, all periods were affected by NeuCo. Q2 of fiscal 2010 compared to the same quarter in fiscal 2009 reflected lower interest expense due to the redemption of convertible bonds.

Income Taxes

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

	GAAP				NON-GAAP			
	Q2		Q1		Q2		Q1	
	2010	2009	2010	2009	2010	2009	2010	
Benefit (Provision)	\$ 577	\$ (1,794)	\$ (436)	\$ (1,510)	\$ (2,650)	\$ (605)		
Effective Tax Rate	26.8%	60.2%	81.5%	42.7%	47.1%	57.6%		

Our quarterly effective tax rate has improved compared to the prior year and sequentially. This is primarily driven by improved performance in our European and Middle East operations. International revenues were 28% for Q2 of fiscal 2010 compared to 24% for Q2 of fiscal 2009 and 26% for Q1 of fiscal 2010.

Net Income

Q2 of fiscal 2010 GAAP net loss was \$1.5 million, or \$0.14 per share, compared with net income of \$1.2 million, or \$0.11 per diluted share a year ago and net income of \$266,000, or \$0.02 per diluted share, last quarter. GAAP net income this quarter included \$5.0 million in pre-tax expenses principally associated with an employee workforce reduction, closing the Houston office and restructuring selected practices, as well as adjustments from a pre-tax loss of \$425,000 resulting from the repurchase of convertible bonds and a \$73,000 net loss associated with NeuCo. GAAP net income for Q2 of fiscal 2009 included pre-tax expenses of \$2.4 million principally associated with an employee workforce reduction, as well as adjustments from a pre-tax loss of \$29,000 resulting from the repurchase of convertible bonds and a \$67,000 net loss associated with NeuCo. GAAP net income in Q1 of fiscal 2010 included a \$180,000 loss associated with NeuCo. Excluding these items from all periods, non-GAAP net income for Q2 of fiscal 2010 was \$2.0 million, or \$0.19 per diluted share, compared with \$3.0 million, or \$0.28 per diluted share, in Q2 of fiscal 2009 and \$446,000, or \$0.04 per diluted share, in Q1 of fiscal 2010.

Key Balance Sheet Metrics

Turning to the balance sheet, billed and unbilled receivables in Q2 of fiscal 2010 were \$78.0 million, compared with \$76.3 million at the end of Q1 and \$88.2 million at the end of fiscal 2009. Current liabilities at the end of Q2 were \$50.1 million, compared with \$72.4 million at the end of Q1 and \$79.1 million at the end of fiscal 2009. The decrease in liabilities reflects the payment of the majority of previously accrued fiscal 2009 performance bonuses for our staff.

We were pleased with our DSO performance in Q2. Total DSOs in Q2 were 94 days consisting of 59 days of billed and 35 days of unbilled. This compares with DSOs in Q1 of 103 days consisting of 64 days of billed and 39 days of unbilled, and 97 days we reported in Q4 of fiscal 2009, which included 65 days of billed and 32 days of unbilled. Our goal is to keep our DSOs below 100 days.

Cash and Cash Flow

Cash and equivalents and short-term investments stood at \$80.0 million at the end of Q2 of fiscal 2010, compared with \$113.3 million at the end of last quarter and \$106.5 million at the end of fiscal 2009. The difference primarily reflects the payment of the fiscal 2009 bonuses in Q2 of fiscal 2010 and \$15 million related to the repurchase of our convertible bonds. Net cash flow used in operating activities in Q2 was \$17.9 million, compared with \$45.9 million a year ago. Our capital expenditures totaled approximately \$466,000 for Q2 of fiscal 2010, compared with approximately \$564,000 a year ago and \$620,000 for Q1 of fiscal 2010.

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 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 restructuring costs, non-cash 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 Q2 of fiscal 2010, the Company has excluded certain restructuring costs, expenses related to the repurchase of its convertible bonds and NeuCo's results. For Q1 of 2010, the Company has excluded NeuCo's results. For Q2 of fiscal 2009, the Company has excluded certain restructuring costs, expenses related to the repurchase of its convertible bonds and NeuCo's results.

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 convertible debt offering and 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, 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 its 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 business 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.