CRA INTERNATIONAL, INC.
Form 10-Q
October 03, 2008

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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 August 29, 2008

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	**04-2372210**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Clarendon Street, T-33, Boston, MA	**02116-5092**
(Address of principal executive offices)	(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 October 2, 2008

Common Stock, no par value per share	10,907,845 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)

	Sixteen Weeks Ended		Forty Weeks Ended	
	August 29, 2008	August 31, 2007	August 29, 2008	August 31, 2007
Revenues	$111,162	$124,301	$291,128	$295,938
Costs of services	73,602	77,194	194,094	185,083
Gross profit	37,560	47,107	97,034	110,855
Selling, general and administrative expenses	27,394	32,120	80,133	75,353
Income from operations	10,166	14,987	16,901	35,502
Interest income	786	1,546	2,637	4,493
Interest expense	(990)	(1,004)	(2,470)	(2,529)
Other income (expense)	664	(226)	934	(454)
Income before provision for income taxes and equity method investment gain (loss)	10,626	15,303	18,002	37,012
Provision for income taxes	(6,471)	(6,519)	(11,127)	(14,179)
Income before equity method investment gain (loss)	4,155	8,784	6,875	22,833
Equity method investment gain (loss), net of tax	7	(196)	(88)	(528)
Net income	$ 4,162	$ 8,588	$ 6,787	$ 22,305
Net income per share:				
Basic	$ 0.40	$ 0.77	$ 0.64	$ 1.96
Diluted	$ 0.39	$ 0.72	$ 0.62	$ 1.81
Weighted average number of shares outstanding:				
Basic	10,521	11,133	10,629	11,363
Diluted	10,764	11,955	10,978	12,322

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)

	August 29, 2008	November 24, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 113,461	$ 100,516
Accounts receivable, net of allowances of $12,091 in 2008 and $10,573 in 2007	66,037	87,509
Unbilled services	35,460	43,445
Prepaid expenses and other assets	19,071	5,885
Deferred income taxes	17,272	11,039
Total current assets	251,301	248,394
Property and equipment, net	26,304	27,932
Goodwill	158,262	152,216
Intangible assets, net of accumulated amortization of $6,859 in 2008 and $6,681 in 2007	4,877	7,046
Deferred income taxes, net of current portion	2	1,196
Other assets	13,149	17,137
Total assets	$ 453,895	$ 453,921
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 13,016	$ 14,693
Accrued expenses	74,914	79,915
Deferred revenue and other liabilities	2,484	2,797
Current portion of deferred compensation	1,234	1,278
Deferred income taxes	70	79
Total current liabilities	91,718	98,762
Convertible debentures payable	90,000	90,000
Deferred rent and other non-current liabilities	10,757	7,631
Deferred compensation and other non-current liabilities	2,873	3,780
Deferred income taxes, net of current portion	12,393	2,666
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; 10,550,786 and 10,763,942 shares issued and outstanding in 2008 and 2007, respectively	87,841	92,012
Receivables from employees	(2,078)	(2,047)
Retained earnings	156,424	149,637
Foreign currency translation	3,967	11,480
Total shareholders' equity	246,154	251,082
Total liabilities and shareholders' equity	$ 453,895	$ 453,921

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)

	Forty Weeks Ended August 29, 2008	Forty Weeks Ended August 31, 2007
Operating activities:		
Net income	$ 6,787	$ 22,305
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,211	7,729
Loss on disposal of property and equipment	2,105	304
Deferred rent	3,532	1,240
Share-based compensation expenses	5,402	4,091
Excess tax benefits from share-based compensation	(137)	(2,254)
Deferred income taxes	4,866	5,716
Write down of goodwill and intangible assets	1,401	
Foreign currency exchange gain	(672)	
Equity in losses of NeuCo	88	528
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable	18,344	(3,052)
Unbilled services	6,487	(5,742)
Prepaid expenses and other assets	(7,026)	(4,125)
Accounts payable, accrued expenses, and other liabilities	(15,276)	(14,550)
Net cash provided by operating activities	33,112	12,190
Investing activities:		
Purchase of property and equipment	(7,848)	(8,681)
Payments on notes receivable	(3,785)	(2,350)
Collections on notes receivable	64	
Proceeds from Australia divestiture	1,447	
Return on investment in NeuCo	1,765	
Additional consideration relating to acquisitions	(1,730)	(7,113)
Net cash used in investing activities	(10,087)	(18,144)
Financing activities:		
Excess tax benefits from share-based compensation	137	2,254
Tax withholding payments reimbursed by restricted shares	(704)	(349)
Issuance of common stock upon exercise of stock options	2,183	10,861
Repurchase of common stock	(11,817)	(56,723)
Collection of notes receivable from shareholders	105	2,214
Net cash used in financing activities	(10,096)	(41,743)
Effect of foreign exchange rates on cash and cash equivalents	16	109
Net increase (decrease) in cash and cash equivalents	12,945	(47,588)
Cash and cash equivalents at beginning of period	100,516	131,570
Cash and cash equivalents at end of period	$ 113,461	$ 83,982
Non-cash financing activities:		
Issuance of common stock for acquired business	$ 542	$ 618

Notes payable issued for acquired business	$	1,173	$	1,176
Supplemental cash flow information:				
Cash paid for income taxes	$	15,202	$	9,346
Cash paid for interest	$	2,716	$	2,743

