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 October 1, 2011

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, T-33, Boston, MA (Address of principal executive offices)	**02116-5092** (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 ☐

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 ☐ (Do not check if a smaller reporting company) 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 November 4, 2011
Common Stock, no par value per share	10,630,653 shares

CRA International, Inc.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CRA International, Inc.

Condensed Consolidated Statements of Operations (unaudited)

(In thousands, except per share data)

	Quarter Ended		Fiscal Year to Date Period Ended	
	October 1, 2011 (13 Weeks)	September 3, 2010 (16 Weeks)	October 1, 2011 (39 Weeks)	September 3, 2010 (40 Weeks)
Revenues	$71,007	$84,641	$230,255	$211,562
Costs of services	46,571	54,860	151,862	145,369
Gross profit	24,436	29,781	78,393	66,193
Selling, general and administrative expenses	17,013	22,906	53,529	56,175
Depreciation and amortization	1,209	1,959	3,760	4,684
Income from operations	6,214	4,916	21,104	5,334
Interest income	97	115	258	273
Interest expense	(112)	(1,000)	(835)	(2,669)
Gain (loss) on the extinguishment of convertible debentures	—	—	3	(425)
Other expense	(241)	(258)	(344)	(362)
Income before provision for income taxes	5,958	3,773	20,186	2,151
Provision for income taxes	(2,060)	(1,746)	(7,791)	(1,605)
Net income	3,898	2,027	12,395	546
Net (income) loss attributable to noncontrolling interest, net of tax	(238)	44	7	268
Net income attributable to CRA International, Inc.	$ 3,660	$ 2,071	$ 12,402	$ 814
Net income per share attributable to CRA International, Inc.:				
Basic	$ 0.35	$ 0.19	$ 1.17	$ 0.08
Diluted	$ 0.34	$ 0.19	$ 1.15	$ 0.08
Weighted average number of shares outstanding:				
Basic	10,557	10,650	10,607	10,670
Diluted	10,701	10,734	10,773	10,801

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Balance Sheets (unaudited)

(In thousands, except share data)

	October 1, 2011	January 1, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 39,499	$ 87,505
Short-term investments	14,789	—
Accounts receivable, net of allowance of $7,841 at October 1, 2011 and $7,036 at January 1, 2011	58,935	55,806
Unbilled services	38,383	26,889
Prepaid expenses and other assets	12,570	10,597
Deferred income taxes	15,432	11,233
Total current assets	179,608	192,030
Property and equipment, net	20,719	17,618
Goodwill	140,912	140,681
Intangible assets, net of accumulated amortization of $6,470 at October 1, 2011 and $5,543 at January 1, 2011	2,833	3,147
Deferred income taxes, net of current portion	3	3
Other assets	18,446	13,886
Total assets	$362,521	$367,365
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 10,757	$ 10,539
Accrued expenses	55,052	49,358
Deferred revenue and other liabilities	6,938	6,187
Deferred income taxes	894	28
Convertible debentures payable, net	—	21,651
Current portion of deferred rent	3,168	3,080
Current portion of notes payable	650	450
Current portion of deferred compensation	897	204
Total current liabilities	78,356	91,497
Notes payable, net of current portion	1,605	2,069
Deferred rent and other non-current liabilities	8,894	11,165
Deferred compensation	1,339	98
Deferred income taxes, net of current portion	5,990	7,112
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; 10,459,293 and 10,567,052 shares issued and outstanding at October 1, 2011 and January 1, 2011, respectively	101,469	103,067
Receivables from shareholders	(1,200)	(1,400)
Retained earnings	171,151	158,749
Accumulated other comprehensive loss	(5,774)	(5,662)
Total CRA International, Inc. shareholders' equity	265,646	254,754
Noncontrolling interest	691	670
Total shareholders' equity	266,337	255,424
Total liabilities and shareholders' equity	$362,521	$367,365

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Fiscal Year to Date Period Ended	
	October 1, 2011 (39 Weeks)	September 3, 2010 (40 Weeks)
Operating activities:		
Net income	$ 12,395	$ 546
Adjustments to reconcile net income to net cash provided by operating activities, net of effect of acquired businesses:		
Depreciation and amortization	3,820	4,421
Loss on disposal of property and equipment	146	202
Deferred rent	(2,203)	440
Deferred income taxes	(4,577)	(345)
(Gain) loss on extinguishment of convertible debentures	(3)	425
Share-based compensation expense	4,291	4,918
Excess tax benefits from share-based compensation	(50)	(47)
Noncash interest from discount on convertible debentures	232	941
Changes in operating assets and liabilities:		
Accounts receivable	(2,775)	11,889
Unbilled services	(9,545)	(4,551)
Prepaid expenses and other assets	(6,347)	4,506
Accounts payable, accrued expenses, and other liabilities	6,806	(20,801)
Net cash provided by operating activities	2,190	2,544
Investing activities:		
Consideration relating to acquisitions, net	(844)	(253)
Purchase of property and equipment	(6,305)	(2,334)
Purchase of investments	(46,645)	(59,965)
Sale of investments	31,541	48,785
Collections on notes receivable	64	89
Net cash used in investing activities	(22,189)	(13,678)
Financing activities:		
Issuance of common stock, principally stock option exercises	620	729
Payments on notes payable	(334)	(250)
Extinguishment of convertible debentures	(21,880)	(14,944)
Tax withholding payment reimbursed by restricted shares	(729)	(932)
Excess tax benefits from share-based compensation	50	47
Repurchase of common stock	(5,732)	(4,203)
Repurchase of treasury stock by NeuCo, Inc.	(33)	(400)
Net cash used in financing activities	(28,038)	(19,953)
Effect of foreign exchange rates on cash and cash equivalents	31	24
Net decrease in cash and cash equivalents	(48,006)	(31,063)
Cash and cash equivalents at beginning of period	87,505	82,806
Cash and cash equivalents at end of period	$ 39,499	$ 51,743
Supplemental cash flow information:		
Cash paid for income taxes	$ 11,443	$ 875
Cash paid for interest	$ 520	$ 1,929
Noncash financing activity:		
Repurchase of shares in exchange for notes receivable by NeuCo, Inc.	$ —	$ 422

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Statement of Shareholders' Equity (unaudited)

(In thousands, except share data)

	Common Stock		Receivables from Shareholders	Retained Earnings	Accumulated Other Comprehensive Loss	CRA International, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
	Shares Issued	Amount						
BALANCE AT JANUARY 1, 2011	10,567,052	$103,067	$(1,400)	$158,749	$(5,662)	$254,754	$670	$255,424
Net income (loss)	—	—	—	12,402	—	12,402	(7)	12,395
Foreign currency translation adjustment	—	—	—	—	(112)	(112)	—	(112)
Comprehensive income (loss)	—	—	—	12,402	(112)	12,290	(7)	12,283
Exercise of stock options	47,009	620	—	—	—	620	—	620
Share-based compensation expense for employees	—	4,236	—	—	—	4,236	—	4,236
Restricted share vesting	106,445	—	—	—	—	—	—	—
Redemption of vested employee restricted shares for tax withholding	(30,235)	(729)	—	—	—	(729)	—	(729)
Tax benefit on stock options and restricted share vesting	—	(20)	—	—	—	(20)	—	(20)
Payments received on notes receivable from shareholders	—	—	200	—	—	200	—	200
Shares repurchased	(230,978)	(5,732)	—	—	—	(5,732)	—	(5,732)
Share-based compensation expense for non-employees	—	27	—	—	—	27	—	27
Equity transactions of noncontrolling interest	—	—	—	—	—	—	28	28
BALANCE AT OCTOBER 1, 2011	10,459,293	$101,469	$(1,200)	$171,151	$(5,774)	$265,646	$691	$266,337

See accompanying notes to the condensed consolidated financial statements.

