CRA INTERNATIONAL, INC.
Form 10-Q
March 23, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 20, 2009

or

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

Commission file number: 000-24049

CRA International, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	**04-2372210** (I.R.S. Employer Identification No.)
200 Clarendon Street, T-33, Boston, MA (Address of principal executive offices)	**02116-5092** (Zip Code)

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

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 ý No o

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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

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 March 20, 2009**
Common Stock, no par value per share	10,895,680 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CRA International, Inc.

Condensed Consolidated Statements of Operations (unaudited)

(In thousands, except per share data)

	Twelve Weeks Ended February 20, 2009	Twelve Weeks Ended February 15, 2008
Revenues	$ 65,821	$ 86,123
Costs of services	43,069	56,340
Gross profit	22,752	29,783
Selling, general and administrative expenses	19,181	23,959
Income from operations	3,571	5,824
Interest income	157	1,190
Interest expense	(694)	(740)
Other income (expense)	(69)	119
Income before provision for income taxes, minority interest, and equity method investment gain (loss)	2,965	6,393
Provision for income taxes	(2,408)	(3,248)
Income before minority interest and equity method investment gain (loss)	557	3,145
Minority interest	188	
Equity method investment gain (loss), net of tax		(8)
Net income	$ 745	$ 3,137
Net income per share:		
Basic	$ 0.07	$ 0.29
Diluted	$ 0.07	$ 0.28
Weighted average number of shares outstanding:		
Basic	10,559	10,770
Diluted	10,657	11,401

See accompanying notes to the condensed consolidated financial statements.

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CRA International, Inc.

Condensed Consolidated Balance Sheets (unaudited)

(In thousands, except share data)

	February 20, 2009	November 29, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 142,248	$ 119,313
Accounts receivable, net of allowances of $10,304 in 2009 and $10,715 in 2008	54,104	66,200
Unbilled services	28,048	35,047
Prepaid expenses and other assets	16,386	16,205
Deferred income taxes	17,474	16,350
Total current assets	258,260	253,115
Property and equipment, net	21,993	23,715
Goodwill	151,107	154,029
Intangible assets, net of accumulated amortization of $7,491 in 2009 and $7,447 in 2008	5,932	6,372
Deferred income taxes, net of current portion	474	691
Other assets	10,997	11,743
Total assets	$ 448,763	$ 449,665
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 14,335	$ 13,821
Accrued expenses	85,878	84,559
Deferred revenue and other liabilities	8,837	9,128
Current portion of deferred compensation	1,560	1,171
Current portion of notes payable	625	875
Deferred income taxes	263	464
Total current liabilities	111,498	110,018
Notes payable, net of current portion	2,987	2,718
Convertible debentures payable	79,780	79,780
Deferred rent and other non-current liabilities	10,685	11,750
Deferred compensation and other non-current liabilities	1,375	2,517
Deferred income taxes, net of current portion	5,109	3,453
Minority interest	1,918	2,089
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued and outstanding		
Common stock, no par value; 25,000,000 shares authorized; 10,597,270 and 10,552,432 shares issued and outstanding in 2009 and 2008, respectively	89,247	89,084
Receivables from employees	(2,078)	(2,098)
Retained earnings	159,086	158,341
Foreign currency translation	(10,844)	(7,987)
Total shareholders' equity	235,411	237,340

Total liabilities and shareholders' equity	$	448,763	$	449,665

See accompanying notes to the condensed consolidated financial statements.

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CRA International, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Twelve Weeks Ended	
	February 20, 2009	**February 15, 2008**
Operating activities:		
Net income	$ 745	$ 3,137
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,015	2,353
Loss on disposal of property and equipment	16	31
Deferred rent	(935)	(125)
Share-based compensation expenses	1,079	1,508
Excess tax benefits from share-based compensation		(36)
Deferred income taxes	480	6,443
Minority interest	(188)	
Foreign currency exchange loss	390	
Equity in losses of NeuCo		8
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable	11,049	14,324
Unbilled services	6,575	1,372
Prepaid expenses and other assets	298	(8,313)
Accounts payable, accrued expenses, and other liabilities	2,785	(19,398)
Net cash provided by operating activities	24,309	1,304
Investing activities:		
Purchase of property and equipment	(307)	(1,522)
Return on investment in NeuCo		1,765
Additional consideration relating to acquisitions, net	(746)	(1,184)
Net cash used in investing activities	(1,053)	(941)
Financing activities:		
Excess tax benefits from share-based compensation		36
Redemption of vested employee restricted shares for tax withholding	(453)	
Issuance of common stock upon exercise of stock options		340
Repurchase of common stock	(4)	
Collection of notes receivable from shareholders		86
Net cash provided by (used in) financing activities	(457)	462
Effect of foreign exchange rates on cash and cash equivalents	136	13
Net increase in cash and cash equivalents	22,935	838
Cash and cash equivalents at beginning of period	119,313	100,516
Cash and cash equivalents at end of period	$ 142,248	$ 101,354
Supplemental cash flow information:		
Cash paid for income taxes	$ 615	$ 5,388
Cash paid for interest	$ 1,190	$ 1,348

See accompanying notes to the condensed consolidated financial statements.

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CRA International, Inc.

Condensed Consolidated Statement of Shareholders' Equity (unaudited)

(In thousands, except share data)

	Common Stock								
	Shares Issued	Amount		Receivables from Shareholders	Retained Earnings		Foreign Currency Translation		Total Shareholders' Equity
BALANCE AT NOVEMBER 29, 2008	10,552,432	$89,084	$	(2,098)	$158,341	$	(7,987)	$	237,340
Net income					745				745
Foreign currency translation adjustment							(2,857)		(2,857)
Comprehensive income (loss)									(2,112)
Share-based compensation expense for employees		1,039							1,039
Restricted share vesting	69,112								
Redemption of vested employee restricted shares for tax withholding	(24,085)	(546)							(546)
Tax expense on stock option exercises and restricted share vesting		(346)							(346)
Notes receivable issued to shareholders				(5)					(5)
Payments received on notes receivable from shareholders				25					25
Shares repurchased	(189)	(4)							(4)
Share-based compensation expense for non-employees		20							20
BALANCE AT FEBRUARY 20, 2009	10,597,270	$89,247	$	(2,078)	$159,086	$	(10,844)	$	235,411

See accompanying notes to the condensed consolidated financial statements.

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

CRA International, Inc. (the "Company," or "CRA") is a worldwide leading economic, financial, and management consulting services firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers its services in two broad areas: litigation, regulatory and financial consulting and business consulting. CRA operates in only one business segment, which is consulting services.

2. Unaudited Interim Consolidated Financial Statements and Estimates

The condensed consolidated statements of operations for the twelve weeks ended February 20, 2009, and February 15, 2008, the condensed consolidated balance sheet as of February 20, 2009, the condensed consolidated statements of cash flows for the twelve weeks ended February 20, 2009, and February 15, 2008, and the condensed consolidated statement of shareholders' equity for the twelve weeks ended February 20, 2009, are unaudited. The November 29, 2008 consolidated balance sheet is derived from CRA's audited consolidated financial statements included in its Annual Report on Form 10-K as of that date. In the opinion of management, these statements include all adjustments necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make significant estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates in these consolidated financial statements include, but are not limited to, accounts receivable allowances, revenue recognition on fixed price contracts, depreciation of property and equipment, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, including goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, and accrued bonuses, accrued exit costs, and other accrued expenses. These items are monitored and analyzed by the Company for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. CRA bases its estimates on historical experience and various other assumptions that CRA believes to be reasonable under the circumstances. Actual results may differ from those estimates if CRA's assumptions based on past experience or other assumptions do not turn out to be substantially accurate.

3. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts have been eliminated.

In addition, the consolidated financial statements include the Company's interest in NeuCo, Inc. ("NeuCo"). For fiscal 2008 through October 2008, the Company's interest in NeuCo was 36.4%, and the Company accounted for its investment in NeuCo under the equity method of accounting. Under that method, the Company recorded its equity in the income or losses of NeuCo and reported such amounts in "equity method investment gain (loss), net of tax" in the accompanying condensed consolidated statements of operations.

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

3. Principles of Consolidation (Continued)

During the fourth quarter of fiscal 2008, NeuCo acquired 100% of Rio Tinto America Services Company's investment in NeuCo. As a result of this transaction, the Company's ownership interest in NeuCo increased to approximately 50% and CRA's ownership represented control. As a result, NeuCo's financial results since this transaction have been consolidated with that of CRA and the portion of NeuCo's results allocable to its other owners is shown as "minority interest".

During the first quarter of fiscal 2007, NeuCo changed its interim reporting schedule to a calendar month end, but its fiscal year end remains the last Saturday of November. The first three quarters of CRA's fiscal year could include up to a three-week reporting lag between CRA's quarter end and the most recent financial statements available from NeuCo. CRA does not believe the reporting lag will have a significant impact on CRA's consolidated statements of income or financial condition.

In December 2007, NeuCo declared a cash dividend for its stockholders in the amount of $0.29 per NeuCo share. As a result, the Company received $1.8 million in cash from NeuCo in January 2008. CRA accounted for the cash receipt as a reduction of the carrying value of its investment in NeuCo in the quarter ended February 15, 2008.

4. Fiscal Year

CRA's fiscal year ends on the last Saturday in November, and accordingly, its fiscal year will periodically contain 53 weeks rather than 52 weeks. Fiscal 2009 is a 52-week year. Fiscal 2008 was a 53-week year. In a 52-week year, each of CRA's first, second, and fourth quarters includes twelve weeks, and its third quarter includes sixteen weeks. In a 53-week year, the fourth quarter includes thirteen weeks.