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 24, 2007	10,763,942	$ 92,012	$ (2,047)	$ 149,637	$ 11,480	$ 251,082
Net income				6,787		6,787
Foreign currency translation adjustment					(7,513)	(7,513)
Comprehensive income (loss)						(726)
Exercise of stock options	96,669	2,183				2,183
Share-based compensation expense for employees		5,079				5,079
Restricted share vesting	63,758					
Redemption of vested employee restricted shares for tax withholding	(18,364)	(704)				(704)
Tax benefit on stock option exercises and restricted share vesting		223				223
Notes Receivable issued to shareholders			(223)			(223)
Payments received on notes receivable from shareholders			192			192
Shares repurchased	(370,265)	(11,817)				(11,817)
Shares issued for acquisition of business	15,046	542				542
Share-based compensation expense for non-employees		323				323
BALANCE AT AUGUST 29, 2008	10,550,786	$ 87,841	$ (2,078)	$ 156,424	$ 3,967	$ 246,154

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 through three platforms: finance, litigation and applied economics, 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 sixteen and forty weeks ended August 29, 2008, and August 31, 2007, the condensed consolidated balance sheet as of August 29, 2008, the condensed consolidated statements of cash flows for the forty weeks ended August 29, 2008, and August 31, 2007, and the condensed consolidated statement of shareholders' equity for the forty weeks ended August 29, 2008, are unaudited. The November 24, 2007 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 equity investment in NeuCo, Inc. ("NeuCo"). The equity method of accounting is used for investments in which CRA has the ability to exercise significant influence but does not have effective control. Under this method, the investment, originally recorded at cost and adjusted to reflect CRA's share of changes in NeuCo's capital, is further adjusted to recognize the Company's share of net earnings or losses of NeuCo as they occur rather than as dividends or other distributions are received. CRA's share of net earnings or loss in NeuCo would also include any other-than-temporary declines in fair value recognized during the period, if any. Changes in CRA's proportionate share of the underlying equity of NeuCo, which result

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

3. Principles of Consolidation (Continued)

from the issuance of additional equity securities by NeuCo, are recognized as increases or decreases in shareholders' equity, net of any related tax effects.

The Company records its equity in the income or losses of NeuCo and reports such amounts in "equity method investment gain (loss), net of tax" in the accompanying condensed consolidated statements of operations. During the first quarter of fiscal 2007, NeuCo changed its interim reporting schedule to a calendar month end, but its fiscal year end will remain the last Saturday in November. The first three fiscal 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 operations or financial condition. For the sixteen and forty weeks ended August 29, 2008 the Company's equity in the gains and losses of NeuCo totaled a gain of $7,000 and a loss of $88,000, respectively, which are net of income tax expense of $5,000 and an income tax benefit of $62,000, respectively. At August 29, 2008, the carrying value of the Company's equity investment in NeuCo was $1.9 million and is reported in other non-current assets.

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 first 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 2008 is a 53-week year. Fiscal 2007 was a 52-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 to allow CRA to recognize 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

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Revenue Recognition (Continued)

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 8.5% and 7.8% of revenues from fixed-price engagements in the sixteen and forty weeks ended August 29, 2008, respectively. CRA derived 7.1% and 5.9% of revenues from fixed-price engagements in the sixteen and forty weeks ended August 31, 2007, respectively. 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 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. For these fixed-price engagements, there are no costs that are deferred and amortized over the contract term. 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 operations 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):

	Sixteen Weeks Ended		Forty Weeks Ended	
	August 29, 2008	**August 31, 2007**	**August 29, 2008**	**August 31, 2007**
Reimbursable expenses billed to clients	$13,475	$ 16,990	$38,228	$ 36,815

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".

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Goodwill

The changes in the carrying amount of goodwill during the forty weeks ended August 29, 2008, are as follows (in thousands):

Balance at November 24, 2007	$152,216
Goodwill adjustments related to BBG, Lee & Allen and ECL acquisitions and Australia sale	11,126
Effect of foreign currency translation	(5,080)
Balance at August 29, 2008	$158,262

The goodwill adjustments for the forty weeks ending August 29, 2008 include the following (in thousands):

Additional purchase price recorded for earnouts	$12,345
Reduction of accrued expenses and prepaid expenses	(354)
Reduction of goodwill related to Australia divestiture	(865)
	$11,126

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. During the forty weeks ended August 29, 2008, CRA recorded $12.3 million in estimated additional purchase consideration related to these acquisitions, of which $1.0 million in cash and/or CRA common stock was paid during the third quarter of fiscal 2008, $1.1 million in promissory notes will be paid during the first quarter of fiscal 2009, and the remaining estimated $10.2 million will be paid when the final amounts are agreed on. During fiscal 2007, CRA recorded $1.2 million in promissory notes related to these acquisitions, which were paid in the first quarter of fiscal 2008. Any additional payments related to these contingencies will be accounted for as additional goodwill.

On March 24, 2008, the Company sold the majority of its Australian-based operations. The amount of goodwill allocated to the sale was approximately $0.9 million, which along with other certain business assets and certain liabilities associated with the Company's Australian competition practice was sold for approximately $1.9 million and a loss of $0.5 million was realized. The Company was paid $0.5 million at closing and $0.9 million during the third quarter of fiscal 2008. The additional $0.5 million will be paid during the fourth quarter of fiscal 2008. The Company also assessed its intangible assets in Australia for impairment and recorded expenses of $0.9 million for the write-off of intangible assets during the second quarter of fiscal 2008.

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. 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 August 29,

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Private Placement of Convertible Debt (Continued)

2008, the market price conversion trigger was not satisfied and holders of the debentures are not able to exercise their right to convert the bonds during the third quarter of fiscal 2008. This test is repeated each fiscal quarter. To date, no conversions have occurred.