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. Fiscal Year Change

On December 17, 2010, the Company’s Board of Directors approved a change in the Company’s fiscal year end from the last Saturday in November to the Saturday nearest December 31 of each year. The fiscal year change is effective beginning with the 2011 fiscal year, which began January 2, 2011 and will end December 31, 2011. As a result of the change, the Company had a five-week transition period which began November 28, 2010 and ended January 1, 2011. The audited results of the five-week transition period were presented in the Company’s Annual Report on Form 10-K that was filed on February 10, 2011.

The fiscal year change was not effective until after the completion of the 2010 fiscal year. Therefore, the prior year comparative financial and other information reported in the financial statements herein continue to be presented based on the Company’s prior fiscal year end calendar. The Company has not prepared financial information for the thirteen and thirty-nine weeks ended October 2, 2010 in this Form 10-Q because the information is not practical or cost beneficial to prepare. The Company’s results for the third quarter of fiscal 2011, which was the thirteen-week period ended October 1, 2011, are compared to the results for the third quarter of fiscal 2010, which was the sixteen-week period ended September 3, 2010; and the Company’s results for the fiscal year to date period ended October 1, 2011, which was a thirty-nine week period, are compared to the results for the fiscal year to date period ended September 3, 2010, which was a forty-week period. The comparisons are affected by the inclusion of thirteen and thirty-nine weeks in the third quarter and fiscal year to date period of fiscal 2011, respectively, versus sixteen weeks and forty weeks in the third quarter and fiscal year to date period of fiscal 2010, respectively.

3. Unaudited Interim Condensed Consolidated Financial Statements and Estimates

The following financial statements included in this report are unaudited: the condensed consolidated statements of operations for the thirteen and thirty-nine weeks ended October 1, 2011 and for the sixteen and forty weeks ended September 3, 2010, the condensed consolidated balance sheet as of October 1, 2011, the condensed consolidated statements of cash flows for the thirty-nine weeks ended October 1, 2011 and for the forty weeks ended September 3, 2010, and the condensed consolidated statement of shareholders’ equity for the thirty-nine weeks ended October 1, 2011. 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 January 1, 2011 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 February 10, 2011.

3. Unaudited Interim Condensed Consolidated Financial Statements and Estimates (Continued)

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.

4. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. In addition, the consolidated financial statements include the 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. 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. Prior to CRA changing its fiscal year, the first three quarters of CRA's fiscal year could have included up to a three-week reporting lag between CRA's quarter end and the most recent financial statements available from NeuCo. Starting with the new fiscal year beginning January 2, 2011, 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 statements of operations or financial condition.

5. Recent Accounting Standards

Goodwill

In September 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08"). The objective of ASU 2011-08 is to simplify how entities test goodwill for impairment. The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a

5. Recent Accounting Standards (Continued)

likelihood of more than 50 percent. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company believes the adoption of ASU 2011-08 will have no impact on its financial position, results of operations, cash flows, or disclosures.

In December 2010, the FASB issued Accounting Standards Update 2010-28, *Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"). ASU 2010-28 clarifies the requirement to test for impairment of goodwill. Topic 350 requires that goodwill be tested for impairment if the carrying amount of a reporting unit exceeds its fair value. Under ASU 2010-28, when the carrying amount of a reporting unit is zero or negative, an entity must assume that it is more likely than not that a goodwill impairment exists, perform an additional test to determine whether goodwill has been impaired and calculate the amount of that impairment. The modifications to Topic 350 resulting from the issuance of ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and interim periods within those years. The adoption of the provisions of ASU 2010-28 had no effect on the Company's financial position, results of operations, cash flows, or disclosures.

Comprehensive Income

In June 2011, the FASB issued Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). The objective of ASU 2011-05 is to increase the prominence of items reported in other comprehensive income. The main provisions of ASU 2011-05 provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. The option in current U.S. GAAP that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted.

Fair Value Measurements

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 does not require additional fair value measurements and is primarily a convergence of words between U.S. GAAP and IFRS. ASU 2011-04 is effective for the first interim or annual reporting period beginning on or after December 15, 2011, and the Company believes the adoption of ASU 2011-04 will have no impact on its financial position, results of operations, cash flows, or disclosures.

Business Combinations

In December 2010, the FASB issued Accounting Standards Update 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* ("ASU 2010-29"), which requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of

5. Recent Accounting Standards (Continued)

the first annual reporting period beginning on or after December 15, 2010. The adoption of the provisions of ASU 2010-29 had no effect on the Company's financial position, results of operations, cash flows, or disclosures.

6. Cash, Cash Equivalents, and Short-Term Investments

Cash equivalents consist principally of money market funds, commercial paper, bankers' acceptances, and certificates of deposit with maturities of three months or less when purchased. As of October 1, 2011, a portion of the Company's cash accounts was concentrated at a single financial institution, which potentially exposes the Company to credit risks. As of October 1, 2011, the financial institution has generally "stable" credit ratings and the Company has not experienced any losses related to such accounts. The short-term credit rating of this financial institution is A-2 by Standard & Poor's ratings services. The Company does not believe that there is significant risk of non-performance by the financial institution, the cash on deposit is fully liquid, and the Company continually monitors the credit ratings of such institution.

Short-term investments consist of Canadian government bonds and commercial paper and have maturities of more than three months and less than one year when purchased. These short-term investments are expected to be held-to-maturity and are classified as such in the accompanying condensed consolidated financial statements. The carrying amounts of these instruments classified as cash equivalents and short-term investments are stated at amortized cost, which approximates fair value because of their short-term maturity. As of October 1, 2011, short-term investments included $10.0 million in commercial paper and $4.8 million in Canadian government bonds. At January 1, 2011, CRA did not hold any short-term investments.

If a decline in fair value below the amortized cost basis of an investment is judged to be other-than-temporary, the cost basis of the investment is written down to fair value. For those investments for which the fair value of the investment is less than its amortized cost, the credit-related portion of other-than-temporary impairment losses is recognized in earnings while the noncredit-related portion is recognized in other comprehensive income, net of related taxes. The Company does not intend to sell such investments, if any, and it is more likely than not that it will not be required to sell such investments prior to the recovery of its amortized cost basis less any current period credit losses. During the third quarter and the fiscal year to date period ended October 1, 2011, the Company did not write-down any investment balances.

7. 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 a computer services fee based upon hours worked. Revenues from 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.

7. Revenue Recognition (Continued)

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):

	Quarter Ended		Fiscal Year to Date Period Ended	
	October 1, 2011 (13 weeks)	September 3, 2010 (16 weeks)	October 1, 2011 (39 weeks)	September 3, 2010 (40 weeks)
Reimbursable expenses	$8,660	$10,837	$30,260	$27,974

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."*

8. Goodwill

In accordance with Accounting Standards Codification ("ASC") Topic 350, *"Intangibles—Goodwill and Other,"* goodwill is not subject to amortization, but is monitored at least annually for impairment, or more frequently, as necessary, if there are other indicators of impairment. For the Company's goodwill impairment analysis, the Company operates under one reporting unit. The Company completed the required annual impairment test during the fourth quarter of fiscal 2010 and determined that there was no impairment. The Company continues to monitor its market capitalization.

The changes in the carrying amount of goodwill for the fiscal year to date period ended October 1, 2011 are as follows (in thousands):

Balance at January 1, 2011	$140,681
Effect of foreign currency translation adjustments	231
Balance at October 1, 2011	$140,912

9. Indebtedness

In 2004, CRA completed a private placement of $90.0 million of 2.875% convertible senior subordinated debentures. On June 15, 2011, the Company repurchased 100% of the principal amount of the outstanding debentures plus accrued and unpaid interest, which amounted to $21.9 million and $0.3 million, respectively. Through June 15, 2011, the effective interest rate for each of the second quarter and fiscal year to date period ended July 2, 2011 was 5.7%. The effective interest rate for each of the third quarter and fiscal year to date period ended September 3, 2010 was 5.6%.

Through June 15, 2011, for the second quarter and fiscal year to date period ended July 2, 2011, the contractual interest, amortization of prepaid debt issuance costs, and amortization of the discount included in interest expense was $0.3 million and $0.6 million, respectively. For the third quarter and fiscal year to date period ended September 3, 2010, the contractual interest, amortization of prepaid debt issuance costs, and amortization of the discount included in interest expense was $0.8 million and $2.4 million, respectively.

9. Indebtedness (Continued)

As of January 1, 2011, the principal amount of the outstanding convertible debentures totaled $21.9 million. The $21.7 million convertible debt balance as of January 1, 2011 represented the principal amount of $21.9 million, net of the unamortized debt discount totaling $0.2 million. As of October 1, 2011 and January 1, 2011, the carrying amount of the equity component of the convertible debentures was $7.7 million, respectively, and was included in common stock. The fair value of the Company's convertible debentures payable based upon dealer quotes at January 1, 2011 was approximately $21.7 million.

The Company has a $60.0 million revolving line of credit with its bank that provides CRA with the additional flexibility to meet any unforeseen financial requirements. The amounts available under this revolving line of credit are constrained by various financial covenants and are reduced by certain letters of credit outstanding, which amounted to $0.8 million as of October 1, 2011. There were no amounts outstanding under this revolving line of credit as of October 1, 2011.

10. Net Income per Share

Basic net income per share represents net income divided by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents, if applicable, outstanding during the period. Common stock equivalents arise from stock options and unvested restricted shares, using the treasury stock method. Under the treasury stock method, the amount the Company will receive for the share awards, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in common stock when the award becomes deductible are assumed to be used to repurchase shares at the average share price for each fiscal period. A reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Quarter Ended		Fiscal Year to Date Period Ended	
	October 1, 2011 (13 weeks)	September 3, 2010 (16 weeks)	October 1, 2011 (39 weeks)	September 3, 2010 (40 weeks)
Basic weighted average shares outstanding	10,557	10,650	10,607	10,670
Common stock equivalents:				
Stock options and restricted shares	144	84	166	131
Diluted weighted average shares outstanding	10,701	10,734	10,773	10,801

For the third quarter and fiscal year to date period ended October 1, 2011, 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 971,922 and 991,162 shares, respectively. For the third quarter and fiscal year to date period ended September 3, 2010, the anti-dilutive share based awards excluded from this calculation amounted to 1,091,270 and 1,563,675 shares, respectively. These share-based awards were anti-dilutive because their exercise price exceeded the average market price for the respective period.

10. Net Income per Share (Continued)

During the third quarter and fiscal year to date period ended October 1, 2011, CRA granted restricted share awards representing 10,000 shares and 27,580 shares, respectively, of its common stock that were not vested as of October 1, 2011.

On July 6, 2010, the Company issued a press release announcing that its board of directors approved a share repurchase program of up to $5 million of the Company's common stock. During the third quarter of fiscal 2011, the Company purchased the remaining 140,057 shares authorized under this program at an average price per share of $24.72. Cumulatively, 200,624 shares were purchased by the Company under this plan at an average price per share of $24.92. On August 30, 2011, the Company issued a press release announcing that its board of directors approved an expanded share repurchase program of up to an additional $7.5 million of the Company's common stock. As of October 1, 2011, the Company has repurchased 39,087 shares under this expanded program at an average share price per share of $23.19, resulting in approximately $6.6 million available for future repurchases.

11. Comprehensive Income

A reconciliation of comprehensive income (loss) is as follows (in thousands):

	Fiscal Year to Date Period Ended	
	October 1, 2011 (39 weeks)	September 3, 2010 (40 weeks)
Net income	$12,395	$ 546
Change in foreign currency translation	(112)	(3,251)
Comprehensive income (loss)	$12,283	$(2,705)
Comprehensive loss attributable to noncontrolling interest	7	268
Comprehensive income (loss) attributable to CRA International, Inc.	$12,290	$(2,437)

12. Income Taxes

The Company's effective income tax rate was a provision of 34.6% and 46.3% for the third quarters of fiscal 2011 and 2010, respectively. The effective tax rate for the third quarter of fiscal 2011 was lower than the statutory rate due to a NeuCo net operating loss carryback realized and the favorable effect of a foreign tax credit. The effective tax rate for the third quarter of fiscal 2010 was higher than the statutory rate due to losses in foreign locations that could not be benefited.

The effective income tax rate was a provision of 38.6% and 74.6% for the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively. The effective tax rate for the fiscal year to date period ended October 1, 2011 was consistent with the statutory rate. The effective tax rate for the fiscal year to date period ended September 3, 2010 was higher than the statutory rate due to losses in foreign locations that could not be benefited.

13. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	October 1, 2011	January 1, 2011
Compensation and related expenses	$47,208	$42,762
Income taxes payable	2,412	1,185
Accrued interest	44	71
Other	5,388	5,340
Total	$55,052	$49,358

14. Restructuring Charges

During the fiscal year to date period ended October 1, 2011, the Company incurred pre-tax expenses of $1.0 million associated principally with leased office space at its former Houston, TX office, which was closed during the second quarter of fiscal 2010. The Company recorded this expense in the second quarter of fiscal 2011 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 Company did not record any restructuring charges during the third quarter of fiscal 2011.

The restructuring expenses for the fiscal year to date period ended October 1, 2011 and the reserve balance as of October 1, 2011 were as follows (in thousands):

	Office Vacancies	Employee Workforce Reduction	Total Restructuring
Balance at January 1, 2011	$ 4,476	$ 951	$ 5,427
Charges incurred in the fiscal year to date period ended October 1, 2011	1,020	—	1,020
Amounts paid in the fiscal year to date period ended October 1, 2011	(1,569)	(657)	(2,226)
Adjustments and effect of foreign currency translation in the fiscal year to date period ended October 1, 2011	(69)	(294)	(363)
Balance at October 1, 2011	$ 3,858	$ —	$ 3,858

On the accompanying balance sheet as of October 1, 2011, the reserve balance of $3.9 million was classified as follows: $2.4 million in "deferred rent and other non-current liabilities" and $1.5 million in "current portion of deferred rent".

During the fiscal year to date period ended September 3, 2010, the Company incurred pre-tax expenses of $6.8 million consisting of restructuring charges associated with employee workforce reductions and office space reductions, of which approximately $3.7 million and $3.1 million were

14. Restructuring Charges (Continued)

classified in costs of sales and primarily in selling, general and administrative expenses, respectively. These actions were designed to reduce costs, increase utilization, and better align staffing levels with revenue.

The restructuring expenses for the fiscal year to date period ended September 3, 2010 and the reserve balance as of September 3, 2010 were as follows (in thousands):

	Divested Operations	Office Vacancies	Employee Workforce Reduction	Total Restructuring
Balance at November 28, 2009	$ 55	$ 2,158	$ 1,266	$ 3,479
Charges incurred/(recovered) in the fiscal year to date period ended September 3, 2010	(273)	2,919	4,177	6,823
Amounts paid in the fiscal year to date period ended September 3, 2010	—	(1,581)	(4,246)	(5,827)
Adjustments and effect of foreign currency translation in the fiscal year to date period ended September 3, 2010	218	(16)	(75)	127
Deferred rent reclassification in the fiscal year to date period ended September 3, 2010	—	1,763	—	1,763
Balance at September 3, 2010	$ —	$ 5,243	$ 1,122	$ 6,365

15. Compensation Arrangements

In connection with a previous acquisition, CRA has agreed to pay an award to certain employees of the acquired business if they achieve specific performance targets through fiscal 2012. Retention of amounts paid to the individual employees is contingent on their continued employment with CRA through 2016. As of October 1, 2011, based upon performance to date and expected performance in the future, the amount of the award is estimated to be approximately $9.8 million and is being expensed over the seven and a half year service period. The amount of the award could fluctuate depending on future performance. Any payments under this award would be made in fiscal 2013.

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

Forward-Looking Statements

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

Our principal internet address is www.crai.com. Our website provides a link to a third-party website through which our annual, quarterly, and current reports, and amendments to those reports, are available free of charge. We believe these reports are made available as soon as reasonably practicable after we file them electronically with, or furnish them to, the SEC. We do not maintain, or provide any information directly to, the third-party website, 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.

Recent Events

On December 17, 2010, our Board of Directors approved a change in our fiscal year end from the last Saturday in November to the Saturday nearest December 31 of each year. The fiscal year change was effective beginning with our 2011 fiscal year, which began January 2, 2011 and will end December 31, 2011. As a result of the change, we had a five-week transition period which began November 28, 2010 and ended January 1, 2011. The audited results of the five-week transition period were presented in our Annual Report on Form 10-K that was filed on February 10, 2011.

The fiscal year change was not effective until after the completion of our 2010 fiscal year. Therefore, the prior year comparative financial and other information reported in the financial statements herein continue to be presented based on our prior fiscal year end calendar. We have not prepared financial information for the thirteen and thirty-nine weeks ended October 2, 2010 in this Form 10-Q because the information is not practical or cost beneficial to prepare. Our results for the third quarter of fiscal 2011, which was the thirteen-week period ended October 1, 2011, are compared to our results for the third quarter of fiscal 2010, which was the sixteen-week period ended September 3, 2010; and our results for the fiscal year to date period ended October 1, 2011, which was a thirty-nine week period, are compared to our results for the fiscal year to date period ended September 3, 2010, which was a forty-week period. The comparisons are affected by the inclusion of thirteen and thirty-nine weeks in the third quarter and fiscal year to date period of fiscal 2011, respectively, versus twelve weeks and forty weeks in the second quarter and fiscal year to date period of fiscal 2010, respectively.

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 and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates in these condensed consolidated financial statements include, but are not limited to, accounts receivable allowances, revenue recognition on fixed price contracts, 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.

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

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

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

Most of our revenue is derived from time-and-materials service contracts. Revenues from time-and-materials service contracts are recognized as the services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as indirect fees based upon hours worked.

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

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

	Quarter Ended		Fiscal Year to Date Period Ended	
	October 1, 2011 (13 weeks)	**September 3, 2010 (16 weeks)**	**October 1, 2011 (39 weeks)**	**September 3, 2010 (40 weeks)**
Reimbursable expenses	$8,660	$10,837	$30,260	$27,974

Our normal payment terms are 30 days from the invoice date. At the end of the third quarters of fiscal 2011 and fiscal 2010, our average days sales outstanding, or DSOs, were 120 days and 102 days, respectively. The lower revenue in the third quarter of fiscal 2011 compounded the increase in DSO. We calculate DSOs over any period by dividing the sum of our accounts receivable and unbilled services balance, net of deferred revenue, at the end of the period by average daily revenues over the period. Average daily revenues are calculated by dividing period revenues by the number of days in the period. Our project managers and finance personnel monitor payments from our clients and assess any collection issues. We maintain accounts receivable allowances for estimated losses resulting from clients' failure to make required payments. We base our estimates on our historical collection experience, current trends, and credit policy. In determining these estimates, we examine historical write-offs of our receivables and review client accounts to identify any specific customer collection issues. If the financial condition of our customers were to deteriorate or disputes were to arise regarding the services provided, resulting in an impairment of their ability or intent to make payment, additional allowances may be required. A failure to estimate accurately the accounts receivable allowances and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, and results of operations. As of October 1, 2011 and January 1, 2011, $7.8 million and $7.0 million were provided for accounts receivable allowances, respectively.

Share-Based Compensation Expense. Share-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. We use the Black-Scholes option-pricing model to estimate the fair value of share-based awards. Option valuation models require the input of assumptions, including the expected life of the share-based awards, the expected stock price volatility, the risk-free interest rate, and the expected dividend yield. The expected volatility and expected life are based on our historical experience. The risk-free interest rate is based on U.S. Treasury interest rates whose term is consistent with the expected life of the share-based award. Expected dividend yield is not considered in the option pricing formula because we do not pay dividends and have no current plans to do so in the future. We will update these assumptions if changes are warranted. The forfeiture rate is based upon historical experience. We adjust the estimated forfeiture rate based upon our actual experience. In addition, we have performance-based awards that are valued at the fair value of shares as of the grant date, and expense is recognized based on the number of shares expected to vest under the terms of the award under which they are granted. The fair value determination requires significant assumptions, including estimating future revenues and profits.

Valuation of Goodwill and Other Intangible Assets. We account for our acquisitions under the purchase method of accounting. Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired. Intangible assets consist principally of non-competition agreements, which are amortized on a straight-line basis over the related estimated lives of the agreements (eight to ten years), as well as customer relationships, customer lists, developed technology, and trademarks, which are generally amortized on a straight-line basis over their remaining useful lives (four to ten years).

In accordance with Accounting Standards Codification ("ASC") Topic 350*, "Intangibles—Goodwill and Other,"* goodwill and intangible assets with indefinite lives are not subject to amortization, but are monitored annually for impairment, or more frequently, as necessary. For our goodwill impairment analysis, we operate under one reporting unit. Under ASC Topic 350, 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 of our single reporting unit utilizing our market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the average market price of our common stock over a reasonable period of time based upon management's judgment. 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 the fair value of the reporting unit is less than the book value, the second step is performed to determine if goodwill is impaired. If we determine through the impairment evaluation process that goodwill has been impaired, we would record the impairment charge in our consolidated statement of operations.

The goodwill amount for acquisitions is initially recorded based upon a preliminary estimated purchase price allocation and is subject to change. Any preliminary purchase price allocation is based upon our estimate of fair value, and is finalized as we receive other information relevant to the acquisition.

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

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

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

There were no impairment losses related to goodwill or intangible assets during the fiscal year to date period ended October 1, 2011. We will continue to monitor our market capitalization and, in the event that our average stock price subsequently declines and our market capitalization plus control premium declines below net book value and remains below book value for a period we consider to be other-than-temporary, we may be required to record an impairment of goodwill either as a result of the annual assessment that we will conduct in the fourth quarter of fiscal year 2011, or in a future quarter, if an indication of potential impairment is evident. A non-cash goodwill impairment charge would have the affect 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.

Accounting for Income Taxes. We record income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Our financial statements contain certain deferred tax assets and liabilities that result from temporary differences between book and tax accounting, as well as net operating loss carryforwards. ASC Topic 740, *"Income Taxes,"* requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. If the realization of deferred tax assets is considered more likely than not, an adjustment to the net deferred tax assets would increase net income in the period such determination was made. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is possible that changes in these estimates could materially affect our financial condition and results of operations.

Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, changes to the valuation allowance, changes to federal, state, or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs, uncertain tax positions, and expenses by jurisdiction, and as a result of acquisitions or dispositions.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. We are periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Based on our evaluation of current tax positions, we believe we have appropriately accrued for probable exposures. In evaluating the exposure associated with various filing positions, we record estimated reserves for probable exposures. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdiction is the United States. We are no longer subject to U.S. federal examinations by the Internal Revenue Service for years before fiscal 2007. In fiscal 2010, the Internal Revenue Service examined our fiscal 2007 U.S. federal tax return. This examination was concluded with no change in taxable income. During fiscal 2010, the HM Revenue and Customs reviewed our UK subsidiary's fiscal 2006 and fiscal 2007 corporate tax returns. The examination was concluded in the second quarter of fiscal year 2011 with no material adjustments. The Internal Revenue Service is currently auditing our fiscal 2009 U.S. federal tax return. No adjustments have been proposed and the outcome of this review cannot reasonably be predicted at this time.

Recent Accounting Standards

Goodwill

In September 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08"). The objective of ASU 2011-08 is to simplify how entities test goodwill for impairment. The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We believe the adoption of ASU 2011-08 will have no impact on our financial position, results of operations, cash flows, or disclosures.

In December 2010, the FASB issued an Accounting Standards Update 2010-28, *Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("ASU 2010-28"). ASU 2010-28 clarifies the requirement to test for impairment of goodwill. ASC Topic 350 requires that goodwill be tested for impairment if the carrying amount of a reporting unit exceeds its fair value. Under ASU 2010-28, when the carrying amount of a reporting unit is zero or negative, an entity must assume that it is more likely than not that a goodwill impairment exists, perform an additional test to determine whether goodwill has been impaired and calculate the amount of that impairment. The modifications to ASC Topic 350 resulting from the issuance of ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and interim periods within those years. The adoption of the provisions of ASU 2010-28 had no effect on our financial position, results of operations, cash flows, or disclosures.

Comprehensive Income

In June 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). The objective of ASU 2011-05 is to increase the prominence of items reported in other comprehensive income. The main provisions of ASU 2011-05 provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. The option in current U.S. GAAP that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. ASU 2011-05 is effective for fiscal years, or interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted.

Fair Value Measurements

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 does not require additional fair value measurements and is primarily a convergence of words between U.S. GAAP and IFRS. ASU 2011-04 is effective for the first interim or annual reporting period beginning on or after December 15, 2011, and we believe the adoption of ASU 2011-04 will have no impact on our financial position, results of operations, cash flows, or disclosures.

Business Combinations

In December 2010, the FASB issued Accounting Standards Update 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* ("ASU 2010-29"), which requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of the provisions of ASU 2010-29 had no effect on our financial position, results of operations, cash flows, or disclosures.

Results of Operations—For the Quarter and Fiscal Year to Date Period Ended October 1, 2011, Compared to the Quarter and Fiscal Year to Date Period Ended September 3, 2010

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

	Quarter Ended		Fiscal Year to Date Period Ended	
	October 1, 2011 (13 weeks)	September 3, 2010 (16 weeks)	October 1, 2011 (39 weeks)	September 3, 2010 (40 weeks)
Revenues	100.0%	100.0%	100.0%	100.0%
Costs of services	65.6	64.8	66.0	68.7
Gross profit	34.4	35.2	34.0	31.3
Selling, general and administrative expenses	24.0	27.1	23.2	26.6
Depreciation and amortization	1.7	2.3	1.6	2.2
Income from operations	8.8	5.8	9.2	2.5
Interest income	0.1	0.1	0.1	0.1
Interest expense	(0.2)	(1.2)	(0.4)	(1.3)
Gain (loss) on the extinguishment of convertible debentures	—	—	—	(0.2)
Other expense	(0.3)	(0.3)	(0.1)	(0.2)
Income before provision for income taxes	8.4	4.5	8.8	1.0
Provision for income taxes	(2.9)	(2.1)	(3.4)	(0.8)
Net income	5.5	2.4	5.4	0.3
Net (income) loss attributable to noncontrolling interest, net of tax	(0.3)	0.1	—	0.1
Net income attributable to CRA International, Inc.	5.2%	2.4%	5.4%	0.4%

On December 17, 2010, our Board of Directors approved a change in our fiscal year end from the last Saturday in November to the Saturday nearest December 31 of each year. The fiscal year change was effective beginning with our 2011 fiscal year, which began January 2, 2011 and will end December 31, 2011. The fiscal year change was not effective until after the completion of our 2010 fiscal year. Therefore, the prior year comparative financial and other information reported in the financial statements herein continue to be presented based on our prior fiscal year end calendar. We have not prepared financial information for the thirteen and thirty-nine weeks ended October 2, 2010 in this Form 10-Q because the information is not practical or cost beneficial to prepare. Our results for the third quarter of fiscal 2011, which was the thirteen-week period ended October 1, 2011, are compared to our results for the third quarter of fiscal 2010, which was the sixteen-week period ended September 3, 2010; and our results for the fiscal year to date period ended October 1, 2011, which was a thirty-nine week period, are compared to our results for the fiscal year to date period ended September 3, 2010, which was a forty-week period. The comparisons are affected by the inclusion of thirteen and thirty-nine weeks in the third quarter and fiscal year to date period of fiscal 2011, respectively, versus sixteen weeks and forty weeks in the third quarter and fiscal year to date period of fiscal 2010, respectively.

Quarter Ended October 1, 2011 (13 Weeks) Compared to the Quarter Ended September 3, 2010 (16 Weeks)

Revenues. Revenues decreased $13.6 million, or 16.1%, to $71.0 million for the third quarter of fiscal 2011 from $84.6 million for the third quarter of fiscal 2010. Our revenue decrease was due primarily to the inclusion of thirteen weeks of results in the third quarter of fiscal 2011 as compared with sixteen weeks of results in the third quarter of fiscal 2010 due to the change in fiscal year end. In addition, clients have continued to carefully manage their spending as economic uncertainty continues to be an underlying factor in the markets we serve. We believe that our consulting areas have benefited from our recent investments in business development, particularly in our litigation and regulatory consulting areas, which maintained an active schedule of activity in the third quarter of fiscal 2011. Utilization increased to 73% for the third quarter of fiscal 2011 from 68% for the third quarter of fiscal 2010 primarily as a result of the restructuring of our portfolio of services that we have implemented since the third quarter of fiscal 2010 and a decrease in employee consultant headcount from 555 at the end of the third quarter of fiscal 2010 to 526 at the end of the third quarter of 2011.

International revenue accounted for 24% of revenues for the third quarter of fiscal 2011, compared with 28% of total revenues for the third quarter of fiscal 2010 due to project completions and the slowdown of activity of several large projects in our management consulting area during the third quarter of fiscal 2011 as compared with the third quarter of fiscal 2010.

Revenues derived from fixed-price engagements decreased to 19.8% of total revenues for the third quarter of fiscal 2011 compared with 21.8% for the third quarter of fiscal 2010. The decrease in revenues from fixed-price engagements was due primarily to a change in the proportion of time-and-materials service contracts and fixed-price service contracts due to project completions and slowdown in activity of several large projects within our management consulting area.

Costs of Services. Costs of services decreased $8.3 million, or 15.1%, to $46.6 million for the third quarter of fiscal 2011 from $54.9 million for the third quarter of fiscal 2010. In the third quarter of fiscal 2011 as compared with the third quarter of fiscal 2010, compensation expense for our employee consultants decreased by $6.1 million and client reimbursable expenses decreased by $2.2 million. The decrease in costs of services was due primarily to the inclusion of thirteen weeks of results in the third quarter of fiscal 2011 as compared with sixteen weeks of results in the third quarter of fiscal 2010 due to the change in fiscal year end. In addition, compensation expense for our employee consultants decreased due to the decrease in employee consultant headcount from 555 at the end of the third quarter of fiscal 2010 to 526 at the end of the third quarter of fiscal 2011. Partially offsetting these decreases were increases in incentive bonus expense for our employee consultants in the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010. Client reimbursable expenses decreased primarily due to a decrease in the usage of outside consultants and travel expenses as a result of the change in project mix.

As a percentage of revenues, costs of services increased to 65.6% for the third quarter of fiscal 2011 from 64.8% for the third quarter of fiscal 2010. The increase in costs of services as a percentage of revenue is due primarily to the decrease in revenue during the third quarter of fiscal 2011 as compared with the third quarter of fiscal 2010 and an increase in incentive bonus expense as a percentage of revenue, partially offset by a decrease in client reimbursable expenses as a percentage of revenue during the third quarter of fiscal 2011 as compared with the third quarter of fiscal 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $5.9 million, or 25.7%, to $17.0 million for the third quarter of fiscal 2011 from $22.9 million for the third quarter of fiscal 2010. The decrease in selling, general and administrative expenses was due primarily to the inclusion of thirteen weeks of results in the third quarter of fiscal 2011 as compared with sixteen weeks of results in the third quarter of fiscal 2010 due to the change in fiscal year end and the impact of $1.6 million of restructuring costs recorded in the third quarter of fiscal 2010 associated with the reduction of leased office space. As a percentage of revenues, selling, general and administrative expenses decreased to 24.0% for the third quarter of fiscal 2011 from 27.1% for the third quarter of fiscal 2010, which was primarily the result of the $1.6 million of restructuring costs recorded in the third quarter of fiscal 2010 and a decrease in commissions to non-employee experts as a percentage of revenue during the third quarter of fiscal 2011 as compared with the third quarter of fiscal 2010 due to a change in project mix.

Depreciation and Amortization. Depreciation and amortization decreased by $0.8 million, or 38.3%, to $1.2 million for the third quarter of fiscal 2011 from $2.0 million for the third quarter of fiscal 2010. The decrease was due primarily to the inclusion of thirteen weeks of results in the third quarter of fiscal 2011 as compared with sixteen weeks of results in the third quarter of fiscal 2010 due to the change in fiscal year end and to assets that became fully depreciated since the third quarter of fiscal 2010.

Interest Expense. Interest expense decreased by $0.9 million to $112,000 for the third quarter of fiscal 2011 from $1.0 million for the third quarter of fiscal 2010. The decrease was primarily due to our repurchase on June 15, 2011 of 100% of the principal amount of the outstanding debentures, plus accrued and unpaid interest, which amounted to $21.9 million and $0.3 million, respectively. Prior to the repurchases, interest expense consisted primarily of interest incurred on this convertible debt, the amortization of debt issuance costs, and the amortization of the discount recorded in connection with our adoption of ASC Topic 470-20.

Provision for Income Taxes. The income tax provision was $2.1 million and the effective tax rate was 34.6% for the third quarter of fiscal 2011 compared to a tax provision of $1.7 million and an effective tax rate of 46.3% for the third quarter of fiscal 2010. The effective tax rate for the third quarter of fiscal 2011 was lower than the statutory rate due to a NeuCo net operating loss carryback realized and the favorable effect of a foreign tax credit. The effective tax rate for the third quarter of fiscal 2010 was higher than the statutory rate due to losses in foreign locations that could not be benefited.

Net (Income) 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. The results of operations of NeuCo allocable to its other owners was a net income of $238,000 for the third quarter of fiscal 2011 and a net loss of $44,000 for the third quarter of fiscal 2010.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by $1.6 million to $3.7 million for the third quarter of fiscal 2011 from $2.1 million for the third quarter of fiscal 2010. The net income per diluted share was $0.34 per share for the third quarter of fiscal 2011, compared to $0.19 per share for the third quarter of fiscal 2010. Diluted weighted average shares outstanding decreased by approximately 33,000 shares to approximately 10,701,000 shares for the third quarter of fiscal 2011 from approximately 10,734,000 shares for the third quarter of fiscal 2010. The decrease in weighted average shares outstanding is primarily due to repurchases of common stock since September 3, 2010, offset in part by restricted shares that have vested and stock options that have been exercised since September 3, 2010.

Fiscal Year to Date Period Ended October 1, 2011 (39 Weeks) Compared to the Fiscal Year to Date Period Ended September 3, 2010 (40 Weeks)

Revenues. Revenues increased by $18.7 million, or 8.8%, to $230.3 million for the fiscal year to date period ended October 1, 2011 from $211.6 million for the fiscal year to date period ended

September 3, 2010. Our revenue improvement was due to increased demand for our services, even though clients have continued to carefully manage their spending as economic uncertainty continues to be an underlying factor in the markets we serve. We believe that our consulting areas have benefited from our recent investments in business development, particularly in the litigation and regulatory consulting areas. Utilization increased to 74% for the fiscal year to date period ended October 1, 2011 from 65% for the fiscal year to date period ended September 3, 2010 primarily as a result of increased demand for our services, the restructuring of our portfolio of services and a decrease in employee consultant headcount from 555 as of September 3, 2010 to 526 as of October 1, 2011. Partially offsetting these increases is the inclusion of thirty-nine weeks of results in the fiscal year to date period ended October 1, 2011 as compared with forty weeks of results in the fiscal year to date period ended September 3, 2010.

Overall, revenues outside of the U.S. remained constant at approximately 27% of total revenues for the fiscal year to date period ended October 1, 2011 and September 3, 2010, respectively. Revenues derived from fixed-price engagements increased to 23.3% of total revenues for the fiscal year to date period ended October 1, 2011 compared with 19.2% for the fiscal year to date period ended September 3, 2010. The increase in revenues from fixed-price engagements is due primarily to a change in the proportion of time-and-materials service contracts and fixed-price service contracts due to the growth in our management consulting area.

Costs of Services. Costs of services increased $6.5 million, or 4.5%, to $151.9 million for the fiscal year to date period ended October 1, 2011 from $145.4 million for the fiscal year to date period ended September 3, 2010. The increase in costs of services was due primarily to an increase in compensation for our employee consultants and an increase in client reimbursable expenses. Compensation for our employee consultants increased by $7.9 million, or 6.9%. The increase is primarily due to an increase in incentive bonus expense for our employee consultants that was accrued for in the fiscal year to date period ended October 1, 2011 primarily due to the increase in revenue and profitability. Client reimbursable expenses increased $2.3 million, or 8.2%, to $30.3 million for the fiscal year to date period ended October l, 2011 from $28.0 million for the fiscal year to date period ended September 3, 2010 primarily related to the increase in the number of projects. Partially offsetting these increases were a decrease in employee consultant headcount from 555 as of September 3, 2010 to 526 as of October 1, 2011, $3.7 million of restructuring expenses recorded in costs of services during the fiscal year to date period ended September 3, 2010 to more closely align our costs and our staffing levels with revenue as compared with no restructuring expenses recognized in costs of services during the fiscal year to date period ended October 1, 2011, and the inclusion of thirty-nine weeks of results in the fiscal year to date period ended October 1, 2011 as compared with forty weeks of results in the fiscal year to date period ended September 3, 2010.

As a percentage of revenues, costs of services decreased to 66.0% for the fiscal year to date period ended October 1, 2011 from 68.7% for the fiscal year to date period ended September 3, 2010. The decrease in costs of services as a percentage of revenue was due primarily to the increase in revenue during the fiscal year to date period ended October 1, 2011 as compared with the fiscal year to date period ended September 3, 2010 and lower compensation expense as a percentage of revenue primarily due to the restructuring expenses recorded in the fiscal year to date period ended September 3, 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $2.6 million, or 4.7%, to $53.5 million for the fiscal year to date period ended October 1, 2011 from $56.2 million for the fiscal year to date period ended September 3, 2010. The decrease in selling, general and administrative expenses was due primarily to the $1.9 million decrease in restructuring expenses and the inclusion of thirty-nine weeks of results in the fiscal year to date period ended October 1, 2011 as compared with forty weeks of results in the fiscal year to date period ended September 3, 2010 due to the change in fiscal year end. During the fiscal year to date period ended October 1, 2011, we recorded $1.0 million in restructuring expenses related to leased office space at our former Houston, TX office, which was closed during the second quarter of fiscal 2010, 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. During the fiscal year to date period ended September 3, 2010, we recorded $2.9 million in restructuring expenses related to office space reductions in our Boston, Massachusetts, Chicago, Illinois, and Houston, Texas offices. As a result of these restructuring actions, rent and office operating expenses decreased by approximately $1.9 million in the fiscal year to date period ended October 1, 2011 as compared with the fiscal year to date period ended September 3, 2010. In addition, included in selling, general and administrative expenses are $3.0 million and $4.1 million in selling, general and administrative expenses in the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively, due to the consolidation of NeuCo. Partially offsetting these decreases were increases in incentive bonus expense for our employees that were accrued for in the fiscal year to date period ended October 1, 2011 due to the increase in revenue and profitability and investments in business development.

As a percentage of revenues, selling, general and administrative expenses decreased to 23.2% for the fiscal year to date period ended October 1, 2011 from 26.6% for the fiscal year to date period ended September 3, 2010, which was primarily a result of the increase in revenue in the fiscal year to date period ended October 1, 2011 compared with the fiscal year to date period ended September 3, 2010 and a decrease in rent as a percentage of revenue.

Depreciation and Amortization. Depreciation and amortization decreased by $0.9 million, or 19.7%, to $3.8 million for the fiscal year to date period ended October 1, 2011 from $4.7 million for the fiscal year to date period ended September 3, 2010 primarily due to assets that became fully depreciated since the third quarter of fiscal 2010 and the decrease in leasehold improvements and computer equipment as a result of office closures and reduced headcount.

Interest Expense. Interest expense decreased by $1.8 million to $0.8 million for the fiscal year to date period ended October 1, 2011 from $2.7 million for the fiscal year to date period ended September 3, 2010. The decrease was primarily due to our repurchase, on June 15, 2011, of 100% of the principal amount of the outstanding debentures plus accrued and unpaid interest, which amounted to $21.9 million and $0.3 million, respectively. Up through this final repurchase date, interest expense primarily consisted of interest incurred on this convertible debt, the amortization of debt issuance costs, and the amortization of the discount recorded in connection with our adoption of ASC Topic 470-20.

Gain (Loss) on Extinguishment of Convertible Debentures. During the fiscal year to date period ended October 1, 2011, we repurchased 100% of the principal amount of the outstanding debentures plus accrued and unpaid interest, which amounted to $21.9 million and $0.3 million, respectively. During the fiscal year to date period ended September 3, 2010, we repurchased convertible debentures in the principal amount of $15.0 million, on the open market, resulting in a $0.4 million loss on a pre-tax basis. Although we repurchased our debt, we incurred non-cash losses on the repurchases under the provisions of ASC Topic 470-20, which required us to discount our debt for the equity conversion feature of the debt instrument.

Provision for Income Taxes. For the fiscal year to date period ended October 1, 2011 our income tax provision was $7.8 million and the effective tax rate was 38.6% compared to $1.6 million and an effective tax rate of 74.6% for the fiscal year to date period ended September 3, 2010. The effective tax rate for the fiscal year to date period ended October 1, 2011 was consistent with the statutory rate. The effective tax rate for the fiscal year to date period ended September 3, 2010 was higher than the statutory rate due to losses in foreign locations that could not be benefited.

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. The results of operations of NeuCo allocable to its other owners was a net loss of $7,000 for the fiscal year to date period ended October 1, 2011 and a net loss of $268,000 for the fiscal year to date period ended September 3, 2010.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by $11.6 million to $12.4 million for the fiscal year to date period ended October 1, 2011 from $0.8 million for the fiscal year to date period ended September 3, 2010. The diluted net income per share was $1.15 per share for the fiscal year to date period ended October 1, 2011, compared to $0.08 per share for the fiscal year to date period ended September 3, 2010. Diluted weighted average shares outstanding decreased by approximately 28,000 shares to approximately 10,773,000 shares for the fiscal year to date period ended October 1, 2011 from approximately 10,801,000 shares for the fiscal year to date period ended September 3, 2010. The decrease in weighted average shares outstanding is primarily due to repurchases of common stock since September 3, 2010, offset in part by restricted shares that have vested and stock options that have been exercised since September 3, 2010.

Liquidity and Capital Resources

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

Fiscal Year to Date Period Ended October 1, 2011

General. In the fiscal year to date period ended October 1, 2011, cash and cash equivalents decreased by $48.0 million. We completed the period with cash and cash equivalents of $39.5 million, short-term investments of $14.8 million, and working capital (defined as current assets less current liabilities) of $101.3 million, which is relatively consistent with working capital of $100.5 million at January 1, 2011.

As of October 1, 2011, a portion of our cash accounts was concentrated at a single financial institution, which potentially exposes us to credit risks. As of October 1, 2011, the financial institution has generally "stable" credit ratings and we have not experienced any losses related to such accounts. The short-term credit rating of this financial institution is A-2 by Standard & Poor's ratings services. We do not believe that there is significant risk of non-performance by the financial institution, the cash on deposit 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 fiscal year to date period ended October 1, 2011, net cash provided by operating activities was $2.2 million. The primary uses of cash in operating activities include increases in unbilled services and accounts receivable of $12.3 million, primarily related to increases in revenue and DSOs, increases in prepaid expenses and other assets of $6.3 million, decreases in deferred income taxes of $4.6 million primarily related to the extinguishment of the remaining outstanding convertible debentures in June 2011, and decreases in deferred rent of $2.2 million. The uses of cash in operations were partially offset by the following sources of cash: net income of $12.4 million, aggregate increases in accounts payable, accrued expenses, and other liabilities of $6.8 million due to an increase in compensation related accruals, share-based compensation expense of $4.3 million, and depreciation and amortization expense of $3.8 million.

We used $22.2 million of net cash for investing activities during the fiscal year to date period ended October 1, 2011, which included uses of cash of $46.6 million to purchase short-term investments to achieve higher returns on our excess cash, $6.3 million for capital expenditures primarily due to our investment in a new financial system, and $0.8 million of net acquisition consideration payments. These uses of cash were partially offset by $31.5 million received from the sale of short-term investments.

We used $28.0 million of net cash for financing activities during the fiscal year to date period ended October 1, 2011. Cash used in financing activities was primarily for the extinguishment of the remaining outstanding convertible debentures of $21.9 million and the repurchase of common stock for $5.7 million during the fiscal year to date period ended October 1, 2011.

Indebtedness

Private Placement of Convertible Debt. In 2004, we completed a private placement of $90.0 million of 2.875% convertible senior subordinated debentures due in 2034. On June 15, 2011, we repurchased the remaining principal amount of the outstanding debentures plus accrued and unpaid interest, which amounted to $21.9 million and $0.3 million, respectively.

Borrowings under the Revolving Line of Credit. We are party to a senior loan agreement with our bank for a $60.0 million revolving line of credit with a maturity date of April 30, 2014. The revolving line of credit gives us additional flexibility to meet any unforeseen financial requirements. Subject to the terms of the agreement, we may use borrowings under this revolving line of credit for acquisition financing, working capital, general corporate purposes, letters of credit, and foreign exchanges contracts. The amounts available under our bank revolving line of credit are constrained by various financial covenants and reduced by certain outstanding letters of credit, which amounted to $0.8 million as of October 1, 2011. As of October 1, 2011, there were no amounts outstanding under this revolving line of credit.

Borrowings under our credit facility bear interest at LIBOR plus an applicable margin. Applicable margins range from 1.75% to 2.75%, depending on the ratio of our consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA, for the preceding four fiscal quarters, subject to various adjustments stated in the senior loan agreement. These margins are adjusted both quarterly and each time we borrow under the credit facility. Interest is payable monthly. A commitment fee of 0.25% is payable on the unused portion of the credit facility. Borrowings under the credit facility are secured by 100% of the stock of certain of our U.S. subsidiaries and 65% of the stock of certain of our foreign subsidiaries, which represent approximately $33.1 million in net assets as of October 1, 2011.

Under our senior loan agreement, we must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. Any indebtedness outstanding under the senior credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require us to maintain a minimum consolidated working capital of $25.0 million and to comply with a consolidated senior debt to EBITDA ratio of not more than 2.5 to 1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, our ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. As of October 1, 2011, we were in compliance with our agreement with the bank.

Compensation Arrangements

In connection with a previous acquisition, we have agreed to pay an award to certain employees of the acquired business if they achieve specific performance targets through fiscal 2012. Retention of amounts paid to the individual employees is contingent on their continued employment with us through 2016. As of October 1, 2011, based upon performance to date and expected performance in the future, the amount of the award is estimated to be approximately $9.8 million. This amount could fluctuate depending on future performance. Any payments under this award would be made in fiscal 2013 and we expect to fund these payments, if any, from existing cash resources, cash generated from operations, or financing transactions.

Other Matters

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

On July 6, 2010, we announced that our board of directors approved a share repurchase program of up to $5 million of our common stock. During the third quarter of fiscal 2011, we purchased the remaining 140,057 shares authorized under this program at an average price per share of $24.72. Cumulatively, we have purchased 200,624 shares under this program at an average price per share of $24.92.

On August 30, 2011, we announced that our board of directors approved an expanded share repurchase program of up to an additional $7.5 million of our common stock. As of October 1, 2011, we have repurchased 39,087 shares under this expanded program at an average price per share of $23.19. We expect to continue to repurchase shares under this program. We will finance the repurchase program with available cash and cash from future operations. We may repurchase shares in open market purchases or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations.

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 Euro, and foreign denominated assets and liabilities are remeasured each reporting period with any exchange gains and losses recorded in our consolidated statements of operations. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the 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 October 1, 2011. A hypothetical

10% movement in foreign exchange rates on October 1, 2011 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 October 1, 2011, 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 and Canadian government bonds with maturities of less than a year. These held-to-maturity securities are subject to interest rate risk. However, a hypothetical change in the interest rate of 10% would not have a material impact to the fair values of these securities at October 1, 2011 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.

Evaluation of Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we have determined that, during the third quarter of fiscal 2011, 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 this effectiveness in 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 86% and 85% of our revenues for the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively. Our top five employee consultants generated approximately 14% of our revenues in each of the fiscal year to date periods ended October 1, 2011 and September 3, 2010.

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 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. A number of factors outside of our control include the availability of credit, the costs and terms of borrowing, merger and acquisition activity, and general economic factors and business conditions.

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

Our 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.

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

Our business continually requires us to hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants could limit our ability to accept or complete engagements and adversely affect our revenues and results of operations. Relatively few potential employees meet our hiring criteria, and we face significant competition for these employees from our direct competitors, academic institutions, government agencies, research firms, investment banking firms, and other enterprises. Many of these competing employers are able to offer potential employees significantly greater compensation and benefits or more attractive lifestyle choices, career paths, or geographic locations than we can. Competition for these employee consultants has increased our labor costs, and a continuation of this trend could adversely affect our margins and results of operations.

In addition, we utilize 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 these loans are collateralized. Defaults under these loans could have a material adverse affect on our consolidated statements of operations, financial condition and liquidity.

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;
- longer sales cycles;
- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- 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 conduct a portion of our business in the Middle East. At times, turmoil in the region could interrupt our business operations in that region and slow the flow of new opportunities and proposals, which can ultimately affect our revenues and results of operations.

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

We depend on our non-employee experts

We depend on our relationships with our exclusive non-employee experts. In the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively, five of our top exclusive nonemployee experts generated engagements that accounted for approximately 8% and 10% of our revenues in those periods, respectively. We believe that these experts are highly regarded in their fields. Each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we could offer the services of these experts. Most of these experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, 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 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.

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 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, the recent global economic recession has resulted in, and may continue to result in, reduced merger and acquisition activity levels. These reductions in activity level would adversely affect our revenues and results of operations.

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 16% and 14% of our revenues in the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively. Our 10 largest clients accounted for approximately 24% and 16% of our revenues in the fiscal year to date periods ended October 1, 2011 and September 3, 2010, 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.

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.

Clients can terminate engagements with us at any time

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

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

We may experience significant fluctuations in our revenues and results of operations from one quarter to the next. If our revenues or net income in a quarter 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, our revenues failing 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.

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;
- 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.

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 account receivable could have a material adverse effect on our financial condition and results of operations. A small number of clients who have paid sizable invoices later declared bankruptcy, and a court determination that we were not properly entitled to that payment may require repayment of some or all of the amount we received, which could adversely affect our financial condition and results of operations.

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 23% and 19% of revenues from fixed-price engagements in the fiscal year to date periods ended October 1, 2011 and September 3, 2010, respectively. These contracts are more common in our management consulting area, and would likely grow in number with any expansion of that area. Fluctuations in our mix among 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.

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.

The market price of our common stock may be volatile

The market price of our common stock has fluctuated widely and may continue to do so. For example, from September 4, 2010 to October 1, 2011, the trading price of our common stock ranged from a high of $29.80 per share to a low of $15.99 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.

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 monitored annually for impairment, or more frequently, if there are indicators of impairment. In performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value utilizing our market capitalization, plus an appropriate control premium. We have utilized a control premium 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 statement of operations.

There were no impairment losses related to goodwill or intangible assets during the fiscal year to date period ended October 1, 2011. Uncertainty in the financial markets and weakness in macroeconomic conditions globally could contribute to volatility in our stock price. The current macroeconomic environment continues to be challenging and we cannot be certain of the duration of these conditions and their potential impact on our stock price performance. If our market capitalization plus an estimated control premium is below our carrying value for a period we consider to be other-than-temporary, we may be required to record an impairment of our goodwill either as a result of our annual assessment that we will conduct in the fourth quarter of fiscal year 2011, or in a future quarter if an indication of potential impairment is evident. A non-cash goodwill impairment charge would have the affect of decreasing our earnings or increasing our losses in such period. If we are required to take a substantial impairment charge, our operating results would be materially adversely affected in such period.

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 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.

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 could adversely affect our business, operating results and financial condition.

Our debt obligations may adversely impact our financial performance

We have a revolving line of credit for $60.0 million. The amounts available under our bank revolving 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 30, 2014. 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.

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 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 quarter ended October 1, 2011. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the quarter into three periods of four weeks, four weeks and five weeks, respectively, to coincide with our reporting periods during the third quarter of fiscal 2011.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
July 3, 2011 to July 30, 2011	895 shares(1)	$27.61 per share(1)	—	$3,462,765
July 31, 2011 to August 27, 2011	104,744 shares(2)	$25.08 per share(2)	104,744	$ 835,310
August 28, 2011 to October 1, 2011	74,400 shares(2)	$23.41 per share(2)	74,400	$6,593,591

(1) During the four weeks ended July 30, 2011, we accepted 895 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shared that occurred during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average price per share of $27.61.

(2) On July 6, 2010, we issued a press release announcing that our board of directors approved a share repurchase program of up to $5 million of our common stock. During the four weeks ended August 27, 2011, we purchased 104,744 shares under this program at an average price per share of $25.08. During the five weeks ended October 1, 2011, we purchased the remaining 35,313 shares authorized under this program at an average price per share of $23.65. On August 30, 2011, we issued a press release announcing that our board of directors had approved an expanded share repurchase program of up to an additional $7.5 million of our common stock. During the five weeks ended October 1, 2011, we purchased 39,087 shares authorized under this program for an average price per share of $23.19.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. (Removed and Reserved)

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Item No.	Description
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification
101*	The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 1, 2011, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Statement of Operations (unaudited) for the quarters and the fiscal year to date periods ended October 1, 2011 and September 3, 2010, (ii) Condensed Consolidated Balance Sheets (unaudited) as at October 1, 2011 and January 1, 2011, (iii) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal year to date periods ended October 1, 2011 and September 3, 2010, (iv) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal year to date period ended October 1, 2011, and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

* 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRA INTERNATIONAL, INC.

Date: November 8, 2011

By: /s/ PAUL A. MALEH

Paul A. Maleh
President and Chief Executive Officer

Date: November 8, 2011

By: /s/ WAYNE D. MACKIE

Wayne D. Mackie
Executive Vice President, Treasurer, and Chief Financial Officer

EXHIBIT INDEX

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