5. Revenue Recognition

CRA derives substantially all of its revenues from the performance of professional services. The contracts that CRA enters into and operates under specify whether the engagement will be billed on a time-and-materials or a fixed-price basis. These engagements generally last three to six months, although some of CRA's engagements can be much longer in duration. Each contract must be approved by one of CRA's vice presidents.

CRA recognizes substantially all of its revenues under written service contracts with its clients where the fee is fixed or determinable, as the services are provided, and only in those situations where collection from the client is reasonably assured. In certain cases CRA provides services to its clients without sufficient contractual documentation, or fees are tied to performance-based criteria, which require the Company to defer revenue in accordance with U.S. GAAP. In these cases, these amounts are fully reserved until all criteria for recognizing revenue are met. Most of CRA's revenue is derived from time-and-materials service contracts. Revenues from time-and-materials service contracts are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as a computer services fee based upon hours worked. Revenues from the majority of the Company's fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. CRA derived 9.9% and 7.2% of revenues from fixed-price engagements in the twelve weeks ended February 20, 2009 and February 15, 2008, respectively. Project costs are based on the direct

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Revenue Recognition (Continued)

salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement that are not reimbursed by the client. The proportional performance method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and terms set forth in the contract, and are indicative of the level of benefit provided to CRA's clients. The fixed-price contracts generally include a termination provision that converts the agreement to a time-and-materials contract in the event of termination of the contract. CRA's management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, management is updated on the budgeted costs and resources required to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, CRA has occasionally been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated income or losses on those contracts. CRA may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

Revenues also include reimbursements, or expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. These reimbursable expenses are as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2009	February 15, 2008
Reimbursable expenses billed to clients	$ 8,920	$ 12,469

CRA maintains accounts receivable allowances for estimated losses resulting from clients' failure to make required payments. The Company bases its estimates on historical collection experience, current trends, and credit policy. In determining these estimates, CRA examines historical write-offs of its receivables and reviews client accounts to identify any specific customer collection issues. If the financial condition of CRA's customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required.

Unbilled services represent revenue recognized by CRA for services performed but not yet billed to the client. Deferred revenue represents amounts billed or collected in advance of services rendered.

CRA collects goods and services and value added taxes from customers and records these amounts on a net basis, which is within the scope of Emerging Issues Task Force of the Financial Accounting Standards Board (the "EITF") Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement".

6. Goodwill

Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired. In accordance with the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill and intangible assets with indefinite lives are not subject to amortization, but are monitored at least annually for impairment, or more frequently, as necessary, if

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Goodwill (Continued)

there are other indications of impairment. Any impairment would be measured based upon the fair value of the related asset based on the provisions of SFAS 142. Under SFAS 142, in performing the first step of the goodwill impairment testing and measurement process the Company compares its entity-wide estimated fair value to its net book value to identify potential impairment. Management estimates its entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. The Company has utilized a control premium which considers appropriate industry, market, and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. The Company completed the annual impairment test required under SFAS 142 as of November 29, 2008 and determined that there was no impairment.

There were no impairment losses related to goodwill or intangible assets during the first quarter of fiscal 2009, which ended on February 20, 2009. However, from February 20, 2009 to March 20, 2009, the Company's stock price has declined from previous levels. The Company attributes the recent stock price decline to both industry-wide and company-specific factors. Despite the declines, the Company's entity-wide fair value exceeds net book value, and therefore, there has not been an indication of impairment. The Company will continue to closely monitor its market capitalization and in the event that the Company's average stock price subsequently declines and market capitalization plus control premium declines below net book value and remains below book value for a period the Company considers to be other-than-temporary, the Company will perform an evaluation of the carrying value of goodwill and other intangibles.

The changes in the carrying amount of goodwill during the twelve weeks ended February 20, 2009, are as follows (in thousands):

Balance at November 29, 2008	$154,029
Effect of foreign currency translation and other adjustments	(2,922)
Balance at February 20, 2009	$151,107

The purchase agreements for the acquisitions completed in fiscal 2006 and fiscal 2005 provide for additional purchase consideration for up to five years following the transactions, if specific performance targets are met. These earnouts are payable in cash and/or CRA common stock. Any additional payments related to these contingencies will be accounted for as additional goodwill.

7. Private Placement of Convertible Debt

In 2004, CRA completed a private placement of $90.0 million of 2.875% convertible senior subordinated debentures due 2034. During the fourth quarter of fiscal 2008, the Company repurchased convertible debentures in the principal amount of approximately $10.2 million, on the open market. As of February 20, 2009, the principal amount of the convertible debentures totaled $79.8 million. The debentures are CRA's direct, unsecured senior subordinated obligations and rank junior in right of payment to CRA's existing bank line of credit and any future secured indebtedness that CRA may designate as senior indebtedness. Pursuant to the terms of the indenture governing the debentures, since the closing stock price did not equal or exceed the $50 per share contingent conversion trigger price for 20 out of 30 consecutive trading days ended on February 20, 2009, the market price conversion trigger was not satisfied and holders of the debentures are not able to exercise their right to

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Private Placement of Convertible Debt (Continued)

convert the bonds during the second quarter of fiscal 2009. This test is repeated each fiscal quarter. To date, no conversions have occurred.

The Company has a $90.0 million line of credit that matures on April 30, 2010 to mitigate the potential liquidity risk, and to provide funding if required, in the event of conversion by the debenture holders. The amounts available under the bank line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. The degree to which the Company is leveraged could adversely affect the Company's ability to obtain further financing for working capital, acquisitions or other purposes and could make the Company more vulnerable to industry downturns and competitive pressures. The Company's ability to secure short-term and long-term debt or equity financing in the future, including the Company's ability to refinance the current senior loan agreement, will depend on several factors, including future profitability, the levels of debt and equity, restrictions under the existing line of credit and the overall credit and equity market environments. CRA believes that in the event the contingent conversion trigger price is met, it is unlikely that a significant percentage of bondholders will exercise their right to convert because the debentures have traded at a premium over their conversion value. Since holders of the debentures are not able to exercise their right to convert the bonds as of February 20, 2009, CRA has classified the $79.8 million convertible debt as long-term debt as of February 20, 2009 in the accompanying condensed consolidated balance sheet. It is CRA's intention to renew or replace the line of credit upon expiration, as desirable and available, which would allow CRA to continue to classify the convertible debentures as long-term debt, rather than short-term in future periods. In addition, the line of credit gives CRA additional flexibility to meet any unforeseen financial requirements.

The contingent interest feature included in the debenture represents an embedded derivative under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") that must be recorded at fair value as of February 20, 2009. The Company has determined that the fair value of the contingent interest feature is *de minimis* as of February 20, 2009, based upon economic, market and other conditions in effect as of that date. There are no other embedded derivatives associated with the Company's convertible debentures that are accounted for separately in accordance with SFAS 133.

The Company has agreed with the debenture holders to reserve the maximum number of shares of common stock that may be issued upon conversion of the debentures.

8. Net Income per Share

Basic net income per share represents net income divided by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents outstanding during the period. Common stock equivalents arise from stock options, unvested restricted shares, and shares underlying CRA's debentures using the treasury stock method. Under the treasury stock method, the amount the Company will receive for the share awards, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Net Income per Share (Continued)

used to repurchase shares at the average share price for each fiscal period. A reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Twelve Weeks Ended February 20, 2009	February 15, 2008
Basic weighted average shares outstanding	10,559	10,770
Common stock equivalents:		
Stock options and restricted shares	98	374
Shares underlying the debentures		257
Diluted weighted average shares outstanding	10,657	11,401

Basic weighted average shares outstanding for the twelve weeks ended February 20, 2009 decreased compared to the comparable period in fiscal 2008, primarily as a result of the repurchase of 369,047 shares by CRA under the share repurchase program during the second quarter of fiscal 2008, partially offset by stock issued due to stock option exercises and the issuance of restricted shares.

Under Emerging Issues Task Force of the Financial Accounting Standards Board (the "EITF") No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings Per Share" and EITF 90-19, "Convertible Bonds with Issuer Option to Settle for Cash upon Conversion", because of CRA's obligation to settle the par value of the convertible debentures in cash, the Company is not required to include any shares underlying the convertible debentures in its diluted weighted average shares outstanding until the average stock price per share for the quarter exceeds the $40 conversion price and only to the extent of the additional shares CRA may be required to issue in the event CRA's conversion obligation exceeds the principal amount of the debentures converted. At such time, only the number of shares that would be issuable (under the "treasury" method of accounting for share dilution) are included, which is based upon the amount by which the average stock price exceeds the conversion price. Since the average stock price was $24.57 for the twelve weeks ended February 20, 2009, no common stock equivalents for shares underlying the debentures were included in the diluted weighted average shares outstanding for the twelve weeks ended February 20, 2009. The average stock price for the twelve weeks ended February 15, 2008 was $45.17 per share; therefore, 257,000 shares underlying the debentures were included in the diluted weighted average shares outstanding for the twelve weeks ended February 15, 2008.

As part of the earnout provisions included in the acquisition agreements for acquisitions CRA completed in fiscal 2006 and fiscal 2005, CRA may settle a portion of its obligations through the issuance of its common stock. Issuance of these shares is contingent upon certain provisions of the acquisition agreements. All shares for which the necessary conditions underlying the earnout provisions have been met as of February 20, 2009 are included in basic and diluted weighted average shares outstanding as of the point in time that the shares were issued.