The Company has a $90.0 million line of credit with its bank to mitigate the potential liquidity risk, and to provide funding if required, in the event of conversion by the debenture holders. 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 August 29, 2008, CRA has classified the $90.0 million convertible debt as long-term debt as of August 29, 2008 in the accompanying condensed consolidated balance sheet. The maturity date on the line of credit is April 30, 2010. 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 August 29, 2008. The Company has determined that the fair value of the contingent interest feature is *de minimis* as of August 29, 2008, 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. Weighted average shares used in diluted earnings per share include common stock equivalents arising 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):

	Sixteen Weeks Ended		Forty Weeks Ended	
	August 29, 2008	August 31, 2007	August 29, 2008	August 31, 2007
Basic weighted average shares outstanding	10,521	11,133	10,629	11,363
Common stock equivalents:				
Stock options and restricted shares	243	402	273	479
Shares underlying the debentures		420	76	480
Diluted weighted average shares outstanding	10,764	11,955	10,978	12,322

For the sixteen and forty weeks ended August 29, 2008, the anti-dilutive share-based awards were 513,065 and 511,849, respectively. For the sixteen and forty weeks ended August 31, 2007, the anti-dilutive share-based awards were 348,773 and 327,210, 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.

During the sixteen and forty weeks ended August 29, 2008, CRA granted restricted share and restricted share unit awards representing 14,347 and 222,876 shares, respectively, of its common stock that were not vested as of August 29, 2008. During the sixteen and forty weeks ended August 29, 2008, CRA granted 37,397 and 48,397 stock options, respectively.

Under 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 $37.42 for the sixteen weeks ended August 29, 2008, no common stock equivalents for shares underlying the debenture were included in the diluted weighted average shares outstanding for the sixteen weeks ending August 29, 2008. The average stock price for the forty weeks ended August 29, 2008 was $38.48 per share. Included in the diluted weighted average shares outstanding for the forty weeks ended August 29, 2008 were 76,000 shares underlying the debentures because the average stock price for the twelve weeks ended February 15, 2008 was $45.17. The average stock price for the sixteen and forty weeks ended August 31, 2007 was $49.16 and $50.88 per share; therefore, 420,000 and 480,000 shares underlying the debentures were included in the diluted weighted average shares outstanding for the sixteen and forty weeks ended August 31, 2007, respectively.

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Net Income per Share (Continued)

Basic weighted average shares outstanding for the sixteen and forty weeks ended August 29, 2008 decreased compared to the comparable periods in fiscal 2007, 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.

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 August 29, 2008 are included in basic and diluted weighted average shares outstanding as of the point in time that the shares were issued. During the sixteen weeks ended August 29, 2008, 15,046 shares were issued in conjunction with the earnout provisions.

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):

	Forty Weeks Ended	
	August 29, 2008	**August 31, 2007**
Net income	$ 6,787	$ 22,305
Change in foreign currency translation	(7,513)	3,103
Comprehensive income	$ (726)	$ 25,408

The Company recognized $0.7 million in foreign currency exchange gain related to the substantial liquidation of the Company's New Zealand-based operations in its third fiscal quarter of 2008.

10. Income Taxes

In June 2006, the FASB issued Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. CRA adopted FIN 48 in the first quarter of fiscal 2008 and the adoption resulted in an increase in the liability for uncertain tax positions of $1.1 million and a reduction in deferred tax liabilities. There was no impact on retained earnings.

During the third quarter of fiscal 2008, CRA reached agreement with the tax authorities resulting in a reduction in the amount of unrecognized tax benefits and an increase in deferred tax liabilities of

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

10. Income Taxes (Continued)

$1.2 million. The reduction did not impact the effective tax rate during this quarter. CRA includes accrued interest and penalties, if any, related to uncertain tax positions in income tax expense.

The Company operates in multiple taxing jurisdictions, both within the U.S. and outside of the U.S., and is subject to audit. As of August 29, 2008, fiscal 2005 through and including fiscal 2007 remain open to examination.

11. Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 enhances existing guidance for measuring assets and liabilities using fair value. Prior to the issuance of SFAS 157, guidance for applying fair value was incorporated in several accounting pronouncements. SFAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about fair value measurements. While SFAS 157 does not add any new fair value measurements, it does change current practice. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. CRA adopted SFAS 157 in the first quarter of fiscal 2008 and the adoption of SFAS 157 did not have a material impact on its consolidated statement of operations or financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS 159 allows entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings at each subsequent reporting date. The fair value option can be applied instrument by instrument, however the election is irrevocable. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect the fair value option.

In December 2007, the FASB issued SFAS No. 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, 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 No. 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.

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Accounting Pronouncements (Continued)

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, and 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 $90.0 million 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.

13. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	August 29, 2008	November 24, 2007
Compensation and related expenses	$ 56,658	$ 69,015
Acquisition consideration payable	11,346	1,238
Income taxes payable, current	961	3,080
Accrued interest	555	1,170
Other	5,394	5,412
Total	$ 74,914	$ 79,915

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CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

14. Foreign Currency Forward Exchange Contract

The Company follows the provisions of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires the recognition of all derivative instruments in the balance sheet as either an asset or liability measured at its fair value. Changes in the fair value of derivatives are to be recorded each period in earnings if the derivative does not qualify for hedge accounting.

The Company entered into a forward contract during the third quarter ended August 29, 2008 to mitigate the cash and income statement impact of fluctuations in a foreign currency. At August 29, 2008, the Company held a forward exchange contract of $2.8 million to hedge a short term loan receivable in a foreign currency. The Company settled the forward exchange contract and collected the short term loan receivable subsequent to the end of the third quarter ended August 29, 2008. The foreign exchange forward contract has not been designated as a hedging instrument; therefore, adjustments to fair value are recorded in earnings. At August 29, 2008, the net gain recognized in earnings amounted to approximately $17,000 and was recorded in earnings and prepaid and other assets on the condensed consolidated financial statements.

15. Restructuring Charges

During the second quarter of fiscal 2008, the Company consolidated offices in Palo Alto, California and London, England with existing offices, and recorded an expense for the difference between its future lease payments and related costs from the date of closure through the end of the remaining lease term, net of expected future sublease rental income. This estimated expense required management to make assumptions regarding the estimate of the duration of future vacancy periods, the amount and timing of future settlement payments, and the amount and timing of potential sublease rental income. These office closings resulted in charges of $0.1 million and $4.6 million during the sixteen and forty weeks ending August 29, 2008 that are included in selling, general and administrative expenses. The remaining liability for these charges totaled $1.9 million as of August 29, 2008.

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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 to allow us to recognize 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 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. For these fixed-price engagements, there are no costs that are deferred and amortized over the contract term. 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):

	Sixteen Weeks Ended		**Forty Weeks Ended**	
	August 29, 2008	**August 31, 2007**	**August 29, 2008**	**August 31, 2007**
Reimbursable expenses billed to clients	$13,475	$ 16,990	$38,228	$ 36,815

Our normal payment terms are 30 days from the invoice date. For the sixteen weeks ended August 29, 2008, and August 31, 2007, our average days sales outstanding, or DSOs, were 100 days and 108 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 August 29, 2008, and

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November 24, 2007, $12.1 million and $10.6 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, backlog, trade names, and property leases, which are amortized on a straight-line basis over their remaining useful lives (one to ten 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 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. Because we have one reporting segment, under SFAS No. 142, we utilize the entity-wide approach for assessing goodwill for impairment and compare its market value to its net book value to determine if an impairment exists. If we determine through the impairment review 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.

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

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our market capitalization relative to net book value.

If we were to determine that an impairment review 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 in fiscal 2007. In connection with the sale of certain assets in Australia, the second quarter of fiscal 2008 included approximately $1.4 million in charges related to the write-off of goodwill and intangible assets.

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 2007 and during the first forty weeks of fiscal 2008. 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 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.

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Results of Operations For the Sixteen and Forty Weeks Ended August 29, 2008, Compared to the Sixteen and Forty Weeks Ended August 31, 2007

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

	Sixteen Weeks Ended		Forty Weeks Ended	
	August 29, 2008	August 31, 2007	August 29, 2008	August 31, 2007
Revenues	100.0%	100.0%	100.0%	100.0%
Costs of services	66.2	62.1	66.7	62.5
Gross margin	33.8	37.9	33.3	37.5
Selling, general and administrative expenses	24.6	25.8	27.5	25.5
Income from operations	9.2	12.1	5.8	12.0
Interest income	0.7	1.2	0.9	1.5
Interest expense	(0.9)	(0.8)	(0.8)	(0.9)
Other income (expense)	0.5	(0.2)	0.3	(0.1)
Income before provision for income taxes and equity method investment gain (loss)	9.5	12.3	6.2	12.5
Provision for income taxes	(5.8)	(5.2)	(3.8)	(4.8)
Income before equity method investment gain (loss)	3.7	7.1	2.4	7.7
Equity method investment gain (loss), net of tax		(0.2)	(0.1)	(0.2)
Net income	3.7%	6.9%	2.3%	7.5%

Results of Operations Sixteen Weeks Ended August 29, 2008, Compared to Sixteen Weeks Ended August 29, 2007

Revenues. Revenues decreased $13.1 million, or 10.6%, to $111.2 million for the third quarter of fiscal 2008 from $124.3 million for the third quarter of fiscal 2007. Our revenue decline was in part due to the divesture of the majority of our Australian and New Zealand-based operations during the second quarter of fiscal 2008, which accounted for revenues of approximately $4.6 million during the third quarter of fiscal 2007. In addition, revenues of the global industrial consulting practice, formerly referred to as the chemicals and petroleum practice, declined by approximately $1.8 million as a result of the ongoing effect of the decline in revenues from our large Saudi Arabian contracts that occurred during the first quarter of fiscal 2008. In addition, we experienced revenue declines in some of our U.S. litigation practices, particularly in finance litigation, as a result of the completion of some large projects and a significant slowing of activity in some of our largest cases as clients tried to conserve costs during the current period of economic uncertainty.

Revenues from our litigation and applied economics platform decreased by more than 10% from the third quarter of fiscal 2007. More than half of this decrease was attributed to the divestiture of our underperforming competition practice in Australia that we reported last quarter. Our competition practice continues to be our largest practice in terms of revenue.

Revenues from our finance platform decreased by more than 30% from the third quarter of fiscal 2007 due to the conclusion or reduction in scale of some of our major projects during the third quarter of fiscal 2008. In several of our largest matters, the clients are putting work on hold and attempting to control costs during a very uncertain economic climate.

Our business consulting platform revenues increased by approximately 5% from the third quarter of fiscal 2007, reflecting increases in our life sciences practice, as well as some of our smaller practices

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including the metals practice, partially offset by decreases in our global industrial consulting and capital projects practices. Revenues for our global industrial consulting practice, which is our largest practice within the business consulting platform, decreased in fiscal 2008 compared to the prior year because we completed several long-running projects in the Middle East during the first quarter of fiscal 2008. We continue to work on replacing projects in the Middle East and revenues in our Europe and Middle East practice are recovering from the first quarter of fiscal 2008.

Overall, revenues outside of the U.S. represented approximately 21% of revenues for the third quarter of fiscal 2008, compared with approximately 26% of revenues for the third quarter of fiscal 2007. Internationally, revenues decreased primarily in our European and Middle Eastern global industrial consulting practice because several large, long-running Middle East projects declined more rapidly than expected. In addition, we divested or shut down the majority of our Australian and New Zealand-based operations during the second quarter of fiscal 2008.

The total number of employee consultants decreased to 692 at the end of the third quarter of fiscal 2008 from 767 at the end of the third quarter of fiscal 2007. The reduction in headcount includes the divestiture of the majority of the Australia and New Zealand-based operations, and the workforce reduction implemented during the second quarter of fiscal 2008 that was designed to address underperforming areas. Utilization was 71% for the third quarter of fiscal 2008 compared with 76% for the third quarter of fiscal 2007. Revenues derived from fixed-price engagements increased to 8.5% of revenues for the third quarter of fiscal 2008 from 5.9% for the third quarter of fiscal 2007.

Costs of Services. Costs of services decreased $3.6 million, or 4.7%, to $73.6 million for the third quarter of fiscal 2008 from $77.2 million for the third quarter of fiscal 2007. The decrease was due mainly to a decrease in client reimbursable expenses included in costs of services of $3.5 million, or 20.7%, to $13.5 million in the third quarter of fiscal 2008 from $17.0 million in the third quarter of fiscal 2007. The decrease is due primarily to decreases in services provided by non-employee experts. The decrease in cost of services is also due to the Australia and New Zealand divestiture we announced last quarter. These decreases were offset in part by the accrual for incentive compensation for the third quarter of fiscal 2008, which included $4.2 million in additional retention incentive bonus for key officers. As a percentage of revenues, costs of services increased to 66.2% for the third quarter of fiscal 2008, from 62.1% for the third quarter of fiscal 2007. Of the 4.1% increase as a percentage of revenues, 5.7% was due to increased compensation expense and related fringe costs for our employee consultants, offset partially by a 1.5% decrease in client reimbursable expenses as a percentage of revenues.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by $4.7 million, or 14.7%, to $27.4 million for the third quarter of fiscal 2008 from $32.1 million for the third quarter of fiscal 2007. The decrease is mainly due to a decrease in commissions to non-employee experts, recruiting expenses, travel expenses, and professional service fees. In addition, we had a decrease in our rent expenses that reflect the savings from our previously announced London and Palo Alto office consolidations, which was offset by the increased costs associated with the lease renewal for our Boston headquarters and our Chicago office move. Partially offsetting these decreases was approximately $0.5 million in compensation-related costs incurred in the third quarter of fiscal 2008 for support staff reductions. As discussed in prior quarters, we initiated a business process improvement review in order to reduce our selling, general and administrative expenses in a number of areas. Included in this review is an evaluation of our current administrative practices and infrastructure. The objective is to identify opportunities for further cost reductions, including reductions through changes in our travel policies and procurement methods, as well as other adjustments. We have seen the effects of our cost-cutting initiatives in the third quarter of fiscal 2008 as our operating expenses decreased compared to the third quarter of fiscal 2007.

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As a percentage of revenues, selling, general, and administrative expenses decreased to 24.6% for the third quarter of fiscal 2008 from 25.8% for the third quarter of fiscal 2007. The 1.2% decrease as a percentage of revenues was primarily due to a 1.3% decrease in travel and recruiting expenses and 1.0% decrease commissions to non-employee experts, partially offset by a 1.1% increase in compensation expense.

Interest Income. Interest income decreased by $0.8 million to $0.8 million for the third quarter of fiscal 2008 from $1.5 million for the third quarter of fiscal 2007. This decrease was due primarily to lower interest rates.

Interest Expense. Interest expense was $1.0 million for the sixteen weeks ended August 29, 2008 and August 31, 2007. Interest expense primarily represents interest incurred on our 2.875%, $90.0 million convertible debt, and the amortization of debt issuance costs.

Other Income (Expense). Other income (expense) increased by $0.9 million to income of $0.7 million for the third quarter of fiscal 2008 from an expense of $0.2 million for the third quarter of fiscal 2007. Other income (expense) consists primarily of foreign currency exchange transaction gains and losses. The gain in the third quarter of fiscal 2008 was principally the result of recording a cumulative foreign currency exchange gain of $0.7 million as income related to the substantial liquidation of our New Zealand 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 $6.5 million for the third quarter of fiscal 2008, a decrease of $48,000 from the third quarter of fiscal 2007. Our effective income tax rate increased to 60.9% for the third quarter of fiscal 2008 from 42.6% for the third quarter of fiscal 2007. The higher effective tax rate during the third quarter of fiscal 2008 was due to losses in foreign locations that resulted in a lower tax benefit or provided no tax benefit.

Equity Method Investment Gain (Loss), Net of Tax. We record our share in the income or losses of NeuCo as equity method investment gain (loss) in the statements of income. Our equity method investment gain (loss) increased by $0.2 million to a gain of $7,000 for the third quarter of fiscal 2008 from a loss of $0.2 million for the third quarter of fiscal 2007.

Net Income. Net income decreased by $4.4 million to $4.2 million for the third quarter of fiscal 2008 from $8.6 million for the third quarter of fiscal 2007. The decrease in net income is due primarily to the decrease in revenue. Diluted net income per share decreased to $0.39 per share for the third quarter of fiscal 2008 from $0.72 per share for the third quarter of fiscal 2007. Diluted weighted average shares outstanding decreased by approximately 1,191,000 shares to approximately 10,764,000 shares for the third quarter of fiscal 2008 from approximately 11,955,000 shares for the third quarter of fiscal 2007. The decrease in diluted weighted average shares outstanding for fiscal 2008 is primarily a result of repurchases of common stock under our share repurchase programs and a decrease in common stock equivalents from employee stock option and restricted share awards and shares underlying our convertible debt.

Results of Operations Forty Weeks Ended August 29, 2008 Compared to Forty Weeks Ended August 31, 2007

Revenues. Revenues decreased $4.8 million, or 1.6%, to $291.1 million for the forty weeks ended August 29, 2008 from $295.9 million for the forty weeks ended August 31, 2007. Our revenue decline was in part due to the divestiture or shutting down of the majority of our Australian and New Zealand-based operations during the second quarter of fiscal 2008. The divested operations generated approximately $12 million of revenue during the fifty-two weeks ended November 24, 2007. In addition, revenues of the global industrial consulting practice declined by approximately $4.1 million as a result of the ongoing effect of the decline in revenues from our large Saudi Arabian contracts that occurred during the first quarter of fiscal 2008. These declines were offset by increases in our litigation and applied economics platform, and increased billing rates for our employee consultants, which were in effect at the beginning of the first quarter of fiscal 2008.

Our litigation and applied economics platform grew approximately 5% from the forty weeks ended August 31, 2007. This increase was driven by a greater demand for our services primarily in our competition practice and the new labor and employment practice, as well as increased billing rates for our employee consultants. Our competition practice continues to be our largest practice in terms of revenue.

Revenues for our finance platform decreased by approximately 15% from the forty weeks ended August 31, 2007 due to a decrease in U.S. finance litigation and forensic practice revenue. The decrease in forensic practice revenue was attributable to our decision earlier this year to divest certain non-core components of this business and the effect of reducing headcount in underperforming locations.

Revenues for our business consulting platform were approximately the same in the forty weeks ended August 29, 2008 and August 31, 2007 reflecting declines in our global industrial consulting, capital projects, and energy and environment practices, offset by increases in our life sciences, metals, and aerospace and defense practices. Revenues for our global industrial consulting practice, which is our largest practice within the business consulting platform, declined in the forty weeks ended August 29, 2008 compared to the forty weeks ended August 31, 2007 because we completed several long-running projects in the Middle East during the first quarter of fiscal 2008. We continue to work on replacing projects in the Middle East and revenues in our Europe and Middle East practice is recovering from the first quarter of fiscal 2008.

Overall, revenues outside of the U.S. represented approximately 22% of total revenues for the forty weeks ended August 31, 2008, compared with 27% of total revenues for the forty weeks ended August 31, 2007. Internationally, revenues decreased primarily in our European and Middle Eastern global industrial consulting practice because several large, long-running Middle East projects declined more rapidly than expected. In addition, we divested or shut down the majority of our Australian and New Zealand-based operations during the second quarter of fiscal 2008, which generated approximately $12 million of revenue during the fifty-two weeks ended November 24, 2007.

Utilization was 72% for the forty weeks ended August 29, 2008 compared with 76% for the forty weeks ended August 31, 2007. Revenues derived from fixed-price engagements increased to 7.8% of total revenues for the forty weeks ended August 29, 2008 compared with 5.9% for the forty weeks ended August 31, 2007.

Costs of Services. Costs of services increased $9.0 million, or 4.9%, to $194.1 million for the forty weeks ended August 29, 2008 from $185.1 million for the forty weeks ended August 31, 2007. The increase was due mainly to an increase in compensation expense for our employee consultants of $7.6 million or 3.4%. The increase includes $5.5 million in incentive bonus that was accrued as additional retention incentive for key officers, salary increases since the prior year, and approximately $2.9 million in employee separation and other compensation costs related to the workforce reduction completed during the first twenty-four weeks of fiscal 2008, offset partially by a decrease in compensation due to a decrease in the average number of employee consultants. Client reimbursable expenses included in costs of services increased $1.4 million, or 3.8%, to $38.2 million for the forty weeks ended August 29, 2008 from $36.8 million for the forty weeks ended August 31, 2007. As a percentage of revenues, cost of services increased to 66.7% for the forty weeks ended August 29, 2008 from 62.5% for the forty weeks ended August 31, 2007. Of the 4.1% increase as a percentage of

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revenues, 3.4% was due primarily to restructuring charges and increased compensation expense and related fringe costs for our employee consultants, which increased at greater rates than revenues, and 0.7% was due to an increase in client reimbursable expenses.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased by $4.8 million, or 6.3%, to $80.1 million for the forty weeks ended August 29, 2008 from $75.4 million for the forty weeks ended August 31, 2007. The increase is largely due to $6.9 million in employee separation costs, office closure cost, and the divestiture of the majority of our Australia and New Zealand-based operations included in selling, general and administrative expenses in the forty weeks ended August 29, 2008. The increase is partially offset by a decrease in recruiting and travel expenses. As a percentage of revenues, selling, general, and administrative expenses increased to 27.5% for the forty weeks ended August 29, 2008 from 25.5% for the forty weeks ended August 31, 2007. The increase was due primarily to employee separation costs, office closure costs, and the divestiture of the majority of our Australia and New Zealand-based operations and the increase in rent expense as a percentage of revenue, offset partially by decreases in travel and recruiting expenses and commissions to non-employee experts as a percentage of revenue.

Interest Income. Interest income decreased by $1.9 million to $2.6 million for the forty weeks ended August 29, 2008 from $4.5 million for the forty weeks ended August 31, 2007. This decrease was mainly due to lower cash balances, primarily as a result of our share repurchase program, and lower interest rates.

Interest Expense. Interest expense remained flat at $2.5 million for the forty weeks ended August 29, 2008 and August 31, 2007. Interest expense primarily represents interest incurred on our 2.875%, $90 million convertible debt, and the amortization of debt issuance costs.

Other Income (Expense). Other income was $0.9 million for the forty weeks ended August 29, 2008 versus other expense of $0.5 million for the forty weeks ended August 31, 2007. Other income (expense) consists primarily of foreign currency exchange transaction gains and losses. The gain in the forty weeks ended August 29, 2008 was largely attributable to recording the cumulative foreign currency exchange gain of $0.7 million as income due to the substantial liquidation of our New Zealand 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 $11.1 million for the forty weeks ended August 29, 2008, a decrease of $3.1 million from the forty weeks ended August 31, 2007. Our effective income tax rate increased to 61.8% for the first forty weeks of fiscal 2008 from 38.3% for the first forty weeks of fiscal 2007. The higher effective tax rate during the forty weeks ended August 29, 2008 was primarily due to losses in foreign locations that resulted in a lower tax benefit or provided no tax benefit, and additional tax associated with the divestiture of the New Zealand operations. The lower effective tax rate during the forty weeks ended August 31, 2007 was due primarily to the signing of an advance pricing agreement we entered into with the Internal Revenue Service on May 11, 2007, in connection with intercompany transfer pricing arrangements beginning in fiscal 2004. As a result of the agreement, we reduced our income tax contingency reserves, resulting in an income tax benefit of $1.8 million.

Equity Method Investment Gain (Loss), Net of Tax. We record our share in the income or losses of NeuCo as equity method investment gain (loss) in the statements of income. The equity method investment loss decreased by $0.4 million to $0.1 million for the forty weeks ended August 29, 2008 from $0.5 million for the forty weeks ended August 31, 2007.

Net Income. Net income decreased by $15.5 million, or 69.6%, to $6.8 million for the forty weeks ended August 29, 2008 from $22.3 million for the forty weeks ended August 31, 2007. The decrease in net income is due primarily to the charges related to employee separation, office closures, and the divestiture of the majority of our Australia and New Zealand-based operations, as well as a decrease in revenue. Diluted net income per share decreased 65.7% to $0.62 per share for the forty weeks ended August 29, 2008 from $1.81 per share for the forty weeks ended August 31, 2007. Net income decreased at a greater rate than diluted net income per share because diluted weighted average shares outstanding decreased 1,344,000 shares, or 10.9%, to approximately 10,978,000 shares for the forty weeks ended August 31, 2008 from approximately 12,322,000 shares for the forty weeks ended August 31, 2007. The decrease in diluted weighted average shares outstanding for fiscal 2008 is primarily due to 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 CRA's convertible debt, partially offset by stock issued due to stock option exercises.

Liquidity and Capital Resources

General. In the forty weeks ended August 29, 2008, we had a net increase in cash and cash equivalents of $12.9 million. We completed the quarter with cash and cash equivalents of $113.5 million, and working capital (defined as current assets less current liabilities) of $159.6 million. Subsequent to August 29, 2008, due to recent activity in the U.S. financial markets which has created uncertainty in the stability of investments, we moved a portion of our investment portfolio into more conservative investments, such as Treasury bills. As a result, our overall yield on our investments may decline in the short-term.

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.

Sources and Uses of Cash in the forty weeks ended August 29, 2008. During the first forty weeks of fiscal 2008, net cash provided by operations was $33.1 million. The sources of cash in operations included net income of $6.8 million, which included depreciation and amortization expense of $7.2 million, share-based compensation expense of $5.4 million, losses on the disposal of property and equipment of $2.1 million, and the write down of goodwill and intangible assets of $1.4 million. Other sources of cash were decreases in accounts receivable of $18.3 million, unbilled services of $6.5 million, deferred income taxes of $4.9 million, and deferred rent of $3.5 million. The sources of cash in operations were offset by uses of cash including decreases in accounts payable, accrued expenses, and other liabilities of $15.3 million and an increase in prepaid expenses and other assets of $7.0 million.

We used $10.1 million of net cash from investing activities for the first forty weeks of fiscal 2008, which included $7.8 million for capital expenditures, $3.8 million for payments on notes receivables, and $1.7 million for the payment of additional consideration relating to acquisitions. The additional consideration was earned and recorded as an addition to goodwill during fiscal 2007 and fiscal 2008. These payments were partially offset by $1.8 million in dividends received for our investment in NeuCo and $1.4 million in proceeds from divesting the majority of our Australian-based operations.

We used $10.1 million of net cash from financing activities for the first forty weeks of fiscal 2008. Cash used in financing activities was primarily used to repurchase 369,047 shares of our common stock for approximately $11.8 million in cash. In June 2007, we announced that our Board of Directors authorized a multi-year share repurchase program of up to a total of 1,500,000 shares of our common stock. We have now repurchased 1,284,282 of the shares authorized by the 1,500,000 share repurchase program. The common stock repurchases were partially offset by proceeds from the exercise of stock options of $2.2 million.

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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 $1.3 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 August 29, 2008, 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 fourth quarter of fiscal 2008. This test is repeated each fiscal quarter. 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 August 29, 2008, we have classified the $90.0 million convertible debt as long-term debt as of August 29, 2008, 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 years. 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.

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 expanded facility will allow us to continue to classify up to $90.0 million of our convertible debentures as long-term debt, rather than short-term, and will give us additional flexibility to meet any unforeseen financial requirements. There were no amounts outstanding under this line of credit as of August 29, 2008, and the line of credit then available was $84.7 million, reduced for letters of credit 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 by 65% of the stock of certain of our foreign subsidiaries, amounting to net assets of approximately $92.4 million as of August 29, 2008.

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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 August 29, 2008, 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 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. Through the third quarter of fiscal 2008, 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.

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, Australian dollar, 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. Based on currency exposures existing at August 29, 2008, 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. During the third quarter of fiscal 2008, we entered into a forward contract to mitigate the cash and income statement impact of fluctuations in a foreign currency. At August 29, 2008, we held a forward exchange contract of $2.8 million to hedge a short term loan receivable in a foreign currency that settled subsequent to the third quarter of fiscal 2008. At August 29, 2008, the net gain recognized on the forward foreign exchange contract amounted to $17,000, and was recorded in earnings and prepaid and other assets on the condensed consolidated financial statements.

Interest Rate Risk

We maintain an investment portfolio consisting mainly of investment grade money market funds, corporate obligations and government obligations with a weighted average maturity of less than one year. 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 August 29, 2008 primarily due to their short maturity and our intent to hold the securities to maturity. There have been no significant changes since November 24, 2007.

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 third quarter of fiscal 2008, 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.

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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.

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.

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 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 86% of our revenues in fiscal 2007 and approximately 87% in fiscal 2006, excluding reimbursable expenses. Our top five employee consultants generated approximately 11% and 18% of our revenues in fiscal 2007 and fiscal 2006, 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.

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Our failure to manage growth successfully could adversely affect our revenues and results of operations

Any failure on our part to manage growth successfully could adversely affect our revenues and results of operations. Over the last several years, we have opened offices in new geographic areas, including foreign locations, and expanded our employee base as a result of internal growth and acquisitions, and we may continue to do so in the future. 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. New responsibilities and demands may adversely affect the overall quality of our work.

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;
- 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;
- difficulties in integrating diverse corporate cultures; and
- additional conflicts of interests.

Our international operations create special risks

We may continue our international expansion, and our international revenues may account for an increasing portion of our revenues in the future. 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;
- 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 continue to increase relative to our total revenues, these factors could have a more pronounced effect on our operating results.

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.

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.

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 and applied economics 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.

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 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.

We depend on our antitrust and mergers and acquisitions consulting business

We derived approximately 26% of our revenues in fiscal 2007, 27% of our revenues in fiscal 2006, and 28% of our revenues in fiscal 2005 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. We derived significant revenues from engagements relating to enforcement of U.S. antitrust laws. Changes in federal antitrust laws, changes in judicial interpretations of these laws, or less vigorous enforcement of these laws as a result of changes in political appointments or priorities or for other reasons could substantially reduce our revenues from engagements in this area. In addition, 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 and the U.S. Federal Trade Commission. An economic slowdown may have an adverse effect on mergers and acquisitions activity, which would reduce the number and scope of our engagements in this practice area. Any such downturn would adversely affect 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 2007 and fiscal 2006, six of our exclusive non-employee experts generated engagements that accounted for approximately 11% and 7% 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.

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As of November 24, 2007, we had restrictive covenant contracts, which in some cases include non-competition agreements, with 48 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.

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.

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:

- 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;
- 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 related to our investment in NeuCo, Inc., including charges for other-than-temporary declines in the fair value of our investment in 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;
- severe weather conditions and other factors affecting employee productivity; and
- collectibility of receivables and unbilled work in process.

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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.

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 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. 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 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 or otherwise breached our obligations to the client could expose us to significant liabilities and tarnish our reputation.

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 11% of our revenues in fiscal 2007, 14% in fiscal 2006, and 12% in fiscal 2005. Our ten largest clients accounted for approximately 19% of our revenues in fiscal 2007 and fiscal 2006, and 20% in fiscal 2005. 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.

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

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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.

We enter into fixed-price engagements

We derive a portion of our revenues from fixed-price contracts. In fiscal 2007 and fiscal 2006, we derived 6.6% and 5.3% 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. 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.

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 9 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 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 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 $90.0 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 clients may be unable to pay us for our services

Our clients include some companies that may from time to time encounter financial difficulties. 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

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all of the amount we received, which could adversely affect our financial condition and results of operations.

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.

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 September 1, 2007, to August 29, 2008, the trading price of our common stock ranged from a high of $53.99 per share to a low of $22.11 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 Interpretation No. 48 and Financial Accounting Standards Board No. Staff Position Accounting Principles Board Opinion 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.

Our debt obligations may adversely impact our financial performance

In June and July of 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 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. Because the closing price of our common stock did not equal or exceed the $50 per share contingent conversion trigger price for 20 out of the 30 consecutive trading days ended on August 29, 2008, holders of the debentures are not able to exercise their right to convert the bonds during our fourth fiscal quarter ending on November 29, 2008. This test is repeated each fiscal quarter. To date, no conversions have occurred. On June 20, 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 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 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) On July 9, 2008, we issued an aggregate of 5,090 shares of our common stock to the former shareholders of Lee & Allen Consulting Limited as a result of the achievement of certain milestones related to our acquisition of Lee & Allen. We relied on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, for transaction by an issuer not involving any public offering.

On August 15, 2008, we issued an aggregate of 9,956 shares of our common stock to the former shareholders of Economics of Competition and Litigation Limited, or ECL, as a result of the achievement of certain milestones related to our acquisition of ECL. We relied on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, for transaction by an issuer not involving any public offering.

(b) Not applicable.

(c) The following table provides information about our repurchases of shares of our common stock during the sixteen weeks ended August 29, 2008. 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 four 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(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
May 10, 2008, to June 6, 2008				215,718
June 7, 2008, to July 4, 2008	2,790(2),(3)	$ 39.22(2),(3)		215,718
July 5, 2008, to August 1, 2008	1,222(2)	$ 36.83(2)		215,718
August 2, 2008, to August 29, 2008				215,718

(1) 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 third quarter of fiscal 2008. As of August 29, 2008, 215,718 shares of our common stock remain available for repurchase under this plan.

(2) During the indicated periods, we accepted 2,794 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.

(3) During the indicated period, we repurchased 1,218 shares of our common stock from one of our non-employee experts, based on the contractual right of first purchase contained in the non-employee expert's consulting agreement with us.

ITEM 3. Defaults Upon Senior Securities

None.

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

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Item No.	Description
10.1	Seventeenth Amendment to Lease dated as of February 6, 2008 by and between 100 & 200 Clarendon LLC and CRA International, Inc. (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed on August 4, 2008).
10.2	Eighteenth Amendment to Lease dated as of July 29, 2008 by and between 100 & 200 Clarendon LLC and CRA International, Inc. (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K filed on August 4, 2008).
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: October 3, 2008	By:	/s/ JAMES C. BURROWS
		James C. Burrows *President, Chief Executive Officer*
Date: October 3, 2008	By:	/s/ WAYNE D. MACKIE
		Wayne D. Mackie *Executive Vice President, Treasurer, Chief Financial Officer*

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31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification