

CRA INTERNATIONAL, INC.  
Form 10-Q  
May 09, 2013

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 30, 2013

or

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

Commission file number: 000-24049

**CRA International, Inc.**

(Exact name of registrant as specified in its charter)

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

**04-2372210**  
(I.R.S. Employer Identification No.)

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

**02116-5092**  
(Zip Code)

**(617) 425-3000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

| Class                                | Outstanding at May 3, 2013 |
|--------------------------------------|----------------------------|
| Common Stock, no par value per share | 10,176,006 shares          |

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**CRA International, Inc.**

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CRA International, Inc.****Condensed Consolidated Income Statements (unaudited)***(In thousands, except per share data)*

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 30,<br>2013 | March 31,<br>2012 |
| Revenues  | \$ 63,130         | \$ 69,132         |
| Costs of services   | 42,015            | 46,487            |
| Gross profit  | 21,115            | 22,645            |
| Selling, general and administrative expenses                  | 15,800            | 17,867            |
| Depreciation and amortization                                 | 1,541             | 1,472             |
| Income from operations  | 3,774             | 3,306             |
| Interest income   | 61                | 66                |
| Interest expense  | (67)              | (80)              |
| Other expense, net  | (391)             | (39)              |
| Income before provision for income taxes                      | 3,377             | 3,253             |
| Provision for income taxes                                    | (542)             | (2,817)           |
| Net income  | 2,835             | 436               |
| Net loss attributable to noncontrolling interest, net of tax  | 134               | 83                |
| Net income attributable to CRA International, Inc.            | \$ 2,969          | \$ 519            |
| Net income per share attributable to CRA International, Inc.: |                   |                   |
| Basic   | \$ 0.30           | \$ 0.05           |
| Diluted   | \$ 0.29           | \$ 0.05           |
| Weighted average number of shares outstanding:                |                   |                   |
| Basic   | 9,994             | 10,316            |
| Diluted   | 10,084            | 10,493            |

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Statements of Comprehensive Income (unaudited)***(In thousands)*

|  | <b>Quarter Ended</b>      |                           |
|--|---------------------------|---------------------------|
|  | <b>March 30,<br/>2013</b> | <b>March 31,<br/>2012</b> |
| Net income   | \$ 2,835                  | \$ 436                    |
| Other comprehensive income (loss):                               |                           |                           |
| Foreign currency translation adjustments                         | (1,457)                   | 1,717                     |
| Comprehensive income   | 1,378                     | 2,153                     |
| Less: comprehensive loss attributable to noncontrolling interest | 134                       | 83                        |
| Comprehensive income attributable to CRA International, Inc.     | \$ 1,512                  | \$ 2,236                  |

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Balance Sheets (unaudited)***(In thousands, except share data)*

|  | March 30,<br>2013 | December 29,<br>2012 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| Current assets:  |                   |                      |
| Cash and cash equivalents  | \$ 30,590         | \$ 55,451            |
| Accounts receivable, net of allowances of \$10,959 at March 30, 2013 and \$9,459 at December 29, 2012  | 54,273            | 56,083               |
| Unbilled services  | 24,847            | 21,187               |
| Prepaid expenses and other assets  | 17,979            | 23,001               |
| Deferred income taxes  | 15,141            | 15,955               |
| <br>   |                   |                      |
| Total current assets   | 142,830           | 171,677              |
| Property and equipment, net  | 17,868            | 17,980               |
| Goodwill   | 75,507            | 70,765               |
| Intangible assets, net of accumulated amortization of \$7,229 at March 30, 2013 and \$7,122 at December 29, 2012   | 5,435             | 1,834                |
| Deferred income taxes, net of current portion  | 5,350             | 8,083                |
| Other assets   | 57,016            | 21,671               |
| <br>   |                   |                      |
| Total assets   | \$ 304,006        | \$ 292,010           |
| <b>Liabilities and shareholders' equity</b>  |                   |                      |
| Current liabilities:   |                   |                      |
| Accounts payable   | \$ 10,655         | \$ 9,766             |
| Accrued expenses   | 36,879            | 45,305               |
| Deferred revenue and other liabilities   | 6,323             | 6,748                |
| Deferred income taxes  | 263               | 1,145                |
| Current portion of deferred rent   | 2,379             | 2,268                |
| Current portion of notes payable   | 704               | 691                  |
| Current portion of deferred compensation   | 25,216            | 3,287                |
| <br>   |                   |                      |
| Total current liabilities  | 82,419            | 69,210               |
| Notes payable, net of current portion  | 997               | 1,007                |
| Deferred rent and other non-current liabilities  | 4,921             | 5,608                |
| Deferred compensation and other non-current liabilities  | 236               | 2,676                |
| Deferred income taxes, net of current portion  | 1,325             | 1,275                |
| 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; 10,082,496 shares and 10,057,448 shares issued and outstanding at March 30, 2013 and December 29, 2012, respectively | 93,546            | 93,174               |
| Receivables from shareholders  |                   | (120)                |
| Retained earnings  | 125,579           | 122,610              |
| Accumulated other comprehensive loss   | (5,845)           | (4,388)              |
| <br>   |                   |                      |
| Total CRA International, Inc. shareholders' equity   | 213,280           | 211,276              |
| Noncontrolling interest  | 828               | 958                  |
| <br>   |                   |                      |
| Total shareholders' equity   | 214,108           | 212,234              |

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|  |            |            |
|--|------------|------------|
| Total liabilities and shareholders' equity | \$ 304,006 | \$ 292,010 |
|--|------------|------------|

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Statements of Cash Flows (unaudited)***(In thousands)*

|   | <b>Quarter Ended</b>      |                           |
|---|---------------------------|---------------------------|
|   | <b>March 30,<br/>2013</b> | <b>March 31,<br/>2012</b> |
| <b>Operating activities:</b>  |                           |                           |
| Net income  | \$ 2,835                  | \$ 436                    |
| Adjustments to reconcile net income to net cash used in operating activities, net of effect of acquired business: |                           |                           |
| Depreciation and amortization   | 1,511                     | 1,477                     |
| Deferred rent   | (526)                     | (99)                      |
| Deferred income taxes   | 53                        | 180                       |
| Share-based compensation expenses   | 480                       | 1,527                     |
| Excess tax benefits from share-based compensation   | (5)                       | (37)                      |
| Accounts receivable allowances  | 1,743                     | 1,775                     |
| Changes in operating assets and liabilities, exclusive of acquisitions:   |                           |                           |
| Accounts receivable   | 8,358                     | 12,036                    |
| Unbilled services   | (3,943)                   | (19,031)                  |
| Prepaid expenses and other assets   | (6,566)                   | (556)                     |
| Accounts payable, accrued expenses, and other liabilities   | (11,842)                  | (18,793)                  |
| Net cash used in operating activities   | (7,902)                   | (21,085)                  |
| <b>Investing activities:</b>  |                           |                           |
| Consideration relating to acquisitions, net   | (15,731)                  |                           |
| Purchase of property and equipment  | (1,174)                   | (673)                     |
| Purchase of investments   |                           | (9,494)                   |
| Sale of investments   |                           | 14,495                    |
| Net cash provided by (used in) investing activities   | (16,905)                  | 4,328                     |
| <b>Financing activities:</b>  |                           |                           |
| Issuance of common stock, principally stock option exercises  | 119                       | 316                       |
| Tax withholding payment reimbursed by restricted shares   | (194)                     | (719)                     |
| Excess tax benefits from share-based compensation   | 5                         | 37                        |
| Repurchase of common stock  |                           | (3,050)                   |
| Net cash used in financing activities   | (70)                      | (3,416)                   |
| Effect of foreign exchange rates on cash and cash equivalents   | 16                        | 148                       |
| Net decrease in cash and cash equivalents   | (24,861)                  | (20,025)                  |
| Cash and cash equivalents at beginning of period  | 55,451                    | 61,587                    |
| Cash and cash equivalents at end of period  | \$ 30,590                 | \$ 41,562                 |
| <b>Supplemental cash flow information:</b>  |                           |                           |
| Cash paid for income taxes  | \$ 1,080                  | \$ 4,901                  |
| Cash paid for interest  | \$ 55                     | \$ 56                     |

See accompanying notes to the condensed consolidated financial statements





Table of Contents**CRA International, Inc.****Condensed Consolidated Statement of Shareholders' Equity (unaudited)***(In thousands, except share data)*

|   | Common Stock |           | Receivables  | Retained   | Accumulated   | CRA         | Noncontrolling | Total         |
|---|--------------|-----------|--------------|------------|---------------|-------------|----------------|---------------|
|   | Shares       | Amount    | from         | Earnings   | Other         | Inc.        | Interest       | Shareholders' |
|   | Issued       |           | Shareholders |            | Comprehensive | Shareholder |                | Equity        |
|   |              |           |              |            | Loss          | Equity      |                | Equity        |
| <b>BALANCE AT DECEMBER 29, 2012</b>                                 | 10,057,448   | \$ 93,174 | \$ (120)     | \$ 122,610 | \$ (4,388)    | \$ 211,276  | \$ 958         | \$ 212,234    |
| Net income  |              |           |              | 2,969      |               | 2,969       | (134)          | 2,835         |
| Foreign currency translation adjustment                             |              |           |              |            | (1,457)       | (1,457)     |                | (1,457)       |
| Exercise of stock options   | 8,389        | 119       |              |            |               | 119         |                | 119           |
| Share-based compensation expense for employees                      |              | 439       |              |            |               | 439         |                | 439           |
| Restricted share vesting  | 25,338       |           |              |            |               |             |                |               |
| Redemption of vested employee restricted shares for tax withholding | (8,679)      | (194)     |              |            |               | (194)       |                | (194)         |
| Tax deficit on stock options and restricted shares vesting          |              | (33)      |              |            |               | (33)        |                | (33)          |
| Payments received on notes receivable from shareholders             |              |           | 120          |            |               | 120         |                | 120           |
| Share-based compensation expense for non-employees                  |              | 41        |              |            |               | 41          |                | 41            |
| Equity transactions of noncontrolling interest                      |              |           |              |            |               |             | 4              | 4             |
| <b>BALANCE AT MARCH 30, 2013</b>                                    | 10,082,496   | \$ 93,546 | \$           | \$ 125,579 | \$ (5,845)    | \$ 213,280  | \$ 828         | \$ 214,108    |

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 consulting services firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers its services in two broad areas: litigation, regulatory and financial consulting and management consulting. CRA operates in one business segment, which is consulting services. CRA operates its business under its registered trade name, Charles River Associates.

**2. Unaudited Interim Condensed Consolidated Financial Statements and Estimates**

The following financial statements included in this report are unaudited: the condensed consolidated income statements for the fiscal quarters ended March 30, 2013 and March 31, 2012, the condensed consolidated statements of comprehensive income for the fiscal quarters ended March 30, 2013 and March 31, 2012, the condensed consolidated balance sheet as of March 30, 2013, the condensed consolidated statements of cash flows for the fiscal quarters ended March 30, 2013 and March 31, 2012, and the condensed consolidated statement of shareholders' equity for the fiscal quarter ended March 30, 2013. 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 condensed consolidated balance sheet as of December 29, 2012 included in this report was derived from audited consolidated financial statements included in the Company's Annual Report on Form 10-K that was filed on March 8, 2013.

The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. ("U.S. GAAP") 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, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, 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.

The condensed consolidated statements of cash flows for the fiscal quarter ended March 31, 2012 has been adjusted to properly present the noncash component related to the Company's change in accounts receivable. These amounts were previously presented on a net basis. This revision is not material to the Company's consolidated financial statements taken as a whole.

**3. Principles of Consolidation**

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. In addition, the condensed consolidated financial statements include the

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**CRA International, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(Unaudited)**

**3. Principles of Consolidation (Continued)**

Company's interest in NeuCo, Inc. ("NeuCo"). All significant intercompany accounts have been eliminated.

CRA's ownership interest in NeuCo constitutes control under U.S. GAAP for all periods presented. Therefore, NeuCo's financial results have been consolidated with CRA and the portion of NeuCo's results allocable to its other owners is shown as "noncontrolling interest."

NeuCo's interim reporting schedule is based on calendar month-ends, but its fiscal year end is the last Saturday of November. CRA's quarterly results could include a few days reporting lag between CRA's quarter end and the most recent financial statements available from NeuCo. CRA does not believe that the reporting lag will have a significant impact on CRA's consolidated income statements or financial condition.

**4. Recent Accounting Standards**

*Comprehensive Income*

In February 2013, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 requires an entity disclose in a single location (either on the face of the financial statement that reports net income or in the notes) the effects of reclassifications out of accumulated other comprehensive income. For items reclassified out of accumulated other comprehensive income and into net income in their entirety, entities must disclose the effect of the reclassification on each affected net income item. For accumulated other comprehensive income reclassification items that are not reclassified in their entirety into net income, entities must provide a cross reference to other required U.S. GAAP disclosures. There is no change in the requirement to present the components of net income and other comprehensive income in either a single continuous statement or two separate consecutive statements. ASU 2013-02 does not change the items currently reported in other comprehensive income. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012 and should be applied prospectively. The Company's adoption of ASU 2013-02 in the first quarter of fiscal 2013 had no impact on its financial position, results of operations, cash flows, or disclosures.

*Cumulative Translation Adjustment*

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. ASU 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively. Early adoption is permitted. The Company believes the adoption of ASU 2013-05 will have no impact on its financial position, results of operations, cash flows, or disclosures.

Table of Contents**CRA International, Inc.****Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****5. Cash Equivalents**

Cash equivalents consist principally of funds holding only U.S. government obligations, and money market funds, with maturities of three months or less when purchased. As of March 30, 2013, a substantial portion of the Company's cash accounts was concentrated at a single financial institution, which potentially exposes the Company to credit risks. As of March 30, 2013, the financial institution has "stable" credit ratings and the Company has not experienced any losses related to such accounts. The short-term credit rating is A-1 by Standard & Poor's ratings services. The Company does not believe that there is significant risk of non-performance by the financial institution and the Company's cash on deposit at this financial institution is fully liquid. The Company continually monitors the credit ratings of the institution.

The carrying amounts of the Company's instruments classified as cash equivalents are stated at amortized cost, which approximates fair value because of their short-term maturity.

**6. Prepaid Expenses and Other Assets, and Other Assets**

Prepaid expenses and other assets consist of the following (in thousands):

|   | <b>March 30,<br/>2013</b> | <b>December 29,<br/>2012</b> |
|---|---------------------------|------------------------------|
| Forgivable loans and term loans to employees and non-employee experts | \$ 5,194                  | \$ 11,875                    |
| Income taxes receivable   | 5,382                     | 4,104                        |
| Prepaid insurance   | 1,717                     | 1,330                        |
| Subscriptions and licenses  | 1,477                     | 1,395                        |
| Prepaid rent and deposits   | 773                       | 968                          |
| Other   | 3,436                     | 3,329                        |
| <b>Total</b>  | <b>\$ 17,979</b>          | <b>\$ 23,001</b>             |

Other assets consist of the following (in thousands):

|   | <b>March 30,<br/>2013</b> | <b>December 29,<br/>2012</b> |
|---|---------------------------|------------------------------|
| Forgivable loans and term loans to employees and non-employee experts | \$ 53,230                 | \$ 17,364                    |
| Other   | 3,786                     | 4,307                        |
| <b>Total</b>  | <b>\$ 57,016</b>          | <b>\$ 21,671</b>             |

In order to attract and retain highly skilled professionals, the Company may issue forgivable loans or term loans to employees and non-employee experts which are classified in "prepaid expenses and other assets" and "other assets" on the accompanying balance sheets as of March 30, 2013 and December 29, 2012. A portion of the term loans are collateralized. The forgivable loans are unsecured with terms between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by the Company over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with the Company and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the

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**CRA International, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(Unaudited)**

**6. Prepaid Expenses and Other Assets, and Other Assets (Continued)**

loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. During the first quarter of fiscal 2013, the Company issued approximately \$9.9 million in forgivable loans to employees and non-employee experts for future service. As of March 30, 2013, the Company had obligations to issue approximately \$21.5 million in forgivable loans to employees and non-employee experts for future service, which are included in the \$53.2 million of such loans reported as of March 30, 2013 in the table above. The Company expects that the \$21.5 million in loans will be issued, and the corresponding payments will be made, in the second quarter of fiscal 2013.

Included in the \$21.5 million above are amounts that the Company has agreed to pay to certain employees of an acquired business based on specific performance targets achieved through fiscal 2012. Retention of amounts paid to the individual employees is contingent on their continued employment with us through 2016. The amount of the award, which was determined at the end of fiscal 2012, was approximately \$6.2 million and is being expensed over the seven and a half year service period ending in December 2016. Also included in the \$21.5 million above are additional awards in the aggregate amount of approximately \$3.8 million that were granted during the first quarter of fiscal 2013 to certain employees of the acquired business for future services and that will be expensed over the term of the loans, which is approximately four years from the date of issuance.

**7. Business Acquisition**

On January 31, 2013, the Company announced that an approximate 40-person litigation consulting team joined the Company, effective February 1, 2013. Under an agreement to hire the team, CRA accelerated the previously announced start dates of certain key personnel from May 2013. Under the terms of the transaction, CRA acquired certain intangible assets, accounts receivable, and certain client projects currently underway. The fair values of the assets acquired and the liabilities assumed as part of the acquisition will be finalized as CRA receives other information relevant to the acquisition and completes its analysis of other transaction-related costs. The acquisition was not material. The acquisition has been accounted for under the purchase method of accounting, and the results of operations have been included in the accompanying income statements from the date of acquisition.

**8. Goodwill**

In accordance with Accounting Standards Codification ("ASC") Topic 350, *"Intangibles - Goodwill and Other,"* goodwill is not subject to amortization, but is tested at least annually for impairment, or monitored more frequently, as necessary, if events or circumstances exist that would more likely than not reduce the Company's fair below its carrying amount. For the Company's goodwill impairment analysis, the Company operates under one reporting unit. In performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to its net book value to identify potential impairment. The Company estimates the entity-wide fair value utilizing its market capitalization, plus an appropriate control premium. The Company has utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If the Company determines through the impairment evaluation process that goodwill has been impaired, it would record the impairment charge in its consolidated income statements.

Table of Contents**CRA International, Inc.****Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****8. Goodwill (Continued)**

There were no impairment losses related to goodwill during each of the fiscal quarters ended March 30, 2013 and March 31, 2012, respectively, as there were no events or circumstances that would more likely than not reduce the Company's fair value below its carrying amount. When the Company performed its annual impairment test in the fourth quarter of fiscal 2012, its net book value exceeded its market capitalization plus an estimated control premium. Therefore, the Company was required to perform the second step of the goodwill impairment test, which resulted in a non-cash goodwill impairment charge of \$71.4 million that the Company recorded in the fourth quarter of fiscal 2012.

The Company continues to monitor its market capitalization. If the Company's market capitalization, plus an estimated control premium, is below its net book value for a period considered to be other-than-temporary, it is possible that the Company may be required to record an impairment of goodwill either as a result of the annual assessment that the Company conducts in the fourth quarter of each fiscal year, or in a future quarter if events or circumstances exist that would more likely than not reduce the Company's fair value below its carrying amount. A non-cash goodwill impairment charge would have the effect of decreasing the Company's earnings in such period.

The changes in the carrying amount of goodwill during the quarter ended March 30, 2013, are as follows (in thousands):

|   |            |
|---|------------|
| Goodwill, gross                             | \$ 142,658 |
| Accumulated impairment losses               | (71,893)   |
| Balance as of December 29, 2012, net        | 70,765     |
| Goodwill adjustments related to acquisition | 5,565      |
| Effect of foreign currency translation      | (823)      |
| Goodwill, gross                             | 147,400    |
| Accumulated impairment losses               | (71,893)   |
| Balance as of March 30, 2013, net           | \$ 75,507  |

**9. Accrued Expenses**

Accrued expenses consist of the following (in thousands):

|                                   | March 30,<br>2013 | December 29,<br>2012 |
|-----------------------------------|-------------------|----------------------|
| Compensation and related expenses | \$ 29,242         | \$ 40,329            |
| Income taxes payable              | 1,074             | 626                  |
| Other                             | 6,563             | 4,350                |
| Total                             | \$ 36,879         | \$ 45,305            |

As of March 30, 2013 and December 29, 2012, approximately \$14.4 million and \$28.0 million of accrued bonuses were included above in "Compensation and related expenses".

Table of Contents**CRA International, Inc.****Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****10. Senior Loan Agreement**

As of March 30, 2013, the Company was party to a senior loan agreement with RBS Citizens, N.A for a \$60.0 million revolving line of credit that provided CRA with the additional flexibility to meet any unforeseen financial requirements. On March 11, 2013, the Company entered into an amendment of the senior loan agreement, which extended the termination date of the agreement from April 30, 2014 to April 30, 2016. The amount available under this revolving line of credit was reduced by certain letters of credit outstanding, which amounted to \$0.4 million as of March 30, 2013. There was no amount outstanding under this revolving line of credit as of March 30, 2013. Under the senior loan agreement, the Company was obligated to comply with various financial and non-financial covenants. As of March 30, 2013, the Company was in compliance with the senior loan agreement.

Subsequent to March 30, 2013, the Company made borrowings under the revolving line of credit of approximately \$15.0 million and, on April 24, 2013, the Company entered into a new credit agreement as discussed further at Note 15.

**11. 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. 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 indirect fees based upon hours worked. Revenues from a majority of the Company's fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs.

Revenues also include reimbursable expenses, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. Reimbursable expenses are as follows (in thousands):

|                       | <b>Quarter Ended</b> |                  |
|-----------------------|----------------------|------------------|
|                       | <b>March 30,</b>     | <b>March 31,</b> |
|                       | <b>2013</b>          | <b>2012</b>      |
| Reimbursable expenses | \$ 7,658             | \$ 8,297         |

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 ASC Topic 605-45, "Principal Agent Considerations."

**12. Net Income per Share**

Basic net income per share represents net income divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents, if applicable, outstanding during the period. Common stock equivalents arise from stock options and unvested shares of restricted stock, using the treasury stock method. Under the treasury stock method, the amount the Company would receive on the exercise of stock options and the vesting of shares of restricted stock, the amount of compensation cost for future service that the Company has not yet recognized, and the



Table of Contents**CRA International, Inc.****Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****12. Net Income per Share (Continued)**

amount of tax benefits that would be recorded in common stock when these stock options and shares of restricted stock become deductible, are assumed to be used to repurchase shares at the average share price over the applicable fiscal period, and these repurchased shares are netted against the shares underlying these stock options and these unvested shares of restricted stock. A reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 30,<br>2013 | March 31,<br>2012 |
| Basic weighted average shares outstanding   | 9,994             | 10,316            |
| Common stock equivalents:                   |                   |                   |
| Stock options and restricted stock          | 90                | 177               |
| Diluted weighted average shares outstanding | 10,084            | 10,493            |

For the first quarters of fiscal 2013 and fiscal 2012, the anti-dilutive share based awards that were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding amounted to 1,142,624 and 1,237,495 shares, respectively. These share-based awards were anti-dilutive because their exercise price exceeded the average market price over the respective period.

On July 6, 2010, the Company announced that its Board of Directors approved a share repurchase program of up to \$5.0 million of the Company's common stock. On August 30, 2011, February 22, 2012 and August 10, 2012, the Board of Directors authorized the repurchase of up to an additional \$7.5 million, \$4.45 million, and \$5.0 million, respectively, of the Company's common stock under this program. During the first quarter of fiscal 2012, the Company repurchased 122,800 shares under this share repurchase program at an average price per share of \$24.87. During the first quarter of fiscal 2013, the Company did not repurchase any shares of its common stock under this program. There is approximately \$3.6 million available for future repurchases under this program as of March 30, 2013.

**13. Income Taxes**

The Company's effective income tax rates were 16.0% and 86.6% for the first quarter of fiscal 2013 and the first quarter of fiscal 2012, respectively. The effective tax rate in the first quarter of fiscal 2013 was lower than the Company's combined federal and state statutory tax rate due to the utilization of net operating loss carryforwards in the United Kingdom and a favorable tax settlement. The effective tax rate in the first quarter of fiscal 2012 was higher than the statutory rate primarily due to losses in foreign jurisdictions that provided no tax benefit.

Table of Contents**CRA International, Inc.****Notes to Condensed Consolidated Financial Statements (Continued)****(Unaudited)****14. Restructuring Charges**

The Company did not incur any restructuring charges during the first quarter of fiscal 2013. The restructuring reserve balance was as follows as of March 30, 2013 (in thousands):

|  | <b>Office<br/>Vacancies</b> | <b>Employee<br/>Workforce<br/>Reduction</b> | <b>Total<br/>Restructuring</b> |
|--|-----------------------------|---|--------------------------------|
| Balance at December 29, 2012   | \$ 2,106                    | \$ 873                                      | \$ 2,979                       |
| Amounts paid, net of amounts received, during the first quarter of fiscal 2013                 | (147)                       | (398)                                       | (545)                          |
| Adjustments and effect of foreign currency translation during the first quarter of fiscal 2013 | (177)                       | (6)   | (183)                          |
| Balance at March 30, 2013  | \$ 1,782                    | \$ 469                                      | \$ 2,251                       |

On the accompanying balance sheet as of March 30, 2013, the reserve balance of \$2.3 million was classified as follows: \$0.9 million in "deferred rent and other non-current liabilities," \$0.9 million in "current portion of deferred rent", and \$0.5 million in "accrued expenses."

During the first quarter of fiscal 2012, the Company incurred pre-tax expenses of \$0.5 million associated principally with vacant leased office space. The Company recorded this expense in the first quarter of fiscal 2012 in selling, general and administrative expenses for a change in the estimate of the future minimum lease payments and related exit costs through the end of the remaining lease term, net of expected future sublease rental income measured at fair value. 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 income.

The restructuring reserve balance was as follows as of March 31, 2012 (in thousands):

|  | <b>Office<br/>Vacancies</b> |
|--|-----------------------------|
| Balance at December 31, 2011   | \$ 3,737                    |
| Charges incurred in the first quarter of fiscal 2012                           | 545                         |
| Amounts paid, net of amounts received, during the first quarter of fiscal 2012 | (595)                       |
| Adjustments during the first quarter of fiscal 2012                            | 7                           |
| Balance at March 31, 2012  | \$ 3,694                    |

**15. Subsequent Events****New Credit Agreement**

On April 24, 2013, the Company entered into a new credit agreement that provides the Company with a \$125.0 million revolving credit facility. The Company may use the proceeds of the revolving credit loans to provide working capital and for other general corporate purposes. Upon entering into the agreement, the Company borrowed \$15.0 million under the revolving credit facility, which it used,

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**CRA International, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(Unaudited)**

**15. Subsequent Events (Continued)**

together with cash on hand, to repay in full all indebtedness outstanding under the previous credit agreement, whereupon such agreement was terminated. Additionally, letters of credit in the aggregate amount of approximately \$0.4 million that had been issued under the previous credit agreement were deemed to be issued and outstanding under the new revolving credit facility. The Company may repay any borrowings under the revolving credit facility at any time, but no later than April 24, 2018.

Borrowings under the revolving credit facility bear interest at a rate per annum of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.50% and 1.50% depending on the Company's total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.50% and 2.50% depending on our total leverage ratio. The Company is required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.25% and 0.375% depending on its total leverage ratio.

The Company must comply with various financial and non-financial covenants under the credit agreement. Borrowings under the credit agreement are secured by the equity interests of the Company's direct wholly-owned U.S. subsidiaries and portions of the equity interests of the Company's foreign subsidiaries.

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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](http://www.sec.gov).

Our principal internet address is [www.crai.com](http://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, and we do not check its accuracy.

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 and Significant Estimates**

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 generally accepted accounting principles in the U.S. ("U.S. GAAP"). The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related 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, depreciation of property and equipment, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, 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.

We have described our significant accounting policies in Note 1 to our consolidated financial statements included in our annual report on Form 10-K for fiscal 2012. We have reviewed our accounting policies, identifying those that we believe to be critical to the preparation and understanding of our consolidated financial statements in the list set forth below. See the disclosure under the heading "Critical Accounting Policies" in Item 7 of Part II of our annual report on Form 10-K for fiscal 2012 for a detailed description of these policies and their potential effects on our results of operations and financial condition.

Revenue recognition and accounts receivable allowances

Share-based compensation expense

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Valuation of goodwill and other intangible assets

Accounting for income taxes

We did not adopt any changes in the first quarter of fiscal 2013 that had a material effect on these critical accounting policies nor did we make any changes to our accounting policies in the first quarter of fiscal 2013 that changed these critical accounting policies.

**Recent Accounting Standards**

See Note 4 to our condensed consolidated financial statements included in this quarterly report on Form 10-Q for a discussion of recent accounting standards.

**Results of Operations**

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

|  | Quarter Ended     |                   |
|--|-------------------|-------------------|
|  | March 30,<br>2013 | March 31,<br>2012 |
| Revenues   | 100.0%            | 100.0%            |
| Costs of services  | 66.6              | 67.2              |
| Gross profit   | 33.4              | 32.8              |
| Selling, general and administrative expenses                 | 25.0              | 25.8              |
| Depreciation and amortization                                | 2.4               | 2.1               |
| Income from operations                                       | 6.0               | 4.8               |
| Interest income  | 0.1               | 0.1               |
| Interest expense   | (0.1)             | (0.1)             |
| Other expense, net   | (0.6)             | (0.1)             |
| Income before provision for income taxes                     | 5.3               | 4.7               |
| Provision for income taxes                                   | (0.9)             | (4.1)             |
| Net income   | 4.5               | 0.6               |
| Net loss attributable to noncontrolling interest, net of tax | 0.2               | 0.1               |
| Net income attributable to CRA International, Inc.           | 4.7%              | 0.8%              |

**Quarter Ended March 30, 2013 Compared to the Quarter Ended March 31, 2012**

*Revenues.* Revenues decreased \$6.0 million, or 8.7%, to \$63.1 million for the first quarter of fiscal 2013 from \$69.1 million for the first quarter of fiscal 2012. Our revenue decline was due primarily to lower than expected performance due to the delay of some larger engagements. Utilization decreased to 67% for the first quarter of fiscal 2013 from 68% for the first quarter of fiscal 2012. From the latter part of 2012 through the middle of the first quarter of fiscal 2013, we welcomed and began integrating a number of senior-level hires across our portfolio, and we expect to realize their full contributions only as we move forward in fiscal 2013. Another factor contributing to our overall revenue decline was a decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin.

Overall, revenues outside of the U.S. represented approximately 24% of total revenues for the first quarter of fiscal 2013, compared with 20% of total revenues for the first quarter of fiscal 2012. Revenues derived from fixed-price engagements increased to 13% of total revenues for the first quarter of fiscal 2013 compared with 10% for the first quarter of fiscal 2012. The increase in revenues from

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fixed-price engagements as compared to the first quarter of fiscal 2012 was due primarily to an increase in the percentage of our revenue related to our management consulting business as the management consulting business typically has a higher concentration of fixed-price service contracts.

*Costs of Services.* Costs of services decreased \$4.5 million, or 9.6%, to \$42.0 million for the first quarter of fiscal 2013 from \$46.5 million for the first quarter of fiscal 2012. The decrease in costs of services was due primarily to the restructuring actions we announced in the third quarter of fiscal 2012, which resulted in a decrease in employee consultant headcount from 523 as of March 31, 2012 to 480 as of March 30, 2013, and a decrease in client reimbursable expenses of \$0.6 million. As a percentage of revenues, costs of services decreased to 66.6% for the first quarter of fiscal 2013 from 67.2% for the first quarter of fiscal 2012 due primarily to decreased compensation expenses in the first quarter of fiscal 2013 as compared with the first quarter of fiscal 2012 as a result of restructuring actions we announced in the third quarter of fiscal 2012.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by \$2.1 million, or 11.6%, to \$15.8 million for the first quarter of fiscal 2013 from \$17.9 million for the first quarter of fiscal 2012. The primary contributors to this decrease were decreased rent and office operating expenses resulting from our reduction of leased office space in London, England and Boston, Massachusetts at the end of the second quarter and fourth quarter of fiscal 2012, respectively. In the first quarter of fiscal 2012, selling, general and administrative expenses included \$0.5 million of restructuring costs associated with vacant leased office space. There were no restructuring charges recorded in selling, general and administrative expenses in the first quarter of fiscal 2013. Additionally, decreases in compensation expense, professional fees, and outside consultant charges for the first quarter of fiscal 2013 as compared to the first quarter of fiscal 2012 resulted from the restructuring actions we announced in the third quarter of fiscal 2012. Partially offsetting these decreases was an increase in commissions to non-employee experts of \$0.5 million in the first quarter of fiscal 2013 as compared to the first quarter of fiscal 2012.

As a percentage of revenues, selling, general and administrative expenses decreased to 25.0% for the first quarter of fiscal 2013 from 25.8% for the first quarter of fiscal 2012 due primarily to decreased rent and office operating expenses in the first quarter of fiscal 2013 as compared with the first quarter of fiscal 2012, partially offset by the increase in commissions to non-employee experts from 2.3% of revenues for the first quarter of fiscal 2012 to 3.3% of revenues for the first quarter of fiscal 2013.

*Other Expense, Net.* Other expense, net increased by \$352,000 to \$391,000 for the first quarter of fiscal 2013 from \$39,000 for the first quarter of fiscal 2012. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. The primary reason for the increase in other expense, net was the impact of unfavorable foreign exchange rate movements coupled with the net monetary position of our foreign subsidiaries. We anticipate our new multi-currency facility will allow us to minimize such foreign exchange exposures. 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 including the Euro and the British Pound.

*Provision for Income Taxes.* For the first quarter of fiscal 2013, our provision for income taxes was \$0.5 million and the effective tax rate was 16.0% compared to a provision of \$2.8 million and an effective tax rate of 86.6% for the first quarter of fiscal 2012. The effective tax rate in the first quarter of fiscal 2013 was lower than our combined federal and state statutory tax rate due to the utilization of net operating loss carryforwards in the United Kingdom and a favorable tax settlement. The effective tax rate in the first quarter of fiscal 2012 was higher than the statutory rate primarily due to losses in foreign jurisdictions that provided no tax benefit.

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*Net Loss Attributable to Noncontrolling Interest, Net of Tax.* Our ownership interest in NeuCo constitutes control under U.S GAAP. As a result, NeuCo's financial results are consolidated with ours, and allocations of the noncontrolling interest's share of NeuCo's net income result in deductions to our net income, while allocations of the noncontrolling interest's share of NeuCo's net loss result in additions to our net income. Our ownership interest in NeuCo is 55.89%. The result of operations of NeuCo allocable to its other owners was a net loss of \$134,000 for the first quarter of fiscal 2013 and a net loss of \$83,000 for the first quarter of fiscal 2012.

*Net Income Attributable to CRA International, Inc.* Net income attributable to CRA International, Inc. increased by \$2.5 million to \$3.0 million for the first quarter of fiscal 2013 from \$0.5 million for the first quarter of fiscal 2012. Diluted net income per share was \$0.29 per share for the first quarter of fiscal 2013, compared to \$0.05 per share for the first quarter of fiscal 2012. Diluted weighted average shares outstanding decreased by approximately 409,000 shares to approximately 10,084,000 shares for the first quarter of fiscal 2013 from approximately 10,493,000 shares for the first quarter of fiscal 2012. The decrease in diluted weighted average shares outstanding was primarily due to repurchases of common stock since the first quarter of fiscal 2012, offset in part by an increase as a result of restricted shares that have vested or that have been issued and stock options that have been exercised since the first quarter of fiscal 2012.

**Liquidity and Capital Resources**

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

*General.* In the first quarter of fiscal 2013, cash and cash equivalents decreased by \$24.9 million. We completed the quarter with cash and cash equivalents of \$30.6 million and working capital (defined as current assets less current liabilities) of \$60.4 million. Of the total cash and cash equivalents of \$30.6 million at March 30, 2013, \$26.0 million was held within the U.S. The Company has sufficient sources of cash in the U.S. to fund U.S. cash requirements without the need to repatriate any funds.

As of March 30, 2013, a substantial portion of our cash accounts was concentrated at a single financial institution, which potentially exposes us to credit risks. The financial institution has "stable" credit ratings and its short-term credit rating is A-1 by Standard & Poor's ratings services. We have not experienced any losses related to such accounts and we do not believe that there is significant risk of non-performance by the financial institution. Our cash on deposit at this financial institution is fully liquid and we continually monitor the credit ratings of such institution. A change in the credit worthiness of this financial institution could materially affect our liquidity and working capital.

*Sources and Uses of Cash.* During the first quarter of fiscal 2013, net cash used in operating activities was \$7.9 million. We had net income of \$2.8 million during the first quarter of fiscal 2013. We paid out a majority of our fiscal 2012 performance bonuses during the first quarter of fiscal 2013, which was the primary factor in the aggregate decrease in accounts payable, accrued expenses, and other liabilities of \$11.8 million during the first quarter of fiscal 2013. Other uses of cash included an increase in prepaid expenses and other assets of \$6.6 million, primarily related to the issuance of forgivable loans and advances to employees and non-employee experts during the first quarter of fiscal 2013, and a decrease in deferred rent of \$0.5 million. The uses of cash were partially offset by the following sources of cash: a decrease in accounts receivable, including the change in accounts receivable allowances, of \$10.1 million, which was partially offset by increases in unbilled services of \$3.9 million, as a result of increased collections as a percentage of revenues, depreciation and amortization expense of \$1.5 million, and share-based compensation expense of \$0.5 million.

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During the first quarter of fiscal 2013, net cash used by investing activities was \$16.9 million, which included \$15.7 million of net acquisition consideration payments and \$1.2 million for capital expenditures.

We used \$0.1 million of net cash in financing activities during the first quarter of fiscal 2013. Cash used in financing activities was primarily used for the redemption of \$0.2 million in vested employee restricted shares for tax withholdings, offset partially by \$0.1 million received upon the exercise of stock options.

***Indebtedness***

As of March 30, 2013, we were party to a senior loan agreement with RBS Citizens, N.A for a \$60.0 million revolving line of credit.

Subsequent to March 30, 2013, we made borrowing under the line of credit of approximately \$15.0 million and, on April 24, 2013, we entered into a new credit agreement that provides us with a \$125.0 million revolving credit facility. We may use the proceeds of the revolving credit loans to provide working capital and for other general corporate purposes. Upon entering into the agreement, we borrowed \$15.0 million under the revolving credit facility, which we used, together with cash on hand, to repay in full all indebtedness outstanding under the previous credit agreement, whereupon such agreement was terminated. We anticipate repaying such borrowings by the end of fiscal 2013. Generally, we may repay any borrowings under the revolving credit facility at any time, but must repay all borrowings no later than April 24, 2018. We expect to maintain a minimum cash balance of approximately \$10 million to 12 million in fiscal 2013, even during the period we utilize our line of credit.

Additionally, letters of credit in the aggregate amount of approximately \$0.4 million that had been issued under the previous credit agreement were deemed to be issued and outstanding under the new revolving credit facility. Borrowings under the revolving credit facility bear interest at a rate per annum of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.50% and 1.50% depending on our total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.50% and 2.50% depending on our total leverage ratio. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.25% and 0.375% depending on our total leverage ratio.

We must comply with various financial and non-financial covenants under the credit agreement. Borrowings under the credit agreement are secured by the equity interests of our direct wholly-owned U.S. subsidiaries and portions of the equity interests of our foreign subsidiaries.

***Forgivable Loans and Term Loans***

In order to attract and retain highly skilled professionals, we may issue forgivable loans or term loans to employees and non-employee experts. A portion of the term loans are collateralized. The forgivable loans are unsecured with terms between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by us over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. During the first quarter of fiscal 2013, we issued approximately \$9.9 million in forgivable loans to employees and non-employee experts for future service. As of March 30, 2013, we had obligations to issue approximately \$21.5 million in forgivable loans to employees and non-employee experts for future service, and we expect that these loans will be issued, and the corresponding payments will be made, in the second quarter of fiscal 2013.



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Included in the \$21.5 million above are amounts that we have agreed to pay to certain employees of an acquired business based on specific performance targets achieved through fiscal 2012. Retention of amounts paid to the individual employees is contingent on their continued employment with us through 2016. The amount of the award, which was determined at the end of fiscal 2012, was approximately \$6.2 million and is being expensed over the seven and a half year service period ending in December 2016. Also included in the \$21.5 million above are additional awards in the aggregate amount of approximately \$3.8 million that were granted during the first quarter of fiscal 2013 to certain employees of the acquired business for future services and that will be expensed over the term of the loans, which is approximately four years from the date of issuance.

***Other Matters***

***Business Acquisition***

On January 31, 2013, we announced that an approximate 40-person litigation consulting team has joined us, effective February 1, 2013. Under an agreement to hire the team, we accelerated the previously announced start dates of certain key personnel from May 2013. Under the terms of the transaction, we acquired certain intangible assets, accounts receivable, and certain client projects currently underway. The fair value of the assets acquired and the liabilities assumed as part of the acquisition will be finalized as CRA receives other information relevant to the acquisition and completes its analysis of other transaction-related costs. The acquisition was not material. The acquisition has been accounted for under the purchase method of accounting, and the results of operations have been included in the accompanying income statements from the date of acquisition.

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, borrowings under our revolving credit facility, or we may pursue other forms of financing. Our ability to secure short-term and long-term debt or equity financing in the future, including our ability to refinance our current senior loan agreement, will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing line of credit with our bank, and the overall credit and equity market environments.

***Share Repurchases***

On July 6, 2010, we announced that our Board of Directors approved a share repurchase program of up to \$5.0 million of our common stock. On August 30, 2011, February 22, 2012 and August 10, 2012, the Board of Directors authorized the repurchase of up to an additional \$7.5 million, \$4.45 million, and \$5.0 million, respectively, of our common stock under this program. During the first quarter of fiscal 2013, we did not repurchase any shares of our common stock under this program. Approximately \$3.6 million is available for future repurchases under this program as of March 30, 2013. We will finance this 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. We expect to continue to repurchase shares under this program.

**Contractual Obligations**

As discussed in the heading "Forgivable Loans and Term Loans" above, as of March 30, 2013, we had obligations to issue approximately \$21.5 million in forgivable loans to employees and non-employee experts for future service, and we expect that these loans will be issued, and the corresponding payments will be made, in the second quarter of fiscal 2013.

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**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 or Euros. Our primary foreign subsidiaries have functional currencies denominated in the British Pound and the Euro, and foreign denominated assets and liabilities are re-measured each reporting period with any exchange gains and losses recorded in our consolidated income statements. 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 U.S. Dollar and foreign currencies and the Euro and the British Pound. Holding all other variables constant, fluctuations in foreign exchange rates may impact reported revenues and expenses significantly, based on currency exposures at March 30, 2013. A hypothetical 10% movement in foreign exchange rates would not expose us to significant gains or losses in net earnings or cash flows. However, actual gains and losses in the future could differ materially from this analysis based on the timing and amount of both foreign currency exchange rate movements and our actual exposure.

From time to time, we may use derivative instruments to manage the risk of exchange rate fluctuations. However, at March 30, 2013, we had no outstanding derivative instruments. We do not use derivative instruments for trading or speculative purposes.

*Interest Rate Risk*

We maintain an investment portfolio consisting mainly of commercial paper with maturities of three months or less when purchased. 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 March 30, 2013 primarily due to their short maturity.

**ITEM 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

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

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*Evaluation of Changes in Internal Control over Financial Reporting*

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we have determined that, during the first quarter of fiscal 2013, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to affect, materially our internal control over financial reporting.

*Important Considerations*

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to 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 group of employee consultants, or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect our revenues and results of operations. Our employee consultants generated engagements that accounted for approximately 79% and 83% of our revenues for the first quarters of fiscal 2013 and fiscal 2012, respectively. Our top five employee consultants generated approximately 20% and 19% of our revenues for the first quarters of fiscal 2013 and fiscal 2012, respectively.

We do not have non-competition agreements with a 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 an employee leaves, some 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 the employee's non-competition

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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 clients that worked with the employee, or other concerns, outweigh the benefits of any possible legal recovery.

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

Overall global economic conditions and global market and credit conditions in the industries we service can negatively impact the market for our services. These factors outside of our control and 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.

***Competition from other litigation, regulatory, financial, and management consulting firms could hurt our business***

The market for litigation, regulatory, financial, and management 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 management consulting industries. In the litigation, regulatory, and financial consulting markets, we compete primarily with other economic and financial consulting firms and individual academics. In the management 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 and resources than we do.

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

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

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***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 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.

***Our performance could be affected if employees and non-employee experts default on loans***

We utilize forgivable loans and term loans with some of our employees and non-employee experts, other than our executive officers, as a way to attract and retain them. A portion of the term loans are collateralized. Defaults under these loans could have a material adverse effect on our consolidated income statements, financial condition and liquidity.

***We depend on our antitrust and mergers and acquisitions consulting business***

We derive a significant amount of our revenues from engagements related to antitrust and mergers and acquisitions activities. Any substantial reduction in the number or size of our engagements in these areas could adversely affect our revenues and results of operations. Adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could adversely affect engagements in which we assist clients in proceedings before the U.S. Department of Justice, the U.S. Federal Trade Commission, and various foreign antitrust authorities. For example, global economic recessions have resulted in, and may in the future result in, reduced merger and acquisition activity levels. Any of these reductions in activity level would adversely affect our revenues and results of operations.

***Maintaining our professional reputation is crucial to our future success***

Our ability to secure new engagements and hire qualified consultants as employees depends heavily on our overall reputation as well as the individual reputations of our employee consultants and principal non-employee experts. Because we obtain a majority of our new engagements from existing clients, 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.

***We depend on our non-employee experts***

We depend on our relationships with our exclusive non-employee experts. In the first quarters of fiscal 2013 and fiscal 2012, five of our top exclusive non-employee experts generated engagements that accounted for approximately 14% and 9% of our revenues in those periods, respectively. 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 can offer the services of these experts. Most of these experts can limit their relationships with us at any time for any reason.

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These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, termination of exclusive relationships, the pursuit of other interests, and retirement.

In many cases we seek to include restrictive covenant agreements in our agreements with our non-employee experts, which could include non-competition agreements, non-solicitation agreements and non-hire agreements. 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. These restrictive covenant agreements that we may have with some of our non-employee experts offer us only limited protection and may not be enforceable in every jurisdiction. In the event that non-employee experts leave, clients working with these non-employee experts may decide that they prefer to continue working with them rather than with us. In the event a non-employee expert departs and acts in a way that we believe violates the expert's restrictive covenant agreements, we will consider any legal and equitable 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 non-employee expert or clients that worked with the non-employee expert, or other concerns, outweigh the benefits of any possible legal action or recovery.

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.

***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 10 largest engagements accounted for approximately 21% and 18% of our revenues in the first quarter of fiscal 2013 and fiscal 2012, respectively. Our 10 largest clients accounted for approximately 22% and 23% of our revenues in the first quarter of fiscal 2013 and fiscal 2012, respectively. 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.

***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:

diversion of our management's time, attention, and resources;

decreased utilization during the integration process;

loss of key acquired personnel;

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increased costs to improve or coordinate managerial, operational, financial, and administrative systems including compliance with the Sarbanes- Oxley Act of 2002;

dilutive issuances of equity securities, including convertible debt securities;

the assumption of legal liabilities;

amortization of acquired intangible assets;

potential write-offs related to the impairment of goodwill, including if our enterprise value declines below certain levels;

difficulties in integrating diverse corporate cultures; and

additional conflicts of interests.

***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.

***Potential conflicts of interests may preclude us from accepting some engagements***

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

***Our clients may be unable or unwilling to pay us for our services***

Our clients include some companies that may from time to time encounter financial difficulties, particularly during a downward trend in the economy or may dispute the services we provide. If a client's financial difficulties become severe or a dispute arises, 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 accounts receivable could have a material adverse effect on our financial condition and results of operations. Historically, a small number of clients who have paid sizable invoices have later declared bankruptcy, and a court determination that we were not properly entitled to any of those payments may require repayment of some or all of them, which could adversely affect our financial condition and results of operations.

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***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 fall below the expectations of securities analysts or investors, the market price of our common stock could fall significantly. Our results of operations in any quarter can fluctuate for many reasons, including:

our ability to implement rate increases;

the number, 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 or clients take holiday, vacation, and sick time, including traditional seasonality related to summer vacation and holiday schedules;

employee hiring;

the extent of revenue realization or cost overruns;

fluctuations in the results and continuity of the operations of our software subsidiary, NeuCo;

fluctuations in our provision for income taxes due to changes in income arising in various tax jurisdictions, valuation allowances, non-deductible expenses, and changes in estimates of our uncertain tax positions;

fluctuations in interest rates; and

collectability of receivables and unbilled work in process.

Because we generate a 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, any failure of our revenues to meet our projections in any quarter 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.

***Our international operations create special risks***

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

greater difficulties in managing and staffing foreign operations;



difficulties from fluctuations in world-wide utilization levels;

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;

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longer sales cycles;

restrictions on the repatriation of earnings;

potentially adverse tax consequences, such as trapped foreign losses or changes in statutory tax rates;

the impact of differences in the governmental, 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 conducted a portion of our business in the Middle East. At times, turmoil in the region interrupted our business operations in that region. In the third quarter of fiscal 2012, we closed our Middle East operations.

If our international revenues 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 litigation, regulatory, 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.

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

As further described in Note 8 of our Notes to Condensed Consolidated Financial Statements, goodwill and intangible assets with indefinite lives are tested annually for impairment, or monitored more frequently, if events or circumstances exist that would more likely than not reduce our fair value below our carrying amount. In performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value utilizing our market capitalization, plus an appropriate control premium. We have utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If we determine through the impairment evaluation process that goodwill has been impaired, we would record the impairment charge in our consolidated income statements.

There were no impairment losses related to goodwill or intangible assets during the first quarters of fiscal 2013 and fiscal 2012, respectively.

In the future, if our market capitalization plus an estimated control premium is below our net book value for a period we consider to be other-than-temporary, we may be required to record an impairment of goodwill either as a result of our annual assessment performed in the fourth quarter of each year or in a future quarter if events or circumstances exist that would more likely than not reduce our fair value below our carrying amount. A non-cash goodwill impairment charge would have the effect of decreasing our earnings in such period. If we are required to take a substantial impairment charge, our operating results would be materially adversely affected in such period, though such a charge would have no impact on cash flows or working capital.

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

We derive a portion of our revenues from fixed-price contracts. We derived approximately 13% and 10% of revenues from fixed-price engagements in the first quarters of fiscal 2013 and fiscal 2012, respectively. These contracts are more common in our management consulting area, and would likely grow in number with expansion of that area. Fluctuations in the mix between time-and-material contracts, fixed-price contracts and arrangements with fees tied to performance-based criteria, may result in fluctuations of revenue and results of operations. In addition, if we fail to estimate accurately the resources required for a fixed-price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations.

***The market price of our common stock may be volatile***

The market price of our common stock has fluctuated widely and may continue to do so. For example, from April 1, 2012, to March 30, 2013, the trading price of our common stock ranged from a high of \$25.48 per share to a low of \$13.41 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;

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 engagements may result in professional liability and we may be subject to other litigation, claims or assessments***

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 a client's business, cause the client to lose significant amounts of money, or prevent the client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently, disclosed client confidential information, or



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otherwise breached our obligations to the client could expose us to significant liabilities to our clients and other third parties and tarnish our reputation.

Despite our efforts to prevent litigation, from time to time we are party to various lawsuits, claims, or assessments in the ordinary course of business. Disputes may arise, for example, from business acquisitions, employment issues, regulatory actions, and other business transactions. The costs and outcome of any lawsuits or claims could have a material adverse effect on us.

***Our debt obligations may adversely impact our financial performance***

We have a revolving line of credit with our bank for \$125.0 million. The amounts available under this line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. Our loan agreement with the bank will mature on April 24, 2018. The degree to which we are leveraged could adversely affect our ability to obtain further financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to secure short-term and long-term debt or equity financing in the future will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing revolving line of credit, and the overall credit and equity market environments.

***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 rights. 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, or any court determination that we have either infringed or lost ownership of proprietary rights could adversely affect our business, operating results and financial condition.

***Insurance and claims expenses could significantly reduce our profitability***

We are exposed to claims related to group health insurance. We self-insure a portion of the risk associated with these claims. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We expect to periodically assess our

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self-insurance strategy. We are required to periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We maintain individual and aggregate medical plan stop loss insurance with licensed insurance carriers to limit our ultimate risk exposure for any one case and for our total liability.

Many businesses are experiencing the impact of increased medical costs as well as greater variability in ongoing costs. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

***Our charter and by-laws, and Massachusetts law 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 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. These provisions could limit the price that investors might be willing to pay for shares of our common stock.

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about our repurchases of shares of our common stock during the fiscal quarter ended March 30, 2013. 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 fiscal quarter into three periods of four weeks, four weeks, and five weeks, respectively, to coincide with our reporting periods during the first quarter of fiscal 2013.

**Issuer Purchases of Equity Securities**

| Period                                | (a)<br>Total Number<br>of<br>Shares<br>Purchased | (b)<br>Average Price<br>Paid per Share | (c)  | (d)   |
|---------------------------------------|--|--|--|---|
|                                       |  |  | Total Number of<br>Shares<br>Purchased as Part<br>of<br>Publicly<br>Announced<br>Plans or<br>Programs(4) | Maximum<br>Number<br>(or Approximate<br>Dollar Value) of<br>Shares that May<br>Yet<br>Be Purchased<br>Under the Plans<br>or Programs(4) |
| December 30, 2012 to January 26, 2013 | 190 shares(1)                                    | \$17.65 per share(1)                   |  | \$ 3,639,978  |
| January 27, 2013 to February 23, 2013 | 5,963 shares(2)                                  | \$22.49 per share(2)                   |  | \$ 3,639,978  |
| February 24, 2013 to March 30, 2013   | 2,526 shares(3)                                  | \$22.41 per share(3)                   |  | \$ 3,639,978  |

(1) During the four weeks ended January 26, 2013, we accepted 190 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shares that occurred during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average share price of \$17.65.

(2) During the four weeks ended February 23, 2013, we accepted 5,963 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shares that occurred during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average share price of \$22.49.

(3)

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During the five weeks ended March 30, 2013, we accepted 2,526 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shares that occurred during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average share price of \$22.41.

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- (4) On August 30, 2011, we announced that our Board of Directors approved a share repurchase program of up to \$7.5 million of our common stock. On February 22, 2012 and August 10, 2012, our Board of Directors authorized the repurchase of up to an additional \$4.45 million and \$5.0 million, respectively, of our common stock under this program. During the first quarter of fiscal 2013, we did not purchase any shares under this program. Approximately \$3.6 million was available for future repurchases under this program as of March 30, 2013. We expect to continue to repurchase shares under this program.

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. Mine Safety Disclosures**

None.

**ITEM 5. Other Information**

None.



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**ITEM 6. Exhibits**

| <b>Item No.</b> | <b>Description</b>   |
|-----------------|--|
| 10.1            | Eighth Amendment to Loan Agreement dated January 14, 2004, dated as of March 11, 2013, by and between CRA International, Inc. and RBS Citizens, N.A. (incorporated by reference to Exhibit 10.1 to our current report on form 10-K filed on March 15, 2013)  |
| 10.2            | Sixth Amendment to Revolving Note, dated as of March 11, 2013, by and between CRA International, Inc. and RBS Citizens, N.A. (incorporated by reference to Exhibit 10.2 to our current report on form 10-K filed on March 15, 2013)  |
| 10.3            | Credit Agreement dated as of April 24, 2013 by and among CRA International, Inc., CRA International (UK) Limited, as the Borrowers, RBS Citizens, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and the Lenders parties thereto (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed on April 30, 2013)  |
| 10.4            | Securities Pledge Agreement dated as of April 24, 2013 by and between CRA International, Inc., as Pledgor, and RBS Citizens, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K filed on April 30, 2013)   |
| 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   |
| 101*            | The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2013, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Income Statements (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (ii) Condensed Consolidated Statement of Comprehensive Income (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (iii) Condensed Consolidated Balance Sheets (unaudited) as at March 30, 2013 and December 29, 2012, (iv) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (v) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal quarter ended March 30, 2013, and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited). |

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\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto shall not be deemed filed for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.



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**EXHIBIT INDEX**

| <b>Item No.</b>  | <b>Description</b>   |
|------------------|--|
| 10.1             | Eighth Amendment to Loan Agreement dated January 14, 2004, dated as of March 11, 2013, by and between CRA International, Inc. and RBS Citizens, N.A. (incorporated by reference to Exhibit 10.1 to our current report on form 10-K filed on March 15, 2013)  |
| 10.2             | Sixth Amendment to Revolving Note, dated as of March 11, 2013, by and between CRA International, Inc. and RBS Citizens, N.A. (incorporated by reference to Exhibit 10.2 to our current report on form 10-K filed on March 15, 2013)  |
| 10.3             | Credit Agreement dated as of April 24, 2013 by and among CRA International, Inc., CRA International (UK) Limited, as the Borrowers, RBS Citizens, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and the Lenders parties thereto (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K filed on April 30, 2013)  |
| 10.4             | Securities Pledge Agreement dated as of April 24, 2013 by and between CRA International, Inc., as Pledgor, and RBS Citizens, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K filed on April 30, 2013)   |
| 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   |
| 101 <sup>*</sup> | The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2013, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Income Statements (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (ii) Condensed Consolidated Statement of Comprehensive Income (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (iii) Condensed Consolidated Balance Sheets (unaudited) as at March 30, 2013 and December 29, 2012, (iv) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal quarters ended March 30, 2013 and March 31, 2012, (v) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal quarter ended March 30, 2013, and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited). |

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