Some of the Company's share-based awards were excluded from the calculation of diluted earnings per share because the number of assumed buyback shares under the treasury stock method was greater than the shares assumed issued, and therefore, their inclusion would have been anti-dilutive. For the

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Net Income per Share (Continued)

twelve weeks ended February 20, 2009 and February 15, 2008, the anti-dilutive share-based awards were 934,989 and 356,482, respectively. These share-based awards could be dilutive in the future if, and to the extent that, the number of assumed buyback shares under the treasury stock method is less than the shares assumed issued.

9. Comprehensive Income

Comprehensive income represents net income reported in the accompanying condensed consolidated statements of income adjusted for changes in CRA's foreign currency translation account. A reconciliation of comprehensive income is as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2009	February 15, 2008
Net income	$ 745	$ 3,137
Change in foreign currency translation	(2,857)	(2,219)
Comprehensive income	$ (2,112)	$ 918

10. Income Taxes

The Company's effective income tax rate was 81.2% for the first quarter of fiscal 2009 and 50.8% for the first quarter of fiscal 2008. The higher effective tax rate during the first quarter of fiscal 2009 was due mainly to losses in foreign locations that provided no tax benefit, a reduced level of taxable income in North America, and a non-recurring discreet item relating to the liquidation of the Company's Australian-based operations.

As of February 20, 2009, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is not material. The Company did not recognize any interest (net of federal benefit) and penalties during the twelve weeks ended February 20, 2009. Accrued interest and penalties were not material as of February 20, 2009. The number of years with open tax audits varies depending on the tax jurisdiction. The Company does not anticipate that any potential tax adjustments will have a significant impact on its financial position or results of operations.

11. Accounting Pronouncements

In December 2007, the FASB issued SFAS 141R, "Business Combinations". SFAS 141R requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS 141R also requires additional disclosure of information surrounding a business combination, such that users of the entity's financial statements can fully understand the nature and financial impact of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15,

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Accounting Pronouncements (Continued)

2008, which is CRA's fiscal 2010. An entity may not apply it before that date. The Company is evaluating the impact, if any, that SFAS 141R will have on its consolidated statements of operations and financial condition.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51". SFAS 160 establishes accounting and reporting standards for noncontrolling interests (previously referred to as "minority interests") in a subsidiary and for the deconsolidation of a subsidiary, to ensure consistency with the requirements of SFAS 141R. SFAS 160 states that noncontrolling interests should be classified as a separate component of equity, and establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, which is CRA's fiscal 2010. Early adoption is prohibited and will be applied prospectively except for the presentation and disclosure requirement, which will be applied retrospectively for all periods presented. The Company is currently evaluating the impact that SFAS 160 will have on its consolidated statement of operations and financial condition.

In May 2008, the FASB issued Staff Position No. Accounting Principles Board Opinion 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," ("FSP No. APB 14-1"), which changes the accounting treatment for convertible debt instruments that allow for either mandatory or optional cash settlements. FSP No. APB 14-1 will require the Company to recognize non-cash interest expense on its convertible senior subordinated debentures based on the market rate for similar debt instruments without the conversion feature. FSP No. APB 14-1 is effective for fiscal years beginning on or after December 15, 2008, which is CRA's fiscal 2010, and must be applied on a retrospective basis. The Company is currently evaluating the impact that FSP No. APB 14-1 will have on its consolidated statements of operations and financial condition.

12. Commitments & Contingencies

In connection with acquisitions completed during fiscal 2006 and fiscal 2005, CRA agreed to pay additional consideration, in cash, and common stock for some of these acquisitions, contingent on the achievement of specific performance targets by the respective acquired businesses. CRA believes that it will have sufficient funds to satisfy any obligations related to the contingent consideration. CRA expects to fund these contingent cash payments, if any, from existing cash resources, cash generated from operations, or financing transactions.

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

13. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	February 20, 2009	November 29, 2008
Compensation and related expenses	$ 68,386	$ 64,806
Payable to former shareholders	10,257	11,180
Income taxes payable	834	912
Accrued interest	457	1,106
Other	5,944	6,555
Total	$ 85,878	$ 84,559

14. Restructuring Charges

During the first quarter of fiscal 2009, the Company completed an employee workforce reduction, which was designed to reduce the Company's operating expenses and improve its utilization rate. During the first quarter of fiscal 2009, the Company recorded $0.8 million in employee separation costs, of which $0.5 million is included in cost of sales and $0.3 million is included in selling, general and administrative expenses.

In addition, the Company liquidated its Australian-based operations. The divestiture of this operation resulted in a foreign currency exchange loss of $0.4 million.

The restructuring expenses and reserve balance are as follows (in thousands):

	Divested operations	Office Vacancies	Employee Workforce Reduction	Total Restructuring
Balance at November 29, 2008	$ 1,000	$ 318	$ 1,995	$ 3,313
Charges incurred in the quarter ended February 20, 2009			779	779
Amounts paid in the quarter ended February 20, 2009	(401)	(242)	(1,424)	(2,067)
Adjustments and effect of foreign currency translation in the quarter ended February 20, 2009	27	(191)	(1)	(165)
Balance at February 20, 2009	$ 626	$ (115)	$ 1,349	$ 1,860

15. Subsequent Event

During the second quarter of fiscal 2009, the Company completed a series of employee workforce reductions that eliminated 34 consulting and 22 support personnel positions in offices around the world and across practices. The Company estimates that the workforce reduction will result in a second quarter pre-tax restructuring charge of approximately $1.8 million.

The employee workforce reductions completed during the first and second quarters of fiscal 2009 will result in an aggregate pre-tax restructuring charge of approximately $2.6 million. The Company estimates that approximately $2.5 million of the estimated total charge of $2.6 million will result in cash expenditures.

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

Forward-Looking Statements

Except for historical facts, the statements in this quarterly report are forward- looking statements. Forward-looking statements are merely our current predictions of future events. These statements are inherently uncertain, and actual events could differ materially from our predictions. Important factors that could cause actual events to vary from our predictions include those discussed below under the heading "Risk Factors". We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in this quarterly report and in the other documents that we file with the Securities and Exchange Commission, or SEC. You can read these documents at www.sec.gov.

Our principal internet address is www.crai.com. Our website provides a link to a third-party website through which our annual, quarterly, and current reports, and amendments to those reports, are available free of charge. We believe these reports are made available as soon as reasonably practicable after we file them electronically with, or furnish them to, the SEC. We do not maintain or provide any information directly to the third-party website, nor do we check the accuracy of this website.

Our website also includes information about our corporate governance practices. The Investor Relations page of our website provides a link to a web page where you can obtain a copy of our code of ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates in these condensed consolidated financial statements include, but are not limited to, accounts receivable allowances, revenue recognition on fixed price contracts, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, including goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, and accrued bonuses, accrued exit costs, and other accrued expenses. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if our assumptions based on past experience or our other assumptions do not turn out to be substantially accurate.

A summary of the accounting policies that we believe are most critical to understanding and evaluating our financial results is set forth below. This summary should be read in conjunction with our condensed consolidated financial statements and the related notes included in Item 1 of this quarterly report, as well as in our most recently filed annual report on Form 10-K.

Revenue Recognition and Accounts Receivable Allowances. We derive substantially all of our revenues from the performance of professional services. The contracts that we enter into and operate under specify whether the engagement will be billed on a time-and-materials or fixed-price basis. These engagements generally last three to six months, although some of our engagements can be much longer in duration. Each contract must be approved by one of our vice presidents.

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We recognize substantially all of our revenues under written service contracts with our clients where the fee is fixed or determinable, as the services are provided, and only in those situations where collection from the client is reasonably assured. In certain cases we provide services to our clients without sufficient contractual documentation, or fees are tied to performance-based criteria, which require us to defer revenue in accordance with U.S. GAAP. In these cases, where we invoice clients, these amounts are fully reserved until all criteria for recognizing revenue are met.

Most of our revenue is derived from time-and-materials service contracts. Revenues from time-and-materials service contracts are recognized as the services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as a computer services fee based upon hours worked. Revenues from the majority of our fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. Project costs are based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement that are not reimbursed by the client. The proportional performance method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and terms set forth in the contract, and are indicative of the level of benefit provided to our clients. Our fixed- price contracts generally include a termination provision that reduces the agreement to a time-and-materials contract in the event of termination of the contract. Our management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, management is updated on the budgeted costs and resources required to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, we have occasionally been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated income or losses on those contracts. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

Revenues also include reimbursements, or expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. These reimbursable expenses are as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2009	**February 15, 2008**
Reimbursable expenses billed to clients	$ 8,920	$ 12,469

Our normal payment terms are 30 days from the invoice date. For the twelve weeks ended February 20, 2009, and February 15, 2008 our average days sales outstanding, or DSOs, were 100 days and 107 days. We calculate DSOs by dividing the sum of our accounts receivable and unbilled services balance, net of deferred revenue, at the end of the quarter by average daily revenues. Average daily revenues are calculated by dividing quarter revenues by the number of days in a quarter. Our project managers and finance personnel monitor payments from our clients and assess any collection issues. We maintain accounts receivable allowances for estimated losses resulting from clients' failure to make required payments. We base our estimates on our historical collection experience, current trends, and credit policy. In determining these estimates, we examine historical write-offs of our receivables and review client accounts to identify any specific customer collection issues. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required. A failure to estimate accurately the accounts receivable allowances and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, and results of operations. As of February 20, 2009, and

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November 29, 2008, $10.3 million and $10.7 million were provided for accounts receivable allowances, respectively.

Share-Based Compensation Expense. We adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payments" ("SFAS No. 123R") in fiscal 2006 using the modified prospective application method and began accounting for our equity-based compensation using a fair value based recognition method. Under the fair value recognition requirements of SFAS No. 123R, share-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award.

We recognize share-based compensation expense using the straight-line attribution method under SFAS No. 123R. We use the Black-Scholes option-pricing model to estimate the fair value of share-based awards. Option valuation models require the input of assumptions, including the expected life of share- based awards, the expected stock price volatility, the risk-free interest rate, and the expected dividend yield. The expected volatility and expected life are based on our historical experience. The risk-free interest rate is based on U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. Expected dividend yield was not considered in the option pricing formula since we do not pay dividends and have no current plans to do so in the future. We will update these assumptions if changes are warranted. The forfeiture rate used was based upon historical experience. As required by SFAS No. 123R, we will adjust the estimated forfeiture rate based upon our actual experience.

Valuation of Goodwill and Other Intangible Assets. We account for our acquisitions under the purchase method of accounting pursuant to SFAS No. 141, "Business Combinations". Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired. Intangible assets consist principally of non-competition agreements, which are amortized on a straight-line basis over the related estimated lives of the agreements (eight to ten years), as well as customer relationships, customer lists, trademarks, and developed technology, which are amortized on a straight-line basis over their remaining useful lives (four to thirteen years).

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill and intangible assets with indefinite lives are not subject to amortization, but are monitored annually for impairment, or more frequently, if necessary, if there are indicators of impairment. Any impairment would be measured based upon the fair value of the related asset based on the provisions of SFAS No. 142. Under SFAS No. 142, in performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value utilizing our market capitalization, plus an appropriate control premium. We have utilized a control premium which considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. We utilize the entity-wide approach for assessing goodwill for impairment and compare our market value, plus an appropriate control premium, to net book value to determine if a potential impairment exists and whether a formal impairment evaluation is required. If we determine through the impairment evaluation process that goodwill has been impaired, we would record the impairment charge in our consolidated statement of income. The goodwill amount for acquisitions is initially recorded based upon a preliminary estimated purchase price allocation and is subject to change. Any preliminary purchase price allocation is based upon our estimate of fair value, and is finalized as we receive other information relevant to the acquisition, such as exit costs related to lease obligations.

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We assess the impairment of amortizable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- a significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant negative industry or economic trend; and
- our entity-wide fair value relative to net book value.

If we were to determine that an impairment evaluation is required, we would review the expected future undiscounted cash flows to be generated by the assets. If we determine that the carrying value of intangible assets may not be recoverable, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

There were no impairment losses related to goodwill or intangible assets during the first quarter of fiscal 2009, which ended on February 20, 2009. However, from February 20, 2009 to March 20, 2009, our stock price has declined from previous levels. We attribute the recent stock price decline to both industry-wide and company-specific factors. Despite the declines, our entity-wide fair value exceeds net book value, and therefore, there has not been an indication of impairment. We will continue to closely monitor our market capitalization and in the event that our average stock price subsequently declines and our market capitalization plus control premium declines below net book value and remains below book value for a period we consider to be other-than-temporary, we will perform an evaluation of the carrying value of goodwill and other intangibles.

Accounting for Income Taxes. We record income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Our financial statements contain certain deferred tax assets and liabilities that result from temporary differences between book and tax accounting, as well as net operating loss carryforwards. SFAS No. 109, "Accounting for Income Taxes," requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. As a result of operating losses incurred in certain of our foreign subsidiaries, and uncertainty as to the extent and timing of profitability in future periods, we recorded valuation allowances in certain of these foreign subsidiaries based on the facts and circumstances affecting each subsidiary. Had we not recorded these allowances, we would have reported a lower effective tax rate than was recognized in our statements of income in fiscal 2008 and during the first twelve weeks of fiscal 2009. If the realization of deferred tax assets is considered more likely than not, an adjustment to the net deferred tax assets would increase net income in the period such determination was made. The amount of the deferred tax asset

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considered realizable is based on significant estimates, and it is possible that changes in these estimates could materially affect our financial condition and results of operations.

Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, 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, uncertain tax positions, and expenses by jurisdiction, and as a result of acquisitions.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. We are periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, we record estimated reserves for probable exposures. Based on our evaluation of current tax positions, we believe we have appropriately accrued for probable exposures.

Results of Operations For the Twelve Weeks Ended February 20, 2009, Compared to the Twelve Weeks Ended February 15, 2008

The following table provides operating information as a percentage of revenues for the periods indicated:

	Twelve Weeks Ended	
	February 20, 2009	**February 15, 2008**
Revenues	100.0%	100.0%
Costs of services	65.4	65.4
Gross margin	34.6	34.6
Selling, general and administrative expenses	29.1	27.8
Income from operations	5.5	6.8
Interest income	0.2	1.4
Interest expense	(1.1)	(0.9)
Other income (expense)	(0.1)	0.1
Income before provision for income taxes, minority interest, and equity method investment gain (loss)	4.5	7.4
Provision for income taxes	(3.7)	(3.8)
Income before minority interest and equity method investment gain (loss)	0.8	3.6
Minority interest	0.3	
Equity method investment gain (loss), net of tax		
Net income	1.1%	3.6%

Revenues. Revenues decreased $20.3 million, or 23.6%, to $65.8 million for the first quarter of fiscal 2009 from $86.1 million for the first quarter of fiscal 2008. Our revenue decline was primarily the result of a decrease in the demand for our services, a portion of which is the result of the global economic crisis and credit crunch. In addition, our revenue decline was due in part to the divestiture of our Australian-based operations and the divestiture of our capital projects, legal business consulting, forensic computing and investigations, and other small practices during fiscal 2008. The divested operations generated approximately $4.0 million of revenue during the twelve weeks ended February 15, 2008. In addition, the reported amount of our foreign currency denominated revenue declined in the first quarter of fiscal 2009 because of the strengthening of the U.S. dollar relative to the British pound and other foreign currencies. Another factor contributing to our revenue decline was the decrease in client reimbursable expenses. Client reimbursable expenses are pass-through expenses that carry little to no margin. These decreases in revenue were partially offset by an increase in revenue of $1.5 million due to the consolidation of NeuCo, Inc., a subsidiary that we have an approximately 50% interest in, and increased billing rates for our employee consultants, which were in effect at the beginning of the first quarter of fiscal 2009.

Revenues for our competition practice decreased by approximately 25% compared to the first quarter of fiscal 2008 reflecting the divestiture of our Australian-based operations and the strengthening of the U.S. dollar relative to the British pound and other foreign currencies in the first quarter of fiscal 2009. Our competition practice continues to be our largest practice in terms of revenue. In our finance practice, revenues decreased approximately 35% compared to the first quarter of fiscal 2008. The decrease is primarily due to a decrease in U.S. finance litigation practice revenue because of litigation cases that have been put on hold. Revenues for our global industrial consulting practice declined approximately 25% in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 in part because of the strengthening of the U.S. dollar relative to the British pound and other foreign currencies in the first quarter of fiscal 2009. In addition, several major client engagements in the U.S. concluded and the expected follow-on work was delayed due to the impact of the economic crisis on the chemicals industry. Our intellectual property practice revenues decreased approximately 25% in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008 due to a decrease in the demand for our services. In our energy practice revenues decreased approximately 25% in the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. The decline in energy practice revenues is partially due to the postponement of revenues from some major clients in the Middle East. These revenues are anticipated to be recognized during the remainder of the year.

Although they are a relatively small portion of our overall revenues, revenues from our life sciences and labor and employment practices increased during the first quarter of fiscal 2009. Revenues in our life sciences practice increased approximately 30% because we benefited from our involvement in new product launches and contracting strategies. This practice has also been engaged in a number of litigation matters relating to pharmaceutical pricing. In addition, our labor and employment practice generated revenue growth compared to the first quarter of fiscal 2008. This practice continues to be actively engaged in a wide variety of matters including Equal Employment Opportunities and wage and hour litigation.

Overall, revenues outside of the U.S. represented approximately 21% of total revenues for the first quarter of fiscal 2009, compared with 22% of total revenues for the first quarter of fiscal 2008. The decline in international revenues is due primarily to the divesture of our Australian-based operations during fiscal 2008, which generated approximately $2.5 million of revenue during the twelve weeks ended February 15, 2008.

The total number of employee consultants decreased to 595 as of the end of the first quarter of fiscal 2009 from 772 as of the end of the first quarter of fiscal 2008, which is primarily due to workforce reductions, the divestiture of our Australia-based operations, and the divestiture of our capital projects, legal business consulting, forensic computing and investigations, and other small practices, completed during fiscal 2008. In addition, during the second quarter of fiscal 2009, we completed an employee workforce reduction that eliminated 34 consulting positions in offices around the world and across practices. Utilization was 68% for the first quarter fiscal 2009 compared with 70% for the first quarter fiscal 2008. Revenues derived from fixed-price engagements increased to 9.9% of total revenues for the first quarter of fiscal 2009 compared with 7.2% for the first quarter of fiscal 2008.

Costs of Services. Costs of services decreased $13.3 million, or 23.6%, to $43.1 million for the first quarter of fiscal 2009 from $56.3 million for the first quarter of fiscal 2008. Excluding NeuCo's cost of services of $0.9 million for the first quarter of fiscal 2009, cost of services decreased $14.2 million, or 25.2%, which is mainly due to a decrease in compensation expense for our employee consultants of

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$10.6 million or 24.2%. The decrease is due to a decrease in the average number of employee consultants and a decrease in the reported amount of cost of services due to the strengthening of the U.S. dollar relative to the British pound and other foreign currencies. In addition, client reimbursable expenses decreased $3.6 million, or 28.8%, to $8.9 million for the first quarter of fiscal 2009 from $12.5 million for the first quarter of fiscal 2008. Included in cost of services are $0.5 million and $0.6 million of employee separation and other compensation costs related to the workforce reductions completed during the first quarters of fiscal 2009 and fiscal 2008, respectively. As a percentage of revenues, costs of services remained flat at 65.4% for the first quarter of fiscal 2009 and fiscal 2008. Client reimbursable expenses decreased as a percentage of revenues by 1.0%, while NeuCo's cost of services in the first quarter of fiscal 2009 resulted in an increase as a percentage of revenue by 1.4%.

During the second quarter of fiscal 2009, we completed a series of employee workforce reductions that eliminated 34 consulting positions in offices around the world and across practices and 22 support personnel. We anticipate that these restructuring activities will result in a second-quarter charge of approximately $1.8 million in cost of services and selling, general, and administrative expenses.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by $4.8 million, or 19.9%, to $19.2 million for the first quarter of fiscal 2009 from $24.0 million for the first quarter of fiscal 2008. Excluding NeuCo selling, general, and administrative expenses of $1.1 million for the first quarter of fiscal 2009, selling, general, and administrative expenses decreased $5.9 million, or 24.5%. The decrease is largely due to a decrease in compensation expense due to a reduction in support staff, reductions in travel, rent, recruiting, and depreciation expenses, and a decrease in the reported amount of selling, general, and administrative expense due to the strengthening of the U.S. dollar relative to the British pound and other foreign currencies. Included in selling, general, and administrative expenses are $0.3 million and $23,000 of employee separation and other compensation costs related to the workforce reductions completed during the first quarters of fiscal 2009 and fiscal 2008, respectively. As a percentage of revenues, selling, general, and administrative expenses increased to 29.1% for the first quarter of fiscal 2009 from 27.8% for the first quarter of fiscal 2008. The 1.3% increase as a percentage of revenues was primarily due to a 1.7% increase due to the consolidation of NeuCo, offset in part by a decrease in travel and recruiting expenses as a percentage of revenues.

Interest Income. Interest income decreased by $1.0 million to $0.2 million for the first quarter of fiscal 2009 from $1.2 million for the first quarter of fiscal 2008. This decrease was due primarily to lower interest rates and more conservative investment holdings.

Interest Expense. Interest expense was $0.7 million for the first quarter of fiscal 2009 and fiscal 2008. Interest expense primarily represents interest incurred on our 2.875% convertible debt, and the amortization of debt issuance costs.

Other Income (Expense). Other income (expense) decreased by $0.2 million to a net expense of $0.1 million for the first quarter of fiscal 2009 from income of $0.1 million for the first quarter of fiscal 2008. Other income (expense) consists primarily of foreign currency exchange transaction gains and losses. The loss in the first quarter of fiscal 2009 was largely attributable to recording the cumulative foreign currency exchange loss of $0.4 million due to the liquidation of our Australian-based operations. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies and the Euro and the British pound.

Provision for Income Taxes. The provision for income taxes was $2.4 million for the first quarter of fiscal 2009, a decrease of $0.8 million from the first quarter of fiscal 2008. Our effective income tax rate increased to 81.2% for the first quarter of fiscal 2009 from 50.8% for the first quarter of fiscal 2008. The higher effective tax rate during the first quarter of fiscal 2009 was due mainly to losses in

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foreign locations that provided no tax benefit, a reduced level of taxable income in North America, and a non-recurring discreet item relating to the liquidation of our Australian-based operations.

Minority Interest. In October of fiscal 2008, our ownership interest in NeuCo increased to approximately 50%, which represents control. As a result, NeuCo's financial results since that time have been consolidated with ours and allocations of the minority share of NeuCo's net income result in deductions to our net income, while allocations of the minority share of NeuCo's net loss result in additions to our net income, as more fully described in Note 3 to our Notes to Condensed Consolidated Financial Statements. Minority interest in the results of operations of NeuCo allocable to its other owners was a net loss of $0.2 million for the first quarter of fiscal 2009.

Equity Method Investment Gain (Loss), Net of Tax. During the first quarter of fiscal 2008, we accounted for our investment in NeuCo under the equity method of accounting. For the first quarter of fiscal 2008, our equity in the losses of NeuCo was approximately $8,000, net of income tax.

Net Income. Net income decreased by $2.4 million to $0.7 million for the first quarter of fiscal 2009 from $3.1 million for the first quarter of fiscal 2008. The decrease in net income is due primarily to the decrease in revenue and utilization and the charges related to employee separation and the liquidation of our Australian-based operations. Diluted net income per share decreased to $0.07 per share for the first quarter of fiscal 2009 from $0.28 per share for the first quarter of fiscal 2008. Diluted weighted average shares outstanding decreased by approximately 744,000 shares to approximately 10,657,000 shares for the first quarter of fiscal 2009 from approximately 11,401,000 shares for the first quarter of fiscal 2008. The decrease in diluted weighted average shares outstanding for fiscal 2009 is primarily a result of repurchases of common stock under our share repurchase program and a decrease in common stock equivalents from employee stock option and restricted share awards and shares underlying our convertible debt due to our reduced average share price.

Liquidity and Capital Resources

General. In the twelve weeks ended February 20, 2009, we had a net increase in cash and cash equivalents of $22.9 million. We completed the quarter with cash and cash equivalents of $142.2 million, and working capital (defined as current assets less current liabilities) of $146.8 million. As of February 20, 2009, approximately $46.7 million was accrued for fiscal 2008 performance bonuses. The majority of these bonuses were paid during the second quarter of fiscal 2009.

We believe that current cash balances, cash generated from operations, and amounts available under our bank line of credit will be sufficient to meet our anticipated working capital, capital expenditure, and contingent consideration payment requirements for at least the next 12 months.

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Sources and Uses of Cash in the twelve weeks ended February 20, 2009. During the first twelve weeks of fiscal 2009, net cash provided by operations was $24.3 million. The sources of cash in operations included net income of $0.7 million, which included depreciation and amortization expense of $2.0 million and share-based compensation expense of $1.1 million. Other sources of cash were a result of decreases in accounts receivable of $11.0 million and unbilled services of $6.6 million, and increases in accounts payable, accrued expenses, and other liabilities of $2.8 million. The payment of the majority of fiscal 2007 bonuses totaling approximately $29.3 million was included in the decrease in accounts payable, accrued expenses, and other liabilities during the twelve weeks ending February 15, 2008. By contrast, the majority of the fiscal 2008 bonuses were paid during the second quarter of fiscal 2009.

We used $1.1 million of net cash from investing activities for the first twelve weeks of fiscal 2009, which included $0.7 million of net additional consideration payments relating to acquisitions and $0.3 million for capital expenditures. The additional consideration was earned and recorded as an increase to goodwill during fiscal 2008.

We used $0.5 million of net cash from financing activities for the first twelve weeks of fiscal 2009. Cash used in financing activities was primarily used to redeem vested employee restricted shares for tax withholdings.

Private Placement of Convertible Debt. In 2004, we completed a private placement of $90.0 million of 2.875% convertible senior subordinated debentures due 2034. The debentures are our direct, unsecured senior subordinated obligations and rank junior in right of payment to our existing bank line of credit and any future secured indebtedness that we may designate as senior indebtedness. Interest of approximately $1.1 million, is payable semi-annually on June 15 and December 15.

As a result of our election on December 14, 2004, we must settle the conversion of the debentures, as follows: (i) $1,000 in cash per $1,000 principal amount of debentures converted; and (ii) in cash or shares of our common stock (at our further election, except for cash in lieu of fractional shares), any conversion obligation that exceeds the principal amount of the debentures converted.

Pursuant to the terms of the indenture governing the debentures, since the closing stock price did not equal or exceed the $50 per share contingent conversion trigger price for 20 out of 30 consecutive trading days ended on February 20, 2009, the market price conversion trigger was not satisfied and holders of the debentures are not able to exercise their right to convert the bonds as of the first trading day of the second quarter of fiscal 2009. This test is repeated each fiscal quarter. To date, no conversions have occurred. However, during fiscal 2008, we repurchased $10.2 million of our convertible bonds, on the open market, at a discount. We believe that in the event the contingent conversion trigger price is met, it is unlikely that a significant percentage of bondholders will exercise their right to convert because the debentures have traded at a premium over their conversion value. Since the holders of the debentures are not able to exercise their right to convert the bonds as of February 20, 2009, we have classified the $79.8 million convertible debt as long-term debt as of February 20, 2009, in the accompanying condensed consolidated balance sheet. Our revolving line of credit to borrow up to $90.0 million expires on April 30, 2010 and it is our intention to renew or replace the line of credit, as desirable and available, which would allow us to continue to classify our convertible debentures as long-term debt, rather than short-term in future periods. In addition, the line of credit gives us additional flexibility to meet any unforeseen financial requirements.

As early as June 15, 2011 or upon certain specified fundamental changes, we may be required to repurchase all or any portion of the debentures, at the option of each holder, which, in the event of a fundamental change involving a change of control of our firm, may include the payment of a make-whole premium.

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Borrowings under the Revolving Line of Credit. We are party to a senior loan agreement with our bank for a $90.0 million revolving line of credit with a maturity date of April 30, 2010. Subject to the terms of the agreement, we may use borrowings under this line of credit for acquisition financing, working capital, general corporate purposes, letters of credit, and foreign exchanges contracts. The available line of credit is reduced, as necessary, to account for certain letters of credit outstanding. The $90.0 million credit facility allows us to mitigate the potential liquidity risk, and to provide funding if required, in the event of conversion by the debenture holders. Funds available under the facility currently allow us to continue to classify our convertible debentures as long-term debt, rather than short-term, even if the convertible debentures have a right to convert in the short-term because the conversion trigger price discussed above is met, so long as the line of credit is, at that time, classified as long-term debt. The line of credit also gives us additional flexibility to meet any unforeseen financial requirements. The amounts available under our bank line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. As of February 20, 2009, there were no amounts outstanding under this line of credit and $5.5 million in letters of credit were outstanding.

Borrowings under our credit facility bear interest, at our option, either at LIBOR plus an applicable margin or at the prime rate. Applicable margins range from 0.75% to 1.50%, depending on the ratio of our consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA, for the preceding four fiscal quarters, subject to various adjustments stated in the senior loan agreement. These margins are adjusted both quarterly and each time we borrow under the credit facility. Interest is payable monthly. A commitment fee of 0.165% is payable on the unused portion of the credit facility. Borrowings under the credit facility are secured by 100% of the stock of certain of our U.S. subsidiaries and 65% of the stock of certain of our foreign subsidiaries, which represents approximately $87.2 million in net assets as of February 20, 2009.

Debt Restrictions. Under our senior loan agreement, we must comply with various financial and non-financial covenants. The financial covenants require us to maintain a minimum consolidated working capital of $25.0 million and require us to comply with a consolidated total debt to EBITDA ratio of not more than 3.5 to 1.0 and a consolidated senior debt to EBITDA ratio of not more than 2.0 to 1.0. Compliance with these financial covenants is tested on a fiscal quarterly basis. In March 2005, we amended the definition of "current liabilities" included in the working capital covenant of the senior credit agreement to exclude any convertible subordinated debt for which we have not been notified of the intention to convert. The non-financial covenants of the senior credit agreement place certain restrictions on our ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. Any indebtedness outstanding under the senior credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant.

As of February 20, 2009, we were in compliance with our covenants under the senior credit agreement.

Other Matters. As part of our business, we regularly evaluate opportunities to acquire other consulting firms, practices or groups or other businesses. In recent years, we have typically paid for acquisitions with cash, or a combination of cash and our common stock, and we may continue to do so in the future. To pay for an acquisition, we may use cash on hand, cash generated from our operations, or borrowings under our revolving credit facility, or we may pursue other forms of financing. Our ability to secure short-term and long-term debt or equity financing in the future, including our ability to refinance our current senior loan agreement, will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing line of credit with our bank, and the overall credit and equity market environments.

In June 2007, we announced that our Board of Directors authorized a share repurchase program of up to a total of 1,500,000 shares of our common stock. We will finance the repurchase program with available cash and cash from future operations. We may repurchase shares in open market purchases or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. To date, we have repurchased 1,284,282 shares under this plan for approximately $55.3 million. We expect to continue to repurchase shares under the share repurchase program.

In addition, we may from time to time seek to retire or repurchase portions of our 2.875% convertible debentures through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Contingencies. In connection with the acquisitions we completed in fiscal 2006 and fiscal 2005, we agreed to pay additional consideration, for up to five years following the transactions, if specific performance targets are met. These payments are generally required to be made in cash, and in some cases are to be paid in shares of our common stock. We believe that we will have sufficient funds to satisfy any additional obligations related to the contingent consideration. We expect to fund these contingent cash payments, if any, from existing cash resources, cash generated from operations, or financing transactions.

Impact of Inflation. To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

Factors Affecting Future Performance

Part II, Item 1A of this quarterly report sets forth risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this quarterly report. If any of these risks, or any risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

The majority of our operations are based in the U.S., and accordingly, the majority of our transactions are denominated in U.S. dollars. However, we have foreign-based operations where transactions are denominated in foreign currencies and are subject to market risk with respect to fluctuations in the relative value of foreign currencies. Our primary foreign currency exposures relate to our short-term intercompany balances with our foreign subsidiaries and accounts receivable and cash valued in the United Kingdom in U.S. dollars. Our primary foreign subsidiaries have functional currencies denominated in the British pound and Euro, and foreign denominated assets and liabilities are remeasured each reporting period with any exchange gains and losses recorded in our consolidated statements of operations. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies and the Euro and the British pound. Although fluctuations in foreign exchange rates may impact reported revenues and expenses significantly, based on currency exposures existing at February 20, 2009, a hypothetical 10% movement in foreign exchange rates would not expose us to significant gains or losses in earnings or cash flows.

From time to time, we may use derivative instruments to manage the risk of exchange rate fluctuations. However, at February 20, 2009, we had no outstanding derivative instruments. We do not use derivative instruments for trading or speculative purposes.

Interest Rate Risk

We maintain an investment portfolio consisting mainly of U.S. government obligations, funds holding only U.S. government obligations, and corporate obligations with a weighted average maturity of less than 60 days. These held-to-maturity securities are subject to interest rate risk. However, a hypothetical change in the interest rate of 10% would not have a material impact to the fair values of these securities at February 20, 2009 primarily due to their short maturity and our intent to hold the securities to maturity.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we record, process, summarize and report the information we must disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms.

Evaluation of Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we have determined that, during the first quarter of fiscal 2009, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to affect, materially our internal control over financial reporting.

Important Considerations

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

Our operations are subject to a number of risks. You should carefully read and consider the following risk factors, together with all other information in this report, in evaluating our business. If any of these risks, or any risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected. If that happens, the market price of our common stock could decline, and you may lose all or part of your investment.

Continuing deterioration of global economic conditions, global market and credit conditions, and regulatory and legislative changes affecting our clients, practice areas, competitors, or staff could have an impact on our business

Overall global economic conditions and global market and credit conditions in the industries we service could impact the market for our services. A number of factors outside of our control include the availability of credit, the costs and terms of borrowing, merger and acquisition activity, and general economic factors and business conditions. For example, the current global economic crisis and credit crunch have resulted in, and may continue to result in, reduced merger and acquisition activity levels.

Similarly, many of our clients are in highly regulated industries. Regulatory and legislative changes in these industries could also impact the market for our service offerings and could render our current service offerings obsolete, reduce the demand for our services, or impact the competition for consulting and expert services. For example, potential changes in the patent laws could have a significant impact on our intellectual property practice. We are not able to predict the positive or negative effects that future events or changes to the U.S. or international business environment could have on our operations.

Our international operations create special risks

Our international operations carry special financial and business risks, including:

- greater difficulties in managing and staffing foreign operations;
- difficulties in maintaining world-wide utilization levels;
- lower margins;
- currency fluctuations that adversely affect our financial position and operating results;
- unexpected changes in trading policies, regulatory requirements, tariffs, and other barriers;
- different practices in collecting accounts receivable;
- increased selling, general, and administrative expenses associated with managing a larger and more global organization;

longer sales cycles;

restrictions on the repatriation of earnings;

potentially adverse tax consequences, such as trapped foreign losses;

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- the impact of differences in the legal and regulatory environment in foreign jurisdictions, as well as U.S. laws and regulations related to our foreign operations;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

We conduct a portion of our business in the Middle East. At times, the ongoing terrorist activity and military and other conflicts in the region have significantly interrupted our business operations in that region and have slowed the flow of new opportunities and proposals, which can ultimately affect our revenues and results of operations.

If our international revenues increase relative to our total revenues, these factors could have a more pronounced affect on our operating results.

We depend upon key employees to generate revenue

Our business consists primarily of the delivery of professional services, and accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution capabilities of our employee consultants. In particular, our employee consultants' personal relationships with our clients are a critical element in obtaining and maintaining client engagements. If we lose the services of any employee consultant or group of employee consultants, or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect our revenues and results of operations. Our employee consultants generated engagements that accounted for approximately 83% of our revenues in fiscal 2008 and approximately 86% in fiscal 2007, excluding reimbursable expenses. Our top five employee consultants generated approximately 11% of our revenues in fiscal 2008 and fiscal 2007, respectively, excluding reimbursable expenses.

We do not have non-compete agreements with the majority of our employee consultants, and they can terminate their relationships with us at will and without notice. The non-competition and non-solicitation agreements that we have with some of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction. In the event that employees leave, such clients may decide that they prefer to continue working with the employee rather than with us. In the event an employee departs and acts in a way that we believe violates their non-competition or non-solicitation agreement, we will consider any legal remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with the former employee or client, or other concerns, outweigh the benefits of any possible legal recovery.

Acquisitions may disrupt our operations or adversely affect our results

We regularly evaluate opportunities to acquire other businesses. The expenses we incur evaluating and pursuing acquisitions could adversely affect our results of operations. If we acquire a business, we may be unable to manage it profitably or successfully integrate its operations with our own. Moreover, we may be unable to realize the financial, operational, and other benefits we anticipate from these acquisitions or any other acquisition. Many potential acquisition targets do not meet our criteria, and for those that do, we face significant competition for these acquisitions from our direct competitors, private equity funds, and other enterprises. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special financial and business risks, such as:

- charges related to any potential acquisition from which we may withdraw;
- diversion of our management's time, attention, and resources;
- decreased utilization during the integration process;

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- loss of key acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems including compliance with the Sarbanes- Oxley Act of 2002;
- dilutive issuances of equity securities, including convertible debt securities;
- the assumption of legal liabilities;
- amortization of acquired intangible assets;
- potential write-offs related to the impairment of goodwill, including if our enterprise value declines below certain levels;
- difficulties in integrating diverse corporate cultures; and
- additional conflicts of interests.

We may need to take material write-offs for the impairment of goodwill and other intangible assets if our market capitalization declines

As further described in Note 6 of our Notes to Condensed Consolidated Financial Statements, goodwill and intangible assets with indefinite lives are monitored annually for impairment, or more frequently, if necessary, if there are indicators of impairment. In performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value utilizing our market capitalization, plus an appropriate control premium. We have utilized a control premium which considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. We utilize the entity-wide approach for assessing goodwill for impairment and compare our market value, plus an appropriate control premium, to net book value to determine if a potential impairment exists and whether a formal impairment evaluation is required. If we determine through the impairment evaluation process that goodwill has been impaired, we would record the impairment charge in our consolidated statement of income.

There were no impairment losses related to goodwill or intangible assets during the first quarter of fiscal 2009, which ended on February 20, 2009. However, from February 20, 2009 to March 20, 2009, our stock price has declined from previous levels. We attribute the recent stock price decline to both industry-wide and company-specific factors. Despite the declines, our entity-wide fair value exceeds net book value, and therefore, there has not been an indication of impairment. We will continue to closely monitor our market capitalization and in the event that our average stock price subsequently declines and our market capitalization plus control premium declines below net book value and remains below book value for a period we consider to be other-than-temporary, we will perform an evaluation of the carrying value of goodwill and other intangibles.

Competition from other economic, litigation support, and business consulting firms could hurt our business

The market for economic, litigation support, and business consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and we expect to face additional competition from new entrants into the economic and business consulting industries. In the litigation, regulatory, and financial consulting markets, we compete primarily with other economic and financial consulting firms and individual academics. In the business consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. Many of our competitors have national or international reputations as well as significantly greater personnel, financial, managerial,

technical, and marketing resources than we do, which could enhance their ability to respond more quickly to technological changes, finance acquisitions, and fund internal growth. Some of our competitors also have a significantly broader geographic presence than we do.

We depend on our antitrust and mergers and acquisitions consulting business

We derived approximately 27% of our revenues in fiscal 2008, 26% of our revenues in fiscal 2007, and 27% of our revenues in fiscal 2006 from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number or size of our engagements in these practice areas could adversely affect our revenues and results of operations. Adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could adversely affect engagements in which we assist clients in proceedings before the U.S. Department of Justice, the U.S. Federal Trade Commission, and various foreign antitrust authorities. For example, the current global economic crisis and credit crunch have resulted in, and may continue to result in, reduced merger and acquisition activity levels. These reductions in activity level would adversely affect our revenues and results of operations.

Maintaining our professional reputation is crucial to our future success

Our ability to secure new engagements and hire qualified consultants as employees depends heavily on our overall reputation as well as the individual reputations of our employee consultants and principal non-employee experts. Because we obtain a majority of our new engagements from existing clients or from referrals by those clients, any client that is dissatisfied with our performance on a single matter could seriously impair our ability to secure new engagements. Given the frequently high-profile nature of the matters on which we work, including work before and on behalf of government agencies, any factor that diminishes our reputation or the reputations of any of our employee consultants or non-employee experts could make it substantially more difficult for us to compete successfully for both new engagements and qualified consultants.

Our failure to manage growth or execute our business strategy successfully could adversely affect our revenues and results of operations

Any failure on our part to manage growth or execute our business strategy successfully could adversely affect our revenues and results of operations. In the future, we could open offices in new geographic areas, including foreign locations, and expand our employee base as a result of internal growth and acquisitions. Opening and managing new offices often requires extensive management supervision and increases our overall selling, general, and administrative expenses. Expansion creates new and increased management, consulting, and training responsibilities for our employee consultants. Expansion also increases the demands on our internal systems, procedures, and controls, and on our managerial, administrative, financial, marketing, and other resources. We depend heavily upon the managerial, operational, and administrative skills of our executive officers, to manage our expansion and business strategy. New responsibilities and demands may adversely affect the overall quality of our work.

Our business could suffer if we are unable to hire and retain additional qualified consultants as employees

Our business continually requires us to hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants could limit our ability to accept or complete engagements and adversely affect our revenues and results of operations. Relatively few potential employees meet our hiring criteria, and we face significant competition for these employees from our direct competitors, academic institutions, government agencies, research firms, investment banking firms, and other enterprises. Many of these competing employers are able to offer potential employees significantly greater compensation and benefits or

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more attractive lifestyle choices, career paths, or geographic locations than we can. Competition for these employee consultants has increased our labor costs, and a continuation of this trend could adversely affect our margins and results of operations.

Clients can terminate engagements with us at any time

Many of our engagements depend upon disputes, proceedings, or transactions that involve our clients. Our clients may decide at any time to seek to resolve the dispute or proceeding, abandon the transaction, or file for bankruptcy. Our engagements can therefore terminate suddenly and without advance notice to us. If an engagement is terminated unexpectedly, our employee consultants working on the engagement could be underutilized until we assign them to other projects. In addition, because much of our work is project-based rather than recurring in nature, our consultants' utilization depends on our ability to secure additional engagements on a continual basis. Accordingly, the termination or significant reduction in the scope of a single large engagement could reduce our utilization and have an immediate adverse impact on our revenues and results of operations.

We depend on our non-employee experts

We depend on our relationships with our exclusive non-employee experts. In fiscal 2008 and fiscal 2007, six of our exclusive non-employee experts generated engagements that accounted for approximately 12% and 11% of our revenues in those years, respectively, excluding fees charged to the engagement by the non-employee expert and reimbursable expenses. We believe that these experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we could offer the services of these experts. Most of these experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, the pursuit of other interests, and retirement.

As of November 29, 2008, we had restrictive covenant contracts, which in some cases include non-competition agreements, with 44 of our non-employee experts. The limitation or termination of any of their relationships with us, or competition from any of them after these agreements expire, could harm our reputation, reduce our business opportunities and adversely affect our revenues and results of operations.

To meet our long-term growth targets, we need to establish ongoing relationships with additional non-employee experts who have reputations as leading experts in their fields. We may be unable to establish relationships with any additional non-employee experts. In addition, any relationship that we do establish may not help us meet our objectives or generate the revenues or earnings that we anticipate.

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We derive our revenues from a limited number of large engagements

We derive a portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition, and results of operations could suffer. Our ten largest engagements accounted for approximately 12% of our revenues in fiscal 2008, 11% in fiscal 2007, and 14% in fiscal 2006. Our ten largest clients accounted for approximately 18% of our revenues in fiscal 2008, and 19% in fiscal 2007 and fiscal 2006. In general, the volume of work we perform for any particular client varies from year to year, and due to the specific engagement nature of our practice, a major client in one year may not hire us in the following year.

Our entry into new lines of business could adversely affect our results of operations

If we attempt to develop new practice areas or lines of business outside our core economic, financial, and management consulting services, those efforts could harm our results of operations. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience in these new practice areas or lines of business may result in costly decisions that could harm our business.

Our clients may be unable to pay us for our services

Our clients include some companies that may from time to time encounter financial difficulties, particularly during a downward trend in the economy. If a client's financial difficulties become severe, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with a substantial account receivable could have a material adverse effect on our financial condition and results of operations. A small number of clients who have paid sizable invoices later declared bankruptcy, and a court determination that we were not properly entitled to that payment may require repayment of some or all of the amount we received, which could adversely affect our financial condition and results of operations.

Our engagements may result in professional liability

Our services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of our engagements involve matters that could have a severe impact on the client's business, cause the client to lose significant amounts of money, or prevent the client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently, disclosed client confidential information, or otherwise breached our obligations to the client could expose us to significant liabilities to our clients and other third parties and tarnish our reputation.

Our debt obligations may adversely impact our financial performance

In 2004, we issued a total of $90.0 million of 2.875% convertible senior subordinated debentures due 2034. We had previously operated with little or no debt, and our previous payments of interest had not been material. The interest we are required to pay on these debentures reduces our net income each year and will continue to do so until the debentures are no longer outstanding. The terms of the debentures also include provisions that could accelerate our obligation to repay all amounts outstanding under the debentures if certain events happen, such as our failure to pay interest in a timely manner, failure to pay principal upon redemption or repurchase, failure to deliver cash, shares of common

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stock, or other property upon conversion and other specified events of default. In addition, on June 15, 2011, June 15, 2014, June 15, 2019, June 15, 2024 and June 15, 2029, or following specified fundamental changes, holders of the debentures may require us to repurchase their debentures for cash. On December 14, 2004, we irrevocably elected to settle with cash 100% of the principal amount of the debentures upon conversion thereof, and holders of the debentures may convert them if our stock price exceeds $50 per share for at least 20 out of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter. The market price conversion trigger was not met during the first quarter of fiscal 2009. Therefore, holders of the debentures are not able to exercise their right to convert the bonds during the second quarter of fiscal 2009. This test is repeated each fiscal quarter. To date, no holders have exercised their right to convert the bonds. However, during fiscal 2008, we repurchased convertible debentures in the principal amount of $10.2 million, on the open market.

In 2005, we amended our loan agreement with our bank to increase the existing line of credit from $40.0 million to $90.0 million to mitigate the potential liquidity risk, and to provide funding if required, in the event of conversion by the debenture holders. We intend to use the amounts available under our bank line of credit, in the event debenture holders exercise their rights to convert. The amounts available under our bank line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. The degree to which we are leveraged could adversely affect our ability to obtain further financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to secure short-term and long-term debt or equity financing in the future, including our ability to refinance our current senior loan agreement, will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing line of credit and the overall credit and equity market environments.

Potential conflicts of interests may preclude us from accepting some engagements

We provide our services primarily in connection with significant or complex transactions, disputes, or other matters that are usually adversarial or that involve sensitive client information. Our engagement by a client may preclude us from accepting engagements with the client's competitors or adversaries because of conflicts between their business interests or positions on disputed issues or other reasons. Accordingly, the nature of our business limits the number of both potential clients and potential engagements. Moreover, in many industries in which we provide consulting services, such as in the telecommunications industry, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of potential clients for our services and increase the chances that we will be unable to continue some of our ongoing engagements or accept new engagements as a result of conflicts of interests.

Fluctuations in our quarterly revenues and results of operations could depress the market price of our common stock

We may experience significant fluctuations in our revenues and results of operations from one quarter to the next. If our revenues or net income in a quarter or our guidance for future periods fall below the expectations of securities analysts or investors, the market price of our common stock could fall significantly. Our results of operations in any quarter can fluctuate for many reasons, including:

- our ability to implement rate increases;
- the number of weeks in our fiscal quarter;
- the number, scope, and timing of ongoing client engagements;
- the extent to which we can reassign our employee consultants efficiently from one engagement to the next;

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- the extent to which our employee consultants take holiday, vacation, and sick time, including traditional seasonality related to summer vacation and winter holiday schedules;
- employee hiring;
- the extent of revenue realization or cost overruns;
- fluctuations in the results of our software subsidiary, NeuCo;
- fluctuations in our provision for income taxes due to changes in income arising in various tax jurisdictions, valuation allowances, non-deductible expenses, and changes in estimates of our uncertain tax positions;
- fluctuations in interest rates;
- severe weather conditions and other factors affecting employee productivity; and
- collectibility of receivables and unbilled work in process.

Because we generate the majority of our revenues from consulting services that we provide on an hourly fee basis, our revenues in any period are directly related to the number of our employee consultants, their billing rates, and the number of billable hours they work in that period. We have a limited ability to increase any of these factors in the short term. Accordingly, if we underutilize our consultants during one part of a fiscal period, we may be unable to compensate by augmenting revenues during another part of that period. In addition, we are occasionally unable to utilize fully any additional consultants that we hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, if our revenues fail to meet our projections in any quarter, that could have a disproportionate adverse effect on our net income. For these reasons, we believe our historical results of operations are not necessarily indicative of our future performance.

Fluctuations in the types of service contracts we enter into may adversely impact revenue and results of operations

We derive a portion of our revenues from fixed-price contracts. In fiscal 2008 and fiscal 2007, we derived 8.3% and 6.6% of our revenues from fixed-price engagements, respectively. These contracts are more common in our business consulting practice, and would likely grow in number with any expansion of that practice. Fluctuations in our mix between time-and-material or fixed- price contracts or arrangements with fees tied to performance-based criteria, may result in fluctuations of revenue and results of operations. In addition, if we fail to estimate accurately the resources required for a fixed- price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations.

The market price of our common stock may be volatile

The market price of our common stock has fluctuated widely and may continue to do so. For example, from February 16, 2008, to February 20, 2009, the trading price of our common stock ranged from a high of $44.95 per share to a low of $20.43 per share. Many factors could cause the market price of our common stock to rise and fall. Some of these factors are:

- variations in our quarterly results of operations;
- the hiring or departure of key personnel or non-employee experts;

changes in our professional reputation;

the introduction of new services by us or our competitors;

acquisitions or strategic alliances involving us or our competitors;

changes in accounting principles or methods, such as Financial Accounting Standards Board No. Staff Position Accounting Principles Board Opinion 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon conversion (including Partial Cash Settlement)" ("FSP APB 14-1");

changes in estimates of our performance or recommendations by securities analysts;

future sales of shares of common stock in the public market; and

market conditions in the industry and the economy as a whole.

In addition, the stock market often experiences significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, shareholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

We could incur substantial costs protecting our proprietary rights from infringement or defending against a claim of infringement

As a professional services organization, we rely on non-competition and non-solicitation agreements with many of our employees and non-employee experts to protect our proprietary business interests. These agreements, however, may offer us only limited protection and may not be enforceable in every jurisdiction. In addition, we may incur substantial costs trying to enforce these agreements.

Our services may involve the development of custom business processes or solutions for specific clients. In some cases, the clients retain ownership or impose restrictions on our ability to use the business processes or solutions developed from these projects. Issues relating to the ownership of business processes or solutions can be complicated, and disputes could arise that affect our ability to resell or reuse business processes or solutions we develop for clients.

In recent years, there has been significant litigation in the U.S. involving patents and other intellectual property rights. We could incur substantial costs in prosecuting or defending any intellectual property litigation, which could adversely affect our operating results and financial condition.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Litigation may be necessary in the future to enforce our proprietary rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such resulting litigation could result in substantial costs and diversion of resources and could adversely affect our business, operating results and financial condition. Any failure by us to protect our proprietary rights could adversely affect our business, operating results and financial condition.

Our reported earnings per share may be more volatile because of the accounting standards, rules, and regulations as they relate to our convertible senior subordinated debentures

Holders of our 2.875% convertible senior subordinated debentures due 2034 may convert the debentures only under certain circumstances, including certain stock price-related conversion contingencies. As further described in Note 8 of our Notes to Condensed Consolidated Financial Statements, we determine the effect of the debentures on earnings per share under the treasury stock method of accounting. The treasury stock method of accounting allows us to report dilution only when

our average stock price per share for the reporting period exceeds the $40 conversion price and only to the extent of the additional shares we may be required to issue in the event our conversion obligation exceeds the principal amount of the debentures converted. Accordingly, volatility in our stock price could cause volatility in our reported diluted earnings per share.

In May 2008, the FASB issued FSP APB 14-1, which would apply to any convertible debt instrument that may be settled in whole or in part with cash upon conversion, including our 2.875% debentures. Under FSP APB 14-1, we will be required to recognize non-cash interest expense on our $79.8 million convertible senior subordinated debentures based on the market rate for similar debt instruments without the conversion feature. FSP APB 14-1 is effective for fiscal years beginning on or after December 15, 2008, which is our fiscal 2010, and must be applied on a retrospective basis. We are currently evaluating the impact that FSP APB 14-1 will have on our consolidated statements of operations and financial condition.

Our charter and by-laws, Massachusetts law and the terms of our convertible debentures may deter takeovers

Our amended and restated articles of organization and amended and restated by-laws and Massachusetts law contain provisions that could have anti-takeover effects and that could discourage, delay, or prevent a change in control or an acquisition that our shareholders and debenture holders may find attractive. These provisions may also discourage proxy contests and make it more difficult for our shareholders to take some corporate actions, including the election of directors. In addition, the terms of our convertible debentures provide that we may be required to pay a make-whole premium to the holders of our convertible debentures upon a change of control. These provisions could limit the price that investors might be willing to pay for shares of our common stock.

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about our repurchases of shares of our common stock during the twelve weeks ended February 20, 2009. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the quarter into three equal periods of four weeks.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
November 30, 2008, to December 26, 2008				215,718
December 27, 2008, to January 23, 2009				215,718
January 24, 2009, to February 20, 2009	24,274(1)	$22.69(1)		215,718

(1) During the indicated period, we accepted 24,085 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shares that occurred

during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average share price of $22.68, and we repurchased 189 shares of our common stock from one of our employees, based on the contractual right of first purchase contained in the employee's restricted share agreement with us, at a price of $22.80 per share.

(2) On June 14, 2007, we issued a press release announcing that our board of directors has approved the repurchase from time to time of up to 1,500,000 shares of our common stock, of which 1,284,282 shares of common stock were purchased in prior quarters and no shares were purchased in the first quarter of fiscal 2009. As of February 20, 2009, 215,718 shares of our common stock remain available for repurchase under this plan.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 5. Other Information

On March 18, 2009, we completed a series of workforce reductions. These actions, which we previously announced on March 19, 2009 in connection with the release of our financial results for our first quarter of fiscal 2009, have resulted in the termination of 34 of our consultants and 22 individuals in our support group. We implemented the termination of the support personnel in early March 2009 and this action, in and of itself, will not result in material charges. We committed to the termination of the consultants on March 17, 2009, which will result in material charges. The workforce reduction was designed to reduce our operating expenses and to improve consultant utilization.

We estimate that the actions described in the paragraph above, together with a workforce reduction of seven consultants and support personnel that we completed in the first quarter of fiscal 2009, will result in an aggregate pre-tax restructuring charge of approximately $2.6 million. The charge consists of $2.3 million in employee separation costs and $0.3 million in outplacement services fees, lease termination fees, and other charges. We recognized $0.8 million of the charge in the first quarter of fiscal 2009 and expect to recognize the remaining estimated $1.8 million in the second quarter of fiscal 2009. We estimate that approximately $2.5 million of the estimated total charge of $2.6 million will result in cash expenditures by us.

ITEM 6. Exhibits

Item No.	Description
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification

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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.

	CRA INTERNATIONAL, INC.	
Date: March 23, 2009	By:	/s/ JAMES C. BURROWS
		James C. Burrows *President, Chief Executive Officer*
Date: March 23, 2009	By:	/s/ WAYNE D. MACKIE
		Wayne D. Mackie *Executive Vice President, Treasurer, Chief Financial Officer*

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EXHIBIT INDEX

Item No.	Description
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification