CRA INTERNATIONAL, INC.
Form 10-K
March 08, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 29, 2012

Commission file number: **000-24049**

CRA International, Inc.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and

(2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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

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

The aggregate market value of the stock held by non-affiliates of the registrant as of June 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price of $14.69 as quoted on the NASDAQ Global Select Market as of the last trading day before that date, was approximately $145.1 million. Outstanding shares of common stock beneficially owned by executive officers and directors of the registrant and certain related entities have been excluded from this computation because these persons may be deemed to be affiliates. The fact that these persons have been deemed affiliates for purposes of this computation should not be considered a conclusive determination for any other purpose.

As of March 1, 2013, CRA had outstanding 10,195,472 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report is incorporated by reference from the registrant's definitive proxy statement for the 2013 special meeting in lieu of annual meeting of its shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 29, 2012.

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CRA INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 29, 2012

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PART I

Item 1 ***Business***

Forward-Looking Statements

Except for historical facts, the statements in this annual 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 in this annual report 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 annual 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.

Additional Available Information

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 electronically file them 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.

Change in Fiscal Year

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 ended 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 ("transition period"). The audited results of the five-week transition period ended January 1, 2011 are presented herein. The fiscal year change was not effective until after the completion of our 2010 fiscal year. Therefore, the fiscal year 2010 comparative financial and other information reported in the financial statements herein continues to be presented based on our prior fiscal year end calendar. For comparative analysis purposes, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented herein compares the audited results for the five-week transition period ended January 1, 2011 to the unaudited results for the five-week comparative period ended January 2, 2010.

Our fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2012, fiscal 2011, and fiscal 2010 were 52-week years.

Introduction

We are a leading global consulting firm specializing in providing economic, financial and management consulting services. We advise clients on economic and financial matters pertaining to litigation and regulatory proceedings, and guide corporations through critical business strategy and performance-related issues. Since 1965, we have been engaged by clients for our unique combination of functional expertise and industry knowledge, and for our objective solutions to complex problems. We combine economic and financial analysis with expertise in litigation and regulatory support, business strategy and planning, market and demand forecasting, policy analysis, and engineering and technology strategy. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major strategy and capital investment decisions, and complex litigation, the outcomes of which often have significant consequences for the parties involved. These matters often require independent analysis and, as a result, companies must rely on outside experts. Our analytical strength enables us to reach objective, factual conclusions that help clients make important business and policy decisions and resolve critical disputes. Companies turn to us because we can provide large teams of highly credentialed and experienced economic and finance experts to address critical, tough assignments, with high-stakes outcomes.

We offer consulting services in two broad areas: litigation, regulatory, and financial consulting and management consulting. These two areas represented approximately 98% of our consolidated revenues for fiscal 2012. The remaining 2% came from our NeuCo subsidiary. We provide our services primarily through our highly credentialed and experienced staff of employee consultants. As of December 29, 2012, we employed 464 consultants, including approximately 110 employee consultants with doctorates and approximately 160 employee consultants with other advanced degrees. Our employee consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, accounting, and engineering. We are extremely selective in our hiring of consultants, recruiting from leading universities, industry, and government. Many of our employee consultants are nationally or internationally recognized as experts in their respective fields and have published scholarly articles, lectured extensively, and have been quoted in the press. They combine outstanding intellectual acumen with practical experience and in-depth understanding of industries and markets. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of renowned academic and industry non-employee experts.

Our business is diversified across multiple dimensions, including service offerings and vertical industry coverage, as well as areas of functional expertise, client base, and geography. Through 19 offices located internationally, we provide multiple services across 20 areas of functional expertise to hundreds of clients across 17 vertical industries. We believe this diversification reduces our dependence on any particular market, industry, or geographic area.

We provide consulting services to corporate clients and attorneys in a wide range of litigation and regulatory proceedings, providing high-quality research and analysis, expert testimony, and comprehensive support in litigation and regulatory proceedings in all areas of finance, accounting, economics, insurance, and forensic accounting and investigations. We also use our expertise in economics, finance, and business to offer law firms, businesses, and government agencies services related to class certification, damages analysis, expert reports and testimony, regulatory analysis, strategy development, valuation of tangible and intangible assets, risk management, and transaction support. In our management consulting services, we use our expertise in economics, finance, and business analysis to offer our clients such services as strategy development, performance improvement, corporate portfolio analysis, estimation of market demand, new product pricing strategies, valuation of intellectual property and other assets, assessment of competitors' actions, and analysis of new sources of supply. Our analytical expertise in advanced economic and financial methods is complemented by our in-depth expertise in specific industries, including banking and capital markets; chemicals and industrials; consumer products; energy and utilities; financial services; health care; insurance; life sciences; manufacturing; media; mining, metals and materials; oil and gas; real estate; retail; sports; telecommunications; and transportation.

We have completed thousands of engagements for clients around the world, including domestic and foreign companies; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; and national and international trade associations. Our clients come from a broad range of industries, with our top 10 clients in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, accounting for approximately 18%, 23%, 25%, and 16% of our revenues, respectively, and no single client accounting for more than 5% of our revenues in each of these periods. We also work with many of the world's leading law firms. We experience a high level of repeat business, and in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, approximately 95%, 94%, 98%, and 93% of our revenues resulted from either ongoing engagements or new engagements for existing clients, respectively.

We deliver our services through an international network of 19 coordinated offices. Headquartered in Boston, Massachusetts, we have offices throughout North America and Europe.

Industry Overview

Businesses are operating in an increasingly complex economic, legal, and regulatory environment. Our changing world economy has created immense challenges and opportunities for businesses. Companies across industry sectors are seeking new strategies appropriate for the current economic environment, as well as greater operational efficiencies. To accomplish these objectives, they must constantly gather, analyze, and use information wisely to assure that business decisions are well-informed. In addition, as markets have become global, companies have the opportunity to expand their presence throughout the world, which can expose them to increased competition and the uncertainties of foreign operations. Further, companies are increasingly relying on technological and business innovations to improve efficiency, thus increasing the importance of strategically analyzing their businesses and developing and protecting new technology. The increasing complexity and changing nature of the business environment are also forcing governments to modify their regulatory strategies. These constant changes in the regulatory environment and the current administration's pro-regulatory stance in the U.S. have led to frequent litigation and interaction with government agencies as companies attempt to interpret and react to the implications of this changing environment. Furthermore, as the general business and regulatory environment becomes more complex, corporate litigation has also become more complicated, protracted, expensive, and important to the parties involved.

As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models provide the tools necessary to analyze a variety of issues confronting businesses, such as interpretation of sales data, effects of price changes, valuation of assets, assessment of competitors' activities, evaluation of new products, and analysis of supply limitations. Governments are also relying, to an increasing extent, on economic and finance theory to measure the effects of anticompetitive activity, evaluate mergers and acquisitions, change regulations, implement auctions to allocate resources, and establish transfer pricing rules. Finally, litigants and law firms are using economic and finance theory to help determine liability and to calculate damages in complex and high-stakes litigation. As the need for complex economic and financial analysis becomes more widespread, companies and governments are turning to outside consulting firms, such as ours, for access to the independent, specialized expertise, experience, and prestige that are not available to them internally. In addition, companies' strategic, organizational, and operational problems have gotten more acute as a result of the economic environment, and companies are relying on management consultants for help in analyzing, addressing, and solving strategic business problems and performance-related issues involving market supply demand dynamics, supply chain and sourcing, pricing, capital allocation, technology management, portfolio positioning, risk management, merger integration, and improving shareholder value.

Competitive Strengths

Since 1965, we have been committed to providing sophisticated consulting services to our clients. We believe that the following factors have been critical to our success.

Strong Reputation for High-Quality Consulting; High Level of Repeat Business. For more than 45 years, we have been a leader in providing sophisticated economic analysis and original, authoritative advice to clients involved in complex litigation and regulatory proceedings, and we also provide management consulting services to companies facing strategic, organizational, and operational challenges. As a result, we believe we have established a strong reputation among leading law firms and business clients as a preferred source of expertise in economics, finance, business, and management consulting, as evidenced by our high level of repeat business. In fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, approximately 95%, 94%, 98%, and 93% of our revenues resulted from ongoing engagements or new engagements from repeat clients, respectively.

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In addition, we believe our significant name recognition, which we developed as a result of our work on many high-profile litigation and regulatory engagements, has enhanced the development of our management consulting practice.

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior employee consultants. Of our 464 employee consultants as of December 29, 2012, 331 were either executive vice presidents, vice presidents, principals, associate principals, senior associates, or consulting associates, of whom approximately 76% have a doctorate or other advanced degree. Many of these senior employee consultants are nationally or internationally recognized as experts in their respective fields. In addition to their expertise in a particular field, most of our employee consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to our ability to apply our resources as needed to meet the demands of our clients. As a result, we seek to hire consultants who not only have strong analytical skills, but who are also creative, intellectually curious, and driven to develop expertise in new practice areas and industries.

International Presence. We deliver our services through an international network of 19 coordinated offices. Headquartered in Boston, Massachusetts, we have offices throughout North America and Europe. Many of our clients are multinational firms with issues that cross international boundaries, and we believe our international presence provides us with an advantage to address complex issues that span countries and continents. Our international presence also gives us access to many of the leading experts around the world on a variety of issues, allowing us to expand our knowledge base and areas of functional expertise. Revenues outside of the U.S. accounted for approximately 23%, 26%, 24%, and 27% of our total revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. See Note 13 of our Notes to Consolidated Financial Statements for a breakdown of our revenue and long-lived assets by country.

Diversified Business. Our business is diversified across multiple dimensions, including service offerings, vertical industry coverage, areas of functional expertise, client base, and geography. By maintaining expertise in multiple industries, we are able to offer clients creative and pragmatic advice tailored to their specific markets. By offering clients litigation, regulatory, financial, and management consulting services, we are able to satisfy an array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables us to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in other disciplines. We believe this diversification reduces our dependence on any particular market, industry, or geographic area. Furthermore, our litigation, regulatory, and financial consulting businesses are driven primarily by regulatory changes and high-stakes legal proceedings. Our diversity also enhances our expertise and the range of issues that we can address on behalf of clients.

Integrated Business. We manage our business on an integrated basis through our international network of 19 offices and 20 areas of functional expertise. Many of our practice areas are represented in several of our offices and are managed across geographic borders. We view these cross-border practices as integral to our success and key to our management approach. Our practices share not only staff but also consulting approaches and marketing strategies. When we acquire companies, our practice is to rapidly integrate systems, procedures, and people into our business model. In addition to sharing our intellectual property assets globally, we encourage geographic collaboration among our practices by including a consultant's overall contribution to our practices as a factor in determining the consultant's annual bonus.

Diversified Client Base. We have completed thousands of engagements for clients in a broad range of industries around the world. In fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, our top 10 clients accounted for approximately 18%, 23%, 25%, and 16% of our revenues, respectively, with no single client accounting for more than 5% of our revenues in each of these periods. Our clients are major firms across a multitude of industries that include: banking and capital markets; chemicals and industrials; consumer products; energy and utilities;

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financial services; health care; insurance; life sciences; manufacturing; media; mining, metals, and materials; oil and gas; real estate; retail; sports; telecommunications; and transportation.

Established Corporate Culture. Our success results in part from our established corporate culture. We believe we attract consultants because of our more than 45-year history, our strong reputation, the credentials, experience, and reputations of our employee consultants, the opportunity to work on an array of matters with a broad group of renowned non-employee experts, and our collegial atmosphere where teamwork and collaboration are emphasized and valued by many clients.

Access to Leading Academic and Industry Experts. To enhance the expertise we provide to our clients and the depth and breadth of our insights, we maintain close working relationships with a select group of non-employee experts. Depending on client needs, we use non-employee experts for their specialized expertise, assistance in conceptual problem-solving, and expert witness testimony. We work regularly with renowned professors at such institutions as Cornell University, Georgetown University, Harvard University, the Massachusetts Institute of Technology, Northwestern University, Texas A&M University, the University of California at Berkeley, the University of California at Los Angeles, the University of Toronto, and other leading universities. These experts also generate business for us and provide us access to other leading academic and industry experts. By establishing affiliations with these prestigious experts, we further enhance our reputation as a leading source of sophisticated economic and financial analysis.

Services

We offer services in two broad areas: litigation, regulatory, and financial consulting and management consulting. Together, these two service areas comprised approximately 98% of our consolidated revenues for fiscal 2012, and approximately 2% of our consolidated revenues came from our NeuCo subsidiary.

Litigation, Regulatory, and Financial Consulting

In our litigation, regulatory, and financial consulting practices, we typically work closely with law firms on behalf of one or more companies involved in litigation or regulatory proceedings in such areas as antitrust, damages, and labor and employment. Many of the lawsuits and regulatory proceedings in which we are involved are critical assignments with high-stakes outcomes, such as obtaining regulatory approval of a pending merger or analyzing possible damages awards in a class action case. The ability to formulate and effectively communicate powerful economic and financial arguments to courts and regulatory agencies is often critical to a successful outcome in litigation and regulatory proceedings. Our consultants combine uncommon analytical rigor with practical experience and in-depth understanding of industries and markets. Our analytical strength enables us to reach objective, factual conclusions that help our clients make important business and policy decisions and resolve critical disputes. Our consultants work with law firms, corporate counsel, and regulatory agencies to assist in developing the theory of the case and in preparing the testimony of expert witnesses from among our employees and from among our non-employee experts and others in academia. In addition, our consultants provide general litigation support, including reviewing legal briefs and assisting in the appeals process.

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The following is a summary of the areas of functional expertise that we offer in litigation, regulatory, and financial consulting engagements. We provide services, such as economic expertise, analyses, and expert testimony, in these areas:

Areas of Functional Expertise	Description of Area of Service
Damages	Disputes involving lost profits, breach of contract, purchase price, valuation, business interruption, product liability, and fraud, among other damages claims. Calculating damages, provide expert testimony, and critique opposing experts' damages analyses in matters involving disputes in antitrust; intellectual property; securities and other financial market issues; insolvency; property values; contract; employment discrimination; product liability; environmental contamination; and purchase price. Support clients with broader corporate valuation services, provide pre-trial evaluations of damages claims and methodologies, and evaluate proposed settlements in class action and other cases.
Financial Accounting & Valuation	Commercial and shareholder disputes; corporate finance damages advisory; corporate investigations; due diligence; financial accounting; valuation and litigation support and expert testimony, including both liability and damages.
Financial Economics	Matters pertaining to financial markets, including regulatory analyses and litigation support for financial institutions in areas of fair lending compliance, credit risk, credit scoring, consumer and mortgage lending, housing markets, international mortgage markets, and securitization. Analyses of valuations and estimates of damages associated with breaches of contract, national laws, and international treaties and the effects of market rules, processes, and contracts on prices and competition.
Financial Markets	Application of financial economics and accounting to complex litigation and business problems in such areas as securities litigation; securities markets and financial institutions; valuation and damages; and other financial litigation.
Forensic Services	Complex accounting issues, significant quantum of loss calculations, economic and financial crime, fraud, corruption, bribery, and other issues that threaten the integrity or reputation of organizations.
Global Antitrust & Competition Economics	Antitrust litigation, including economic analysis of the competitive effects of alleged collusion and cartels, monopolization, abuse of dominance, monopsony, and vertical restrictions.
Insurance Economics	Matters pertaining to advising insurers, regulators, and legislators in management, insurance products, and litigation and regulation.
Intellectual Property	Matters pertaining to all types of intellectual property assets including valuation, litigation, transaction and strategic advisory services, patents, trade secrets, copyrights, and trademarks as well as economic damages in intellectual property litigation, valuations of intellectual property assets for strategic and regulatory purposes, and transactional advisory services for licensing and other intellectual property-rich transactions.
International Arbitration	International arbitration cases brought under bilateral investment treaties and arbitration clauses in contracts between firms. Assessing causation and quantifying damages using sophisticated modeling and analytical techniques and presenting findings to arbitration authorities.

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Areas of Functional Expertise	**Description of Area of Service**
Labor & Employment	All facets of employment litigation including equal employment opportunity claims under Title VII, the Age Discrimination in Employment Act (ADEA), the Equal Pay Act (EPA), and the Americans with Disabilities Act (ADA). Providing expert witness and litigation support services, conducting proactive analyses of employment and contracting practices, monitoring consent decrees and settlement agreements, designing information systems to track relevant employment data, and analyzing liability and assessing damages under the Fair Labor Standards Act (FLSA), California overtime laws, and state-specific wage and hour laws.
Mergers & Acquisitions	Assisting clients in obtaining domestic and foreign regulatory approvals in proceedings before government agencies, such as the U.S. Federal Trade Commission, the U.S. Department of Justice, the Merger Task Force at the European Commission, and the Canadian Competition Bureau. Analyses include simulating the effects of mergers on prices, estimating demand elasticities, designing and administering customer and consumer surveys, and studying possible acquisition-related synergies.
Public Policy & Regulatory Economics	Regulatory proceedings and assisting clients in understanding and mitigating regulatory risks and exposures, preparing policy studies that help develop the basis for sound regulatory policy, drafting regulatory filings, and advising on regulations pertaining to environmental protection, employment, and health and safety.
Transfer Pricing	All phases of the tax cycle, including planning, documentation, and tax valuation. Also includes audit defense and support in advanced pricing agreements, alternative dispute resolution, or litigation in proceedings involving the Internal Revenue Service, the Tax Division of the U.S. Department of Justice, state and municipal tax authorities, and foreign tax authorities.

Management Consulting

Our management consulting practices offer a unique mix of industry and functional expertise to help companies address and solve their strategic, organizational, and operational business problems. We advise clients in a broad range of industries on how to succeed in uncertain, rapidly-changing environments by generating growth, creating value, and enhancing shareholder wealth.

Additionally, we challenge clients to develop fresh approaches by sharing industry insights, focusing on facts, and questioning tradition. We support clients in implementation by setting priorities, focusing resources, and aligning operations; and we get results by helping clients make distinctive, substantial improvements in their organizations' performance.

The following is a summary of the areas of functional expertise that we offer in management consulting.

Areas of Functional Expertise	**Description of Area of Service**
Auctions & Competitive Bidding	Provide auction and market design, implementation, and monitoring services, as well as bidding support services, for businesses, industry organizations, and governments in various industries around the world, including commodities, energy and utilities, telecommunications, transportation, natural resources, and other industries.

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Areas of Functional Expertise	Description of Area of Service
Corporate & Business Strategy	Advise on business strategy, corporate revitalizations, and organizational effectiveness by bringing new ways of thinking to companies and new ways of working to develop better strategies over time and identify the highest-value opportunities that address critical challenges and transform business. Advise chief executive officers and executive management teams on corporate and business unit strategy, market analysis, portfolio management, pricing strategy, and product positioning. Areas of expertise include strategy, execution, organic growth, growth through acquisition, productivity, risk management, leadership and organization, and managing for value.
Enterprise Risk Management	Advise large financial institutions and corporations in areas of governance and strategy; process; analytics; and technology related to risk management.
Environmental Strategy	Advise companies on the following: corporate strategy to address risks and uncertainties surrounding environmental policy developments; business models that adapt to future environmental policy; investment decision-making processes that account for environmental policy uncertainty; environmental strategic compliance options with regulations/legislation; emissions trading planning surrounding cap-and-trade policies; and identification of business opportunities that could relate to environmental trends.
Intellectual Property & Technology Management	Advise top management, investors, and boards on technology strategy and planning, research and development management, commercialization, technology market evaluation, intellectual property management, and portfolio and resource management.
Organization & Performance Improvement	Advise corporate clients in areas of revenue growth drivers; operating margin drivers; asset efficiency drivers; key enablers; and performance management and metrics.
Transaction Advisory Services	Advise business leaders, including buyers and sellers, in the areas of due diligence; mergers and acquisitions; private equity; and valuation.

Industry Expertise

We believe our ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries is one of our key competitive strengths. By maintaining expertise in certain industries, we provide clients practical advice tailored to their specific markets. This industry expertise, which we developed over decades of providing sophisticated consulting services to a diverse group of clients in many industries, differentiates us from many of our competitors. We believe that we have developed a strong reputation and substantial name recognition within specific industries, which has led to repeat business and new engagements from clients in those markets. While we provide services to clients in a wide variety of industries, we have particular expertise in the following industries:

- Banking & Capital Markets
- Chemicals & Industrials
- Consumer Products
- Energy & Utilities

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Financial Services

Health Care

Insurance

Life Sciences

Manufacturing

Media

Mining, Metals, & Materials

Oil & Gas

Real Estate

Retail

Sports

Telecommunications

Transportation

Clients

We have completed thousands of engagements for clients around the world, including domestic and foreign corporations; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; accounting firms; and national and international trade associations. Frequently, we work with major law firms who approach us on behalf of their clients. While we have particular expertise in a number of industries, we provide services to a diverse group of clients in a broad range of industries. No single client accounted for more than 5% of our revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, or fiscal 2010. Our policy is to keep the identities of our clients confidential unless our work for the client is already publicly disclosed. Revenues outside of the U.S. accounted for approximately 23%, 26%, 24%, and 27% of our total revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. See Note 13 of our Notes to Consolidated Financial Statements for a breakdown of our revenue by country.

Software Subsidiary

NeuCo, Inc. develops and markets a family of neural network software tools and complementary application consulting services that are currently focused on electric utilities. Although NeuCo had its origins in one of our consulting engagements, it is primarily a software company that operates independently from our consulting business. NeuCo's products and services are designed to help utilities optimize the use of their power plants by improving heat rate, reducing emissions, overcoming operating constraints, and increasing output capability.

During fiscal 2010, NeuCo acquired $0.9 million of its outstanding shares. As a result of this transaction, our ownership interest in NeuCo increased from 49.15% to 55.89%. Our ownership interest constitutes control under GAAP; therefore, NeuCo's financial results have been consolidated with ours and the portion of NeuCo's results allocable to its other owners is shown as "noncontrolling interest."

NeuCo's revenues included in our consolidated statements of operations for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010 totaled approximately $5.5 million, $6.2 million, $0.4 million, and $6.4 million, respectively. NeuCo's net income included in our consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.3 million and $0.2 million, respectively. NeuCo's net loss included in our consolidated statements of operations for the five-week transition period ended January 1, 2011, and fiscal 2010 totaled approximately

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$0.1 million and $1.3 million, respectively. NeuCo's net income, net of amounts allocable to its other owners, included in our consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.2 million and $0.1 million, respectively. NeuCo's net loss, net of amounts allocable to its other owners, included in our consolidated statements of operations for the five-week transition period ended January 1, 2011 and fiscal 2010 totaled approximately $39,000 and $0.7 million, respectively.

Human Capital

On December 29, 2012, we had 625 employees, including 464 employee consultants, comprising 109 executive vice presidents or vice presidents, 222 other senior employee consultants (either principals, associate principals, senior associates, or consulting associates) and 133 junior consultants (either associates or analysts), as well as 161 administrative staff members. Executive vice presidents, vice presidents, and principals generally work closely with clients, supervise junior consultants, provide expert testimony on occasion, and seek to generate business for CRA. Principals, associate principals, senior associates, and consulting associates typically serve as project managers and handle complex research or business problem solving assignments. Consulting associates, associates, and analysts gather and analyze data, complete marketplace and academic literature research, and may perform statistical programming.

We derive most of our revenues directly from the services provided by our employee consultants. Our employee consultants were responsible for securing engagements that accounted for approximately 84%, 84%, 90%, and 85% of our total revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Our top five employee consultants generated approximately 18%, 14%, 15%, and 13% of our total revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Our employee consultants have backgrounds in many disciplines, including economics, business, corporate finance, accounting, materials sciences, and engineering. Approximately 76% of our senior employee consultants, consisting of vice presidents, principals, associate principals, senior associates, and consulting associates, have either a doctorate, master of business administration ("MBA"), or another advanced degree in addition to substantial management, technical, or industry expertise. Of our total senior employee consulting staff of 331 as of December 29, 2012, approximately 110 have doctorates, and approximately 140 have MBAs or other relevant advanced degrees. We believe our financial results and reputation are directly related to the number and quality of our employee consultants.

We are highly selective in our hiring of consultants, recruiting primarily from a select group of leading universities and degree programs, industry, and government. We believe consultants choose to work for us because of our strong reputation; the credentials, experience, and reputations of our consultants; the opportunity to work on a diverse range of matters and with renowned non-employee experts; and our collegial atmosphere where teamwork and collaboration are emphasized and valued by many clients. We use a decentralized, team hiring approach. Our training and career development program for our employee consultants focuses on three areas: mentoring, seminars, and scheduled courses. This program is designed to complement on-the-job experience and an employee's pursuit of his or her own career development. New employee consultants participate in a structured program in which they are partnered with an assigned mentor. Through our ongoing seminar program, outside speakers make presentations and conduct discussions with our employee consultants on various topics. In addition, employee consultants are expected to discuss significant projects and cases, present academic research papers or business articles, or outline new analytical techniques or marketing opportunities periodically at in-house seminars. We also provide scheduled courses designed to improve an employee's professional skills, such as written and oral presentation, marketing techniques, and business development. We also encourage our employee consultants to pursue their academic interests by writing articles for economic, business, and other journals.

Many of our vice presidents have signed non-solicitation agreements, which generally prohibit the employee from soliciting our clients or soliciting and/or hiring our employees for one year or longer following termination of the person's employment with us. In addition, many of the stock options we have issued between 2004 and 2008 contain a provision that they may only be exercised upon the execution of a non-competition agreement. We seek to align each vice president's interest with our overall interests, and many of our strongest contributors have an equity interest in us.

We maintain a discretionary bonus program through which we grant performance-based bonuses to our officers and other employees. In fiscal 2007, our shareholders approved a performance-based cash incentive plan for executive officers designed to preserve the deductibility of compensation paid to executive officers that would otherwise not be deductible under Section 162(m) of the Internal Revenue Code. On February 28, 2012, our Board of Directors amended this plan to extend its effective date until the annual meeting of our shareholders held in 2017 (or any special meeting in lieu thereof). In addition, during fiscal 2009, we implemented a long-term incentive program for certain key employees. Under this program, participants may receive a mixture of stock options, time-vesting restricted stock units, and performance-vesting restricted stock units. The program is designed to reward key employees and provide participants the opportunity to share in the long-term growth of our business. The Compensation Committee of our Board of Directors is responsible for approving equity compensation grants, approving the total bonuses to be distributed, establishing performance-based goals under these programs and plans each year, and determining the performance-based compensation earned each year by our executive officers under our cash incentive plan, with respect to which they can apply negative discretion. Our chief executive officer, in his discretion and in consultation with the Compensation Committee of our Board of Directors, approves the bonuses to be granted to our other employees, based on recommendations of the various leaders supervising the employees' work.

In addition, we work closely with a select group of non-employee experts from leading universities and industry. These experts supplement the work of our employee consultants and generate business for us. In fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, five of our exclusive non-employee experts were responsible for securing engagements that accounted for approximately 9%, 8%, 7%, and 10%, respectively, of our revenues in those periods. We believe these experts choose to work with us because of the interesting and challenging nature of our work, the opportunity to work with our quality-oriented consultants, and the financially rewarding nature of the work. Several non-employee experts, generally comprising the more active of those with whom we work, have entered into restrictive covenant contracts with us of varying lengths, which, in some cases, include non-competition agreements.

The majority of our revenues depend on the number of hours worked by our employee consultants. As a result, we experience certain seasonal effects that impact our revenue, such as holiday seasons and the summer vacation season.

Marketing and Business Development

We rely to a significant extent on the efforts of our employee consultants, particularly our vice presidents and principals, to market our services. We encourage our employee consultants to generate new business from both existing and new clients, and we reward our employee consultants with increased compensation and promotions for obtaining new business. In pursuing new business, our consultants emphasize our institutional reputation, experience, and client service, while also promoting the expertise of the particular employees who will work on the matter. Many of our consultants have published articles in industry, business, economic, legal, and scientific journals, and have made speeches and presentations at industry conferences and seminars, which serve as a means of attracting new business and enhancing their reputations. On occasion, employee consultants work with one or more non-employee experts to market our services. In addition, we rely upon an experienced team of business development professionals to ensure that the value of our litigation consulting service offerings is fully realized in the marketplace. The team is focused on deepening and broadening client relationships with law firms and general counsels, ensuring that both existing and potential clients have access to our broad array of services, as well as helping to bring the best talent to any given assignment.

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We supplement the personal marketing efforts of our employee consultants with firm-wide initiatives. We rely primarily on our reputation and client referrals for new business and undertake traditional marketing activities. We regularly organize seminars for existing and potential clients featuring panel members that include our employee consultants, non-employee experts, and leading government officials. We have an extensive set of brochures organized around our service areas, which describe our experience and capabilities. We also provide information about our services on our corporate website. We distribute publications to existing and potential clients highlighting emerging trends and noteworthy engagements. Because existing clients are an important source of repeat business and referrals, we communicate regularly with our existing clients to keep them informed of developments that affect their markets and industries.

We derive the majority of new business from new engagements from existing clients. We have worked with leading law firms across the globe and believe we have developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For our management consulting services, we also rely on referrals from existing clients, and supplement referrals with a significant amount of direct marketing to new clients through conferences, seminars, publications, presentations, and direct solicitations.

It is important to us that we conduct business ethically and in accordance with industry standards and our own rigorous professional standards. We carefully consider the pursuit of each specific market, client, and engagement.

Competition

The market for economic and management consulting services is intensely competitive, highly fragmented, and subject to rapid change. 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 consulting firms and individual academics. We believe the principal competitive factors in this market are reputation, analytical ability, industry expertise, size, and service. 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. We believe the principal competitive factors in this market are reputation, industry expertise, analytical ability, service, and price.

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 84%, 84%, 90%, and 85% of our revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Our top five employee

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consultants generated approximately 18%, 14%, 15%, and 13% of our revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively.

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

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

Overall global economic conditions and global market and credit conditions in the industries we service can negatively impact the market for our services. These factors outside of our control and include the availability of credit, the costs and terms of borrowing, merger and acquisition activity, and general economic factors and business conditions.

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

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

The market for litigation, regulatory, financial, and management consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and we expect to face additional competition from new entrants into the economic and management consulting industries. In the litigation, regulatory, and financial consulting markets, we compete primarily with other economic and financial consulting firms and individual academics. In the management consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. Many of our competitors have national or international reputations as well as significantly greater personnel, financial, managerial, technical, and marketing resources than we do, which could enhance their ability to respond more quickly to technological changes, finance acquisitions, and fund internal growth. Some of our competitors also have a significantly broader geographic presence and resources than we do.

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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.

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

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

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

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

We depend on our antitrust and mergers and acquisitions consulting business

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

Maintaining our professional reputation is crucial to our future success

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

We depend on our non-employee experts

We depend on our relationships with our exclusive non-employee experts. In fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, five of our top exclusive non-employee experts generated engagements that accounted for approximately 9%, 8%, 7%, and 10% of our revenues in those periods, respectively. We believe that these experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we can offer the services of these experts. Most of these experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, termination of exclusive relationships, the pursuit of other interests, and retirement.

In many cases we seek to include restrictive covenant agreements in our agreements with our non-employee experts, which could include non-competition agreements, non-solicitation agreements and non-hire agreements. The limitation or termination of any of their relationships with us, or competition from any of them after these agreements expire, could harm our reputation, reduce our business opportunities and adversely affect our revenues and results of operations. These restrictive covenant agreements that we may have with some of our non-employee experts offer us only limited protection and may not be enforceable in every jurisdiction. In the event that non-employee experts leave, clients working with these non-employee experts may decide that they prefer to continue working with them rather than with us. In the event a non-employee expert departs and acts in a way that we believe violates the expert's restrictive covenant agreements, we will consider any legal and equitable remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with the former non-employee expert or clients that worked with the non-employee expert, or other concerns, outweigh the benefits of any possible legal action or recovery.

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

We derive our revenues from a limited number of large engagements

We derive a portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition, and results of operations could suffer. Our 10 largest engagements accounted for approximately 11%, 14%, 22%, and 13% of our revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Our top 10 clients accounted for approximately 18%, 23%, 25%, and 16% of our revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 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.

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,

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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.

Clients can terminate engagements with us at any time

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

Potential conflicts of interests may preclude us from accepting some engagements

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

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

Our clients include some companies that may from time to time encounter financial difficulties, particularly during a downward trend in the economy or may dispute the services we provide. If a client's financial difficulties become severe or a dispute arises, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy,

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which has prevented us from collecting amounts owed to us. The bankruptcy of a client with a substantial accounts receivable could have a material adverse effect on our financial condition and results of operations. Historically, a small number of clients who have paid sizable invoices have later declared bankruptcy, and a court determination that we were not properly entitled to any of those payments may require repayment of some or all of them, which could adversely affect our financial condition and results of operations.

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

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

- our ability to implement rate increases;
- the number, scope, and timing of ongoing client engagements;
- the extent to which we can reassign our employee consultants efficiently from one engagement to the next;
- the extent to which our employee consultants or clients take holiday, vacation, and sick time, including traditional seasonality related to summer vacation and holiday schedules;
- employee hiring;
- the extent of revenue realization or cost overruns;
- fluctuations in the results and continuity of the operations of our software subsidiary, NeuCo;
- fluctuations in our provision for income taxes due to changes in income arising in various tax jurisdictions, valuation allowances, non-deductible expenses, and changes in estimates of our uncertain tax positions;
- fluctuations in interest rates; and
- collectability of receivables and unbilled work in process.

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

Our international operations create special risks

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

greater difficulties in managing and staffing foreign operations;

difficulties from fluctuations in world-wide utilization levels;

currency fluctuations that adversely affect our financial position and operating results;

unexpected changes in trading policies, regulatory requirements, tariffs, and other barriers;

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

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

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

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

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

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

As further described in Note 1 of our Notes to Consolidated Financial Statements, goodwill and intangible assets with indefinite lives are monitored annually for impairment, or more frequently, if events or circumstances exist that would more likely than not reduce our fair value below our carrying amount. In performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value utilizing our market capitalization, plus an appropriate control premium. We have utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If we determine through the impairment evaluation process that goodwill has been impaired, we would record the impairment charge in our consolidated statements of operations.

Late in the second quarter of fiscal 2012, our stock price experienced a decline. In the third quarter of fiscal 2012, our stock price improved but remained below the price levels experienced in fiscal 2011 and the first five months of fiscal 2012. We did not record any impairment losses related to goodwill or intangible assets during the fiscal year to date period ended September 29, 2012 as the stock price decline was not deemed to be more than temporary, there were no other events or circumstances that would more likely than not reduce our fair value below our carrying amount, and our management felt that an increase in the stock price was a reasonable expectation. However, the depressed stock price levels persisted into the fourth quarter of 2012 and through the date of our annual impairment test performed in the fourth quarter of fiscal 2012. When we performed our annual impairment test in the fourth quarter of fiscal 2012, our net book value exceeded our market

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capitalization plus an estimated control premium. Therefore, we were required to perform the second step of the goodwill impairment test. In this step, our fair value, as determined in the first step of the test, is allocated among all of our assets and liabilities, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if we were being acquired in a business acquisition. If the implied fair value of goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference. During the process of conducting the second step of the annual goodwill impairment test in the fourth quarter of fiscal 2012, we identified significant unrecognized intangible assets. The combination of these hypothetical unrecognized intangible assets and other hypothetical unrecognized fair value changes to the carrying values of other assets and liabilities, together with the lower fair value calculated in the first step of the annual impairment test, resulted in a non-cash goodwill impairment charge of $71.4 million in the fourth quarter of fiscal 2012.

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

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 15%, 22%, 26%, and 21% of revenues from fixed-price engagements in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. These contracts are more common in our management consulting area, and would likely grow in number with expansion of that area. Fluctuations in the mix between time-and-material contracts, fixed-price contracts and arrangements with fees tied to performance-based criteria, may result in fluctuations of revenue and results of operations. In addition, if we fail to estimate accurately the resources required for a fixed-price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations.

The market price of our common stock may be volatile

The market price of our common stock has fluctuated widely and may continue to do so. For example, from January 1, 2012, to December 29, 2012, the trading price of our common stock ranged from a high of $27.93 per share to a low of $13.41 per share. Many factors could cause the market price of our common stock to rise and fall. Some of these factors are:

- variations in our quarterly results of operations;
- the hiring or departure of key personnel or non-employee experts;
- changes in our professional reputation;
- the introduction of new services by us or our competitors;
- acquisitions or strategic alliances involving us or our competitors;
- changes in accounting principles or methods;
- changes in estimates of our performance or recommendations by securities analysts;

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

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

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

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

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

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

Our debt obligations may adversely impact our financial performance

We have a revolving line of credit with our bank for $60.0 million. The amounts available under this line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. Our loan agreement with the bank will mature on April 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.

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

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proprietary rights of others or to defend against claims of infringement or invalidity. Any such resulting litigation could result in substantial costs and diversion of resources and could adversely affect our business, operating results and financial condition. Any failure by us to protect our proprietary rights, or any court determination that we have either infringed or lost ownership of proprietary rights could adversely affect our business, operating results and financial condition.

Insurance and claims expenses could significantly reduce our profitability

We are exposed to claims related to group health insurance. We self-insure a portion of the risk associated with these claims. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We expect to periodically assess our 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 1B ***Unresolved Staff Comments***

Not applicable.

Item 2 ***Properties***

In the aggregate, as of December 29, 2012, we leased approximately 312,906 square feet of office space in locations around the world, including approximately 8,965 square feet that is leased by NeuCo. We have subleased to other companies approximately 65,066 square feet of our leased office space.

All of our offices are electronically linked and have access to our core consulting tools. We believe our existing facilities are adequate to meet our current requirements and that suitable space will be available as needed.

Item 3 ***Legal Proceedings***

None.

Item 4 ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5 *Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities*

Market Information. We first offered our common stock to the public on April 23, 1998. Our common stock is traded on the NASDAQ Global Select Market under the symbol CRAI. The following table provides the high and low sales prices of our common stock as reported on the NASDAQ Global Select Market for the periods indicated.

Fiscal Year Ended December 31, 2011	High	Low
January 2, 2011 to April 2, 2011	$ 29.67	$ 22.23
April 3, 2011 to July 2, 2011	$ 29.80	$ 24.02
July 3, 2011 to October 1, 2011	$ 29.80	$ 19.47
October 2, 2011 to December 31, 2011	$ 24.02	$ 16.42

Fiscal Year Ended December 29, 2012	High	Low
January 1, 2012 to March 31, 2012	$ 27.93	$ 19.42
April 1, 2012 to June 30, 2012	$ 25.48	$ 13.83
July 1, 2012 to September 29, 2012	$ 18.08	$ 13.41
September 30, 2012 to December 29, 2012	$ 19.31	$ 15.73

Shareholders. We had approximately 132 holders of record of our common stock as of March 1, 2013. This number does not include shareholders for whom shares were held in a "nominee" or "street" name.

Dividends. We have not paid any cash dividends in the past and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our bank line of credit place restrictions on our ability to pay cash dividends on our common stock.

Repurchases of Equity Securities. The following table provides information about our repurchases of shares of our common stock during the quarter ended December 29, 2012. 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 to coincide with our reporting periods during the fourth quarter of fiscal 2012.

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)
September 30, 2012 to October 27, 2012				$ 3,639,978
October 28, 2012 to November 24, 2012	36,809 shares(1)	$16.81 per share(1)		$ 3,639,978
November 25, 2012 to December 29, 2012				$ 3,639,978

(1) During the four weeks ended November 24, 2012, we accepted pursuant to the terms of our 2006 equity incentive plan 36,809 shares of our common stock as tax withholding from certain of our employees, in

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connection with the vesting of shares of restricted stock that occurred during the indicated period, at an average price per share of $16.81.

(2) On August 30, 2011, we announced that our Board of Directors approved a share repurchase program of up to $7.5 million of our common stock. On February 22, 2012 and August 10, 2012, our Board of Directors authorized the repurchase of up to an additional $4.45 million and $5.0 million, respectively, of our common stock under this program. During the fourth quarter of fiscal 2012, we did not purchase any shares under this program. We expect to continue to repurchase shares under this program.

Shareholder Return Performance Graph. The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the NASDAQ Composite index, and a customized peer group of four companies that includes: Duff & Phelps Corp., FTI Consulting Inc, Huron Consulting Group Inc., and Navigant Consulting Inc. In our annual reports on Form 10-K for our fiscal years 2004 through 2010, the peer group also included LECG Corporation. LECG Corporation has been removed from the peer group as a result of its delisting during our fiscal 2011. Accordingly, LECG Corporation is not included in the peer index for all periods presented in the graph below. The inclusion of Duff & Phelps Corp. in the peer group begins with the date of its initial public offering on September 28, 2007. The graph tracks the performance of a $100 investment in our common stock, in the peer group, and in the index (with the reinvestment of all dividends) from November 24, 2007 to December 29, 2012. We paid no cash dividends during the period shown. The performance of the market index and the peer group indices is shown on a total return (dividends reinvested) basis.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among CRA International, Inc., the NASDAQ Composite Index, and a Peer Group

* $100 invested on 11/24/07 in stock or 11/30/07 in index, including reinvestment of dividends. Index calculated on month-end basis.

	11/24/07	11/29/08	11/28/09	11/27/10	1/1/11	12/31/11	12/29/12
CRA International, Inc.	**$ 100.00**	**$ 61.67**	**$ 51.58**	**$ 45.63**	**$ 50.01**	**$ 42.20**	**$ 39.99**
NASDAQ Composite	**100.00**	**56.47**	**78.42**	**91.70**	**96.75**	**98.05**	**110.14**
Peer Group	**100.00**	**92.45**	**69.48**	**55.00**	**59.77**	**69.02**	**57.50**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Item 6 ***Selected Financial Data***

The following selected consolidated financial data for each of the fiscal years in the five-year period ended December 29, 2012, and as of the five weeks ended January 1, 2011, has been derived from our audited consolidated financial statements. The following selected consolidated financial data as of the five weeks ended January 2, 2010 has been derived from our unaudited consolidated financial statements.

	Fiscal Year Ended					Transition Period	
	December 29, 2012 (52 weeks) (audited)	December 31, 2011 (52 weeks) (audited)	November 27, 2010 (52 weeks) (audited)	November 28, 2009 (52 weeks) (audited)	November 29, 2008 (53 weeks) (audited)	January 1, 2011 (5 weeks) (audited)	January 2, 2010 (5 weeks) (unaudited)
Consolidated Statements of Operations Data(1):							
Revenues	$ 270,390	$ 305,228	$ 287,424	$ 301,639	$ 376,751	$ 22,250	$ 20,360
Costs of services	182,381	199,383	197,140	199,861	251,263	16,400	15,009
Gross profit	88,009	105,845	90,284	101,778	125,488	5,850	5,351
Selling, general and administrative expenses	67,235	71,752	73,900	76,124	92,797	6,144	6,390
Depreciation and amortization	7,190	5,029	5,983	8,521	12,699	506	451
Goodwill impairment	71,394						
Income (loss) from operations	(57,810)	29,064	10,401	17,133	19,992	(800)	(1,490)
Interest income	264	332	361	451	3,132	29	30
Interest expense	(300)	(908)	(3,356)	(4,381)	(5,252)	(147)	(396)
Gain (loss) on extinguishment of convertible debentures			(669)	(134)	448		
Other income (expense), net	(177)	(405)	(504)	44	1,444	(28)	60
Income (loss) before (provision) benefit for income taxes and equity method investment loss, net of tax	(58,023)	28,083	6,233	13,113	19,764	(946)	(1,796)
(Provision) benefit for income taxes	5,180	(11,138)	(4,273)	(7,422)	(13,251)	288	1,232
Income (loss) before equity method investment loss, net of tax	(52,843)	16,945	1,960	5,691	6,513	(658)	(564)
Equity method investment loss, net of tax					(363)		
Net income (loss)	(52,843)	16,945	1,960	5,691	6,150	(658)	(564)
Net (income) loss attributable to noncontrolling interest, net of tax	(147)	(94)	626	617	36	32	206
Net income (loss) attributable to CRA International, Inc.:	$ (52,990)	$ 16,851	$ 2,586	$ 6,308	$ 6,186	$ (626)	$ (358)
Net income (loss) per share attributable to CRA International, Inc.(2):							
Basic	$ (5.21)	$ 1.60	$ 0.24	$ 0.59	$ 0.58	$ (0.06)	$ (0.03)
Diluted	$ (5.21)	$ 1.57	$ 0.24	$ 0.59	$ 0.57	$ (0.06)	$ (0.03)
Weighted average number of shares outstanding(2):							
Basic	10,167	10,555	10,643	10,608	10,610	10,567	10,639
Diluted	10,167	10,739	10,773	10,718	10,904	10,567	10,639

	December 29, 2012 (audited)	December 31, 2011 (audited)	November 27, 2010 (audited)	November 28, 2009 (audited)	November 29, 2008 (audited)	January 1, 2011 (audited)	January 2, 2010 (unaudited)
Consolidated Balance Sheet Data(1):							
Working capital	$ 102,467	$ 107,651	$ 99,353	$ 147,195	$ 143,097	$ 100,533	$ 144,972
Total assets	292,010	372,107	373,699	422,111	444,515	367,365	408,363
Total long-term debt	1,007	1,631	2,211	62,694	77,948	2,069	62,821
Total shareholders' equity	212,234	268,407	256,420	255,715	238,968	255,424	254,257

(1) On June 9, 2009, we purchased substantially all of the assets of Marakon Associates, Inc. This acquisition was accounted for under the purchase accounting method, and the results of operations for this acquisition have been included in the accompanying statements of operations from the date of acquisition.

(2) Basic net income (loss) per share represents net income (loss) divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents outstanding during the period, if applicable. Weighted average shares used in diluted net income per share include common stock equivalents arising from stock options, unvested restricted stock, and shares underlying our debentures using the treasury stock method. All common stock equivalents were excluded in fiscal 2012 and the five weeks ended January 1, 2011 and January 2, 2010 because they were antidilutive due to the net loss.

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Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We are a worldwide leading economic, financial, and management consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients.

We derive revenues principally from professional services rendered by our employee consultants. In most instances, we charge clients on a time-and-materials basis and recognize revenues in the period when we provide our services. We charge consultants' time at hourly rates, which vary from consultant to consultant depending on a consultant's position, experience, expertise, and other factors. We derive a portion of our revenues from fixed-price contracts. Revenues from fixed-price engagements are recognized using a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. We derived approximately 15%, 22%, 26%, and 21% of our revenues from fixed-price engagements in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. We generate substantially all of our professional services fees from the work of our own employee consultants and a portion from the work of our non-employee experts. Factors that affect our professional services revenues include the number and scope of client engagements, the number of consultants we employ, the consultants' billing rates, and the number of hours our consultants work. Revenues also include reimbursements, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses.

Our costs of services include the salaries, bonuses, share-based compensation expense, and benefits of our employee consultants. Our bonus program awards discretionary bonuses based on our revenues and profitability and individual performance. Costs of services also include out-of-pocket and other expenses, and the salaries of support staff whose time is billed directly to clients, such as librarians, editors, and programmers. Selling, general, and administrative expenses include salaries, bonuses, share-based compensation expense, and benefits of our administrative and support staff, fees to non-employee experts for generating new business, office rent, marketing, and other costs.

Change in Fiscal Year

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 ended 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 are presented herein. The fiscal year change was not effective until after the completion of our 2010 fiscal year. The fiscal year 2010 comparative financial and other information reported in the financial statements herein continues to be presented based on our prior fiscal year end calendar. For comparative analysis purposes, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented herein compares the audited results for the five-week transition period ended January 1, 2011, to the unaudited results for the five-week comparative period ended January 2, 2010.

Our fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2012, fiscal 2011, and fiscal 2010 were 52-week years.

Utilization and Seasonality

We derive the majority of our revenues from the number of hours worked by our employee consultants. Our utilization of those employee consultants is one key indicator that we use to measure our operating performance. We calculate utilization by dividing the total hours worked by our employee consultants on engagements during the measurement period by the total number of hours that our employee consultants were available to work during that period. Utilization was 68% for fiscal 2012, 74% for fiscal 2011, and 67% for fiscal 2010. Utilization was 67% for the five weeks ended January 1, 2011 and 61% for the five weeks ended January 2, 2010. Select underperforming practice areas,

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including our Chemicals practice and Middle East operations, affected our overall performance in fiscal 2012. In connection with the restructuring plan we committed to in the third quarter of fiscal 2012, we eliminated our Chemicals practice, closed our Middle East operations and repositioned other select underperforming practice areas, amongst other actions. The decrease in utilization in fiscal 2012 compared to fiscal 2011 reflects this underperformance and these restructuring actions.

We experience certain seasonal effects that impact our revenue. Concurrent vacations or holidays taken by a large number of consultants can adversely impact our revenue. For example, the third quarter typically experiences fewer billable hours as that is the summer vacation season for most of our offices. Also, historically we have experienced fewer billable hours in our fiscal quarter that includes the holiday season, which was the fourth quarter in each of fiscal 2012 and fiscal 2011 and the first quarter for fiscal 2010. The five-week transition period ended January 1, 2011 also included the holiday season.

International Operations

Revenues outside of the U.S. accounted for approximately 23%, 26%, 24%, and 27% of our total revenues in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Revenue by country is detailed in Note 13 to our Notes to Consolidated Financial Statements.

Noncontrolling Interest

During fiscal 2010, NeuCo acquired $0.9 million of its outstanding shares. As a result of this transaction, our ownership interest in NeuCo increased from 49.15% to 55.89%. Our ownership interest constitutes control under GAAP; therefore, NeuCo's financial results have been consolidated with ours and the portion of NeuCo's results allocable to its other owners is shown as "noncontrolling interest."

NeuCo's revenues included in our consolidated statements of operations for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010 totaled approximately $5.5 million, $6.2 million, $0.4 million, and $6.4 million, respectively. NeuCo's net income included in our consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.3 million and $0.2 million, respectively. NeuCo's net loss included in our consolidated statements of operations for the five-week transition period ended January 1, 2011 and fiscal 2010 totaled approximately $0.1 million and $1.3 million, respectively. NeuCo's net income, net of amounts allocable to its other owners, included in our consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.2 million and $0.1 million, respectively. NeuCo's net loss, net of amounts allocable to its other owners, included in our consolidated statements of operations for the five-week transition period ended January 1, 2011 and fiscal 2010 totaled approximately $39,000 and $0.7 million, respectively.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosure of contingent assets and liabilities. Estimates in these consolidated financial statements include, but are not limited to, accounts and unbilled 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.

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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 consolidated financial statements and the related notes included in Item 8 of this 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 where the fee is fixed or determinable, as the services are provided, and only in those situations where collection from the client is reasonably assured. In certain cases we provide services to our clients without sufficient contractual documentation, or fees are tied to performance-based criteria, which require us to defer revenue in accordance with U.S. GAAP. In these cases, 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 a 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. We derived approximately 15%, 22%, 26%, and 21% of revenues from fixed-price engagements in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Project costs are based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement. The proportional performance method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and terms set forth in the contract, and are indicative of the level of benefit provided to our clients. Fixed-price contracts generally convert to time-and-materials contracts in the event the contract terminates. 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 has resulted in lower than anticipated income or losses on those contracts. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

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

	Fiscal Year Ended December 29, 2012 (52 weeks)	**Fiscal Year Ended December 31, 2011 (52 weeks)**	**Transition Period January 1, 2011 (5 weeks)**	**Fiscal Year Ended November 27, 2010 (52 weeks)**
Reimbursable expenses	$ 33,530	$ 39,722	$ 2,936	$ 37,585

Our normal payment terms are 30 days from invoice date. For fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, our average days sales outstanding

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(DSOs) at the end of the period were 98 days, 96 days, 93 days, and 101 days, respectively. We calculate DSOs 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. 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 disputed amounts or the inability of our clients 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 December 29, 2012 and December 31, 2011, $9.5 million, and $6.5 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 stock options. 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 was not considered in the option pricing formula since we do not pay dividends and have no current plans to do so in the future. We will update these assumptions if changes are warranted. The forfeiture rate 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 of non-competition agreements, customer relationships, customer lists, developed technology, and trademarks, which are generally amortized on a straight-line basis over their estimated remaining useful lives (four to ten years).

In accordance with Accounting Standards Codification ("ASC") Topic 350, "Intangibles Goodwill and Other" ("ASC Topic 350"), goodwill and intangible assets with indefinite lives are not subject to amortization, but are monitored annually for impairment, or more frequently, as necessary, if events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. 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 utilizing our market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the test date by the market price of our common stock on that date. We have utilized a control premium which considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If our fair value is less than our net 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.

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Late in the second quarter of fiscal 2012, our stock price experienced a decline. In the third quarter of fiscal 2012, our stock price improved but remained below the price levels experienced in fiscal 2011 and the first five months of fiscal 2012. We did not record any impairment losses related to goodwill or intangible assets during the fiscal year to date period ended September 29, 2012 as the stock price decline was not deemed to be more than temporary, there were no other events or circumstances that would more likely than not reduce our fair value below our carrying amount, and our management felt that an increase in the stock price was a reasonable expectation. However, the depressed stock price levels persisted into the fourth quarter of 2012 and through the date of our annual impairment test performed in the fourth quarter fiscal 2012. When we performed our annual impairment test, our book value exceeded our market capitalization plus an estimated control premium. Therefore, we were required to perform the second step of the goodwill impairment test. In this step, our fair value, as determined in the first step of the test, is allocated among all of our assets and, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if we were being acquired in a business acquisition. If the implied fair value of goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference. During the process of conducting the second step of the annual goodwill impairment test in the fourth quarter of fiscal 2012, we identified significant unrecognized intangible assets. The combination of these hypothetical unrecognized intangible assets and other hypothetical unrecognized fair value changes to the carrying values of other assets and liabilities, together with the lower fair value calculated in the first step of the annual impairment test, resulted in a non-cash goodwill impairment charge of $71.4 million in the fourth quarter of fiscal 2012.

The re-measurement of goodwill is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed using our specific information. We used a combination of the income, cost and market approach techniques to determine the fair value of our assets and liabilities. The fair value adjustment to goodwill was computed as the difference between our fair value and the fair value of underlying assets and liabilities. The unobservable inputs used to determine the fair value of the underlying assets and liabilities were based on our specific information such as estimates of revenue and cost growth rates, profit margins, discount rates, and cost estimates.

In the future, if our market capitalization plus an estimated control premium is below our net book value for a period we consider to be other-than-temporary, we may be required to record an impairment of goodwill either as a result of our annual assessment performed in the fourth quarter of each fiscal year or in a future quarter if events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. 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, though such a charge would have no impact on cash flows or working capital.

The net amount of goodwill was approximately $70.8 million as of December 29, 2012. 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;

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- a significant change in the manner of our use of the acquired asset or the strategy for our overall business; and

- a significant negative industry or economic trend.

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. The net amount of intangible assets was approximately $1.8 million as of December 29, 2012.

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," ("ASC Topic 740") requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. As a result of operating losses incurred in certain of our foreign subsidiaries, and uncertainty as to the extent and timing of profitability in future periods, we recorded valuation allowances in fiscal 2012, the five-week transition period ended January 1, 2011 and fiscal 2010 in these foreign subsidiaries based on the facts and circumstances affecting each subsidiary. Had we not recorded these allowances of approximately $2.3 million, $0.1 million, and $2.2 million in fiscal 2012, the transition period, and fiscal 2010, respectively, we would have reported a lower tax provision or a higher tax benefit, and a more favorable effective tax rate, than that recognized in our statements of operations in fiscal 2012, the transition period, and fiscal 2010, respectively. If the realization of deferred tax assets is considered more likely than not, the corresponding release of the valuation allowance would increase net income in the period such determination was made. In fiscal 2011, management made the determination, based on improved operations, that the realization of certain deferred tax assets is considered more likely than not and released approximately $1.7 million of valuation allowances that had been previously provided. The amount of the deferred tax asset considered realizable is based on significant estimates, including forecasts of future income, and it is possible that changes in these estimates in the near term 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

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jurisdictions. The Company accounts for uncertainties in income tax positions in accordance with ASC Topic 740. 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 2009. In fiscal 2011, the Internal Revenue Service began an examination of our fiscal 2009 U.S. federal tax return. In the fourth quarter of 2012, the examination was expanded to include fiscal 2010, the transition period ended January 1, 2011, and fiscal 2011. As of December 29, 2012, we were considering settlement options and expect resolution of all periods under examination at the beginning of 2013. We believe our reserves for uncertain tax positions with respect to these settlements are adequate. Also during fiscal 2012, the HM Revenue and Customs completed their review of our UK subsidiary's fiscal 2009 and fiscal 2010 corporate tax returns. The review resulted in additional tax for the 2010 tax year that was immaterial.

Recent Accounting Standards

Goodwill

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 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 was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Our adoption of ASU 2011-08 in the first quarter of fiscal 2012 had no impact on our financial position, results of operations, cash flows, or disclosures.

In December 2010, the FASB issued ASU No. 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. Our adoption of the provisions of ASU 2010-28 in fiscal 2011 had no effect on our financial position, results of operations, cash flows, or disclosures.

Intangible Assets

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02") to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Under former guidance, an organization was required to test an indefinite-lived intangible asset for impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference. ASU 2012-02 allows an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. We believe that the adoption

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of ASU 2012-02 will have no impact on our financial position, results of operations, cash flows, or disclosures.

Comprehensive Income

In June 2011, the FASB issued ASU No. 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. ASU 2011-05 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. We adopted ASU 2011-05 in the first quarter of fiscal 2012 and elected to present other comprehensive income in two consecutive financial statements. Our adoption of ASU 2011-05 had no impact on our financial position, results of operations, or cash flows.

Fair Value Measurements

In May 2011, the FASB issued ASU No. 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 was effective for the first interim or annual reporting period beginning on or after December 15, 2011. Our adoption of ASU 2011-04 in the first quarter of fiscal 2012 had no impact on our financial position, results of operations, cash flows, or disclosures.

Business Combinations

In December 2010, the FASB issued ASU No. 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. Our adoption of the provisions of ASU 2010-29 in fiscal 2011 had no effect on our financial position, results of operations, cash flows, or disclosures.

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Results of Operations

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

	Fiscal Year Ended				
	December 29, 2012 (52 weeks) (audited)	December 31, 2011 (52 weeks) (audited)	November 27, 2010 (52 weeks) (audited)	January 1, 2011 (5 weeks) (audited)	January 2, 2010 (5 weeks) (unaudited)
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services	67.5	65.3	68.6	73.7	73.7
Gross profit	32.5	34.7	31.4	26.3	26.3
Selling, general and administrative expenses	24.9	23.5	25.7	27.6	31.4
Depreciation and amortization	2.7	1.6	2.1	2.3	2.2
Goodwill impairment	26.4				
Income (loss) from operations	(21.4)	9.5	3.6	(3.6)	(7.3)
Interest income	0.1	0.1	0.1	0.1	0.1
Interest expense	(0.1)	(0.3)	(1.1)	(0.7)	(1.9)
Loss on extinguishment of convertible debentures			(0.2)		
Other income (expense), net	(0.1)	(0.1)	(0.2)	(0.1)	0.3
Income (loss) before (provision) benefit for income taxes	(21.5)	9.2	2.2	(4.3)	(8.8)
(Provision) benefit for income taxes	1.9	(3.6)	(1.5)	1.3	6.0
Net income (loss)	(19.5)	5.6	0.7	(3.0)	(2.8)
Net (income) loss attributable to noncontrolling interest, net of tax	(0.1)		0.2	0.2	1.0
Net income (loss) attributable to CRA International, Inc.	(19.6)%	5.5%	0.9%	(2.8)%	(1.8)%

Fiscal 2012 Compared to Fiscal 2011

Revenues. Revenues decreased by $34.8 million, or 11.4%, to $270.4 million for fiscal 2012 from $305.2 million for fiscal 2011. Our fiscal 2012 results were negatively impacted by select underperforming practice areas, including our Chemicals practice and Middle East operations, which affected our overall performance compared to fiscal 2011. In connection with the restructuring plan we committed to in the third quarter of fiscal 2012, we eliminated our Chemicals practice, closed our Middle East operations and repositioned other select underperforming practice areas, amongst other actions. Utilization decreased to 68% for fiscal 2012 from 74% for fiscal 2011 reflecting this underperformance and these restructuring actions. Overall, revenues outside of the U.S. represented approximately 23% of total revenues for fiscal 2012, compared with approximately 26% of total revenues for the fiscal 2011. This decrease was due primarily to our management consulting business, particularly to our Chemicals practice and Middle East operations, which were eliminated in the third quarter of fiscal 2012, and our management consulting activity in Europe where economic uncertainties affected our performance, primarily during the earlier part of fiscal 2012. Revenues derived from fixed-price engagements decreased to 15% of total revenues for fiscal 2012 compared with 22% for fiscal 2011. This decrease was due primarily to the previously mentioned decrease in our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service contracts. Another factor contributing to our overall revenue decline was a decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin.

Costs of Services Costs of services decreased by $17.0 million, or 8.5%, to $182.4 million for fiscal 2012 from $199.4 million for fiscal 2011. As a result of our decreased revenues and profitability, we had a decrease in incentive bonus expense for our employee consultants in fiscal 2012 as compared to fiscal 2011. Additionally, client reimbursable expenses decreased by $6.2 million primarily due to a decrease in the use of outside consultants and subcontractors and a decrease in travel expenses as a result of the decreased revenue. Also contributing to the decrease in costs of services was a decrease in employee consultant headcount from 521 as of December 31, 2011 to 464 as of December 29, 2012 due to restructuring actions we announced in the third quarter of fiscal 2012. These decreases in costs of services were partially offset by $3.8 million of expenses in fiscal 2012 associated with the restructuring actions we announced in the third quarter of fiscal 2012, compared with no restructuring expenses recorded in costs of services in fiscal 2011.

As a percentage of revenues, costs of services increased to 67.5% for fiscal 2012 from 65.3% for fiscal 2011 primarily due to the decrease in revenues in fiscal 2012 compared with fiscal 2011, as the decrease in revenues outpaced the decrease in costs of services, and the $3.8 million of restructuring charges recorded during fiscal 2012 as compared with no restructuring charges recorded in costs of services in fiscal 2011. Partially offsetting these increases in costs of services as a percentage of revenues was the decrease in client reimbursable expenses as a percentage of revenues.

As is common in our industry, we have issued forgivable loans to attract and retain certain significant revenue-producing employees and non-employee experts. In the last half of fiscal 2012 and during fiscal 2013, we increased, or expect to increase, the dollar amount of forgivable loans to certain of these individuals. Costs of services related to the amortization of these loans will increase in fiscal 2013; however, we expect revenues produced by the loan recipients to more than offset the additional loan amortization expense.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $4.5 million, or 6.3%, to $67.2 million for fiscal 2012 from $71.8 million for fiscal 2011. This decrease was due primarily to a decrease in compensation expense resulting from the decrease in headcount in fiscal 2012 as compared with fiscal 2011 and a decrease in incentive bonus expense for our employees as a result of the decrease in revenues and profitability in fiscal 2012 as compared with fiscal 2011. Additionally, NeuCo had a decrease in selling, general and administrative expenses of approximately $0.6 million in fiscal 2012 compared to fiscal 2011. Partially offsetting these decreases was an increase in commissions to nonemployee experts of $1.1 million in fiscal 2012 as compared to fiscal 2011 and a $0.5 million increase in restructuring expenses recorded in selling, general and administrative expenses to $1.5 million in fiscal 2012 as compared to $1.0 million of these restructuring expenses in fiscal 2011. These restructuring expenses in fiscal 2012 were associated principally with the restructuring actions we announced in the third quarter of fiscal 2012 and included the reduction of leased office space in our offices in London, England and in Boston, Massachusetts partially offset by adjustments to our leased office space in Houston, TX and Chicago, IL. These restructuring expenses in fiscal 2011 were related to leased office space in our Houston, TX office.

As a percentage of revenues, selling, general and administrative expenses increased to 24.9% for fiscal 2012 from 23.5% for the fiscal 2011, which was primarily a result of the decrease in revenues in fiscal 2012 compared with fiscal 2011 and the increase in restructuring costs of $0.5 million in fiscal 2012 as compared with fiscal 2011. Additionally, commissions to nonemployee experts increased from 1.7% of revenues for fiscal 2011 to 2.3% of revenues for fiscal 2012.

Depreciation and Amortization. Depreciation and amortization increased by $2.2 million, or 43.0%, to $7.2 million for fiscal 2012 from $5.0 million for fiscal 2011. Of this increase, approximately $1.1 million was related to the write-off of unamortized leaseholds and other costs associated with restructuring costs recorded in the second quarter of fiscal 2012 for the reduction of our leased office space in our London, England office and $0.2 million of similar charges recorded in the fourth quarter of fiscal 2012 for the reduction of our leased office space in our Boston, Massachusetts office. The

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remaining increase was primarily due to the amortization of software costs related to our implementation of an enterprise-wide financial reporting system at the start of fiscal 2012.

Goodwill Impairment. In accordance with 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, if events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. When we performed our annual impairment test in the fourth quarter of fiscal 2012, our net book value exceeded our market capitalization plus an estimated control premium. Therefore, we were required to perform the second step of the goodwill impairment test, which resulted in a goodwill impairment charge of $71.4 million. We recorded this non-cash goodwill impairment charge in the fourth quarter of fiscal 2012.

Interest Expense. Interest expense decreased by $0.6 million to $0.3 million for fiscal 2012 from $0.9 million for fiscal 2011. The decrease was primarily due to our repurchase, on June 15, 2011, of 100% of the principal amount of our outstanding debentures and the accrued and unpaid interest thereon, which amounted to $21.9 million and $0.3 million, respectively. 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 on the debt for the equity conversion feature of the debt instrument.

Other Expense, Net. Other expense, net decreased by $0.2 million to $0.2 million for fiscal 2012 from $0.4 million for fiscal 2011. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies including the Euro and the British Pound.

(Provision) Benefit for Income Taxes. For fiscal 2012, our income tax benefit was $5.2 million and the effective tax rate was 8.9% compared to a provision of $11.1 million and an effective tax rate of 39.7% for fiscal 2011. The effective tax rate for fiscal 2012 was lower than the statutory rate primarily due to the $71.4 million goodwill impairment charge we recorded in the fourth quarter of fiscal 2012, a portion of which provided a tax benefit, partially offset by losses in foreign locations that provided no tax benefit and lower pre-tax income. The effective tax rate for fiscal 2011 benefited from the use of foreign net operating loss carryforwards and foreign tax credits that had not been previously benefited, and the related release of certain valuation allowances as a result of improved profitability in certain foreign jurisdictions.

Net (Income) Loss Attributable to Noncontrolling Interest, Net of Tax. Our ownership interest in NeuCo is 55.89% and 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. NeuCo's results of operations allocable to its other owners was net income of $147,000 for fiscal 2012 and net income of $94,000 for fiscal 2011.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. decreased by $69.8 million to a net loss of $53.0 million for fiscal 2012 from net income of $16.9 million for fiscal 2011. The net loss was $5.21 per share for fiscal 2012, compared to net income of $1.57 per diluted share for fiscal 2011. Diluted weighted average shares outstanding decreased by approximately 572,000 shares to approximately 10,167,000 shares for fiscal 2012 from approximately 10,739,000 shares for fiscal 2011. Diluted weighted average shares outstanding for fiscal 2012 excluded 140,000 common stock equivalents because we had a net loss and inclusion of these common stock equivalents would be anti-dilutive. The decrease in weighted average shares outstanding was primarily due to repurchases of common stock and lower average stock price in fiscal 2012 as compared to fiscal 2011, offset in part by an increase as a result of shares of restricted stock that have vested or that have been issued, and stock options that have been exercised since December 31, 2011.

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Fiscal 2011 Compared to Fiscal 2010

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 that began January 2, 2011 and ended December 31, 2011. The discussion below includes the comparison of the audited results for the fiscal year ended December 31, 2011 to the audited results for the fiscal year ended November 27, 2010.

Revenues. Revenues increased by $17.8 million, or 6.2%, to $305.2 million for fiscal 2011 from $287.4 million for fiscal 2010. Our revenue improvement was due to increased demand for our services, even though we remain cautious about our clients' spending environment as economic uncertainty and political and regulatory instability continue to be underlying factors in the markets we serve. We had a steady stream of engagements throughout the year, consistent lead flow and healthy project conversion rates, and growth in both our management consulting and litigation lines of business. Utilization increased to 74% for fiscal 2011 from 67% for fiscal 2010 primarily as a result of increased demand for our services.

Overall, revenues outside of the U.S. were approximately 26% and 27% of total revenues for fiscal 2011 and fiscal 2010, respectively. Revenues derived from fixed-price engagements were 22% of total revenues for fiscal 2011 compared with 21% for fiscal 2010. The slight increase 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 the growth in our management consulting area, where fixed price service contracts are more prevalent than in our litigation, regulatory, and financial consulting area.

Costs of Services. Costs of services increased $2.2 million, or 1.1%, to $199.4 million for fiscal 2011 from $197.1 million for fiscal 2010. The increase in costs of services was due primarily to incentive bonus expense for our employees that was accrued for in fiscal 2011 due to the increase in revenue and profitability and an increase in client reimbursable expenses. Client reimbursable expenses increased $2.1 million, or 5.7%, to $39.7 million for fiscal 2011 from $37.6 million for fiscal 2010 primarily related to an increase in the use of non-employee experts and subcontractors. These increases were offset by a decrease in employee compensation expense due to a decrease in employee consultant headcount from 548 as of November 27, 2010 to 521 as of December 31, 2011 and $5.4 million of restructuring expenses recorded in costs of services during fiscal 2010 to more closely align our costs and our staffing levels with revenue. We did not record any restructuring expenses in costs of services during fiscal 2011.

As a percentage of revenues, costs of services decreased to 65.3% for fiscal 2011 from 68.6% for fiscal 2010. The decrease in costs of services as a percentage of revenue was due primarily to the increase in revenue during fiscal 2011 as compared with fiscal 2010 and lower compensation expense as a percentage of revenue primarily due to the decrease in employee consultant headcount from 548 as of November 27, 2010 to 521 as of December 31, 2011 and restructuring expenses recorded in the fiscal 2010.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $2.1 million, or 2.9%, to $71.8 million for fiscal 2011 from $73.9 million for fiscal 2010. The decrease in selling, general and administrative expenses was due primarily to the $2.0 million decrease in restructuring expenses in fiscal 2011 as compared with fiscal 2010. During fiscal 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 fiscal 2010, we recorded $3.0 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 $1.7 million in fiscal 2011 as compared with fiscal 2010. Partially offsetting these decreases were increases in incentive bonus expense for our employees that were accrued for in fiscal 2011 due to the increase in revenue and profitability and investments in business development. In addition, included in selling, general and administrative expenses were $3.9 million and $5.2 million in selling, general and administrative expenses in fiscal 2011 and fiscal 2010, respectively, due to the consolidation of NeuCo.

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As a percentage of revenues, selling, general and administrative expenses decreased to 23.5% for fiscal 2011 from 25.7% for fiscal 2010, which was primarily a result of the increase in revenue in fiscal 2011 compared with fiscal 2010 and a decrease in rent as a percentage of revenue.

Depreciation and Amortization. Depreciation and amortization decreased by $1.0 million, or 15.9%, to $5.0 million for fiscal 2011 from $6.0 million for fiscal 2010 primarily due to assets that became fully depreciated in fiscal 2011 or 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 $2.4 million to $0.9 million for fiscal 2011 from $3.4 million for 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. 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 on the debt for the equity conversion feature of the debt instrument.

Gain (Loss) on Extinguishment of Convertible Debentures. During fiscal 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 fiscal 2010, we repurchased convertible debentures in the principal amount of $40.7 million, on the open market, resulting in a $0.7 million loss on a pre-tax basis. Although we repurchased our debt at a discount in fiscal 2010, 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 fiscal 2011 our income tax provision was $11.1 million and the effective tax rate was 39.7% compared to $4.3 million and an effective tax rate of 68.6% for fiscal 2010. The effective tax rate for fiscal 2011 benefited from the use of foreign net operating loss carryforwards and foreign tax credits that had not been previously benefited, and the related release of certain valuation allowances as a result of improved profitability in certain foreign jurisdictions. The effective tax rate in fiscal 2010 was higher than the statutory rate primarily due to losses in foreign locations that could not be benefited and tax charges, including an unfavorable prior year tax adjustment, by NeuCo in spite of continued operating losses. These charges in fiscal 2010 were partially offset by the utilization of net operating losses in the United Kingdom and the Netherlands and the partial release of a valuation allowance related to the utilization of foreign tax credits.

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. NeuCo's results of operations allocable to its other owners was net income of $94,000 for fiscal 2011 and a net loss of $0.6 million for fiscal 2010.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by $14.3 million to $16.9 million for fiscal 2011 from $2.6 million for fiscal 2010. The diluted net income per share was $1.57 per share for fiscal 2011, compared to $0.24 per share for fiscal 2010. Diluted weighted average shares outstanding decreased by approximately 34,000 shares to approximately 10,739,000 shares for fiscal 2011 from approximately 10,773,000 shares for fiscal 2010. The decrease in weighted average shares outstanding is primarily due to repurchases of common stock since fiscal 2010, offset in part by restricted shares that have vested, performance-based restricted share awards that have been earned, and stock options that have been exercised since fiscal 2010.

Audited Five Weeks Ended January 1, 2011 Compared to Unaudited Five Weeks Ended January 2, 2010

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 that began January 2, 2011 and ended December 31, 2011. As a result of this change, we had a five week transition period which began November 28, 2010 and ended January 1, 2011. The discussion below includes the comparison of the audited results for the five-week transition period ended January 1, 2011 to the unaudited results for the five-week comparative period ended January 2, 2010. These two comparative periods each include two weeks with major holidays and resultant employee consultant vacation time. Accordingly, revenue for the five-week periods is not representative of five average weeks from a full fiscal cycle. Moreover, expenses such as compensation, occupancy costs and many other costs continue on a level basis, which impacted performance in both periods.

Revenues. Revenues for the five weeks ended January 1, 2011, increased by $1.9 million, or 9.3%, to $22.3 million, from $20.4 million for the five weeks ended January 2, 2010. Included in revenues are $0.4 million and $0.6 million for the five weeks ended January 1, 2011 and January 2, 2010, respectively, due to the consolidation of NeuCo. The increase in revenue was a result of improvements in activity within our litigation, regulatory and financial consulting and management consulting areas, evidenced by an increase in our utilization from 61% for the five weeks ended January 2, 2010 to 67% in the five-week transition period ended January 1, 2011. Despite this utilization increase, these comparative periods represent weak operating periods for us due to the holiday season and disproportionate levels of vacation. Therefore, utilization in these periods tends to be lower than utilization typically experienced during other periods.

Cost of Services. Cost of services increased by $1.4 million, or 9.3%, to $16.4 million for the five weeks ended January 1, 2011, from $15.0 million for the five weeks ended January 2, 2010. Included in costs of services are $0.1 million and $0.2 million in the five weeks ended January 1, 2011, and January 2, 2010, respectively, due to the consolidation of NeuCo. The increase in cost of services was due to increased compensation-related costs and an increase in client reimbursable expenses in the comparable periods.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by $0.2 million, or 3.8%, to $6.1 million for the five weeks ended January 1, 2011, from $6.4 million for the five weeks ended January 2, 2010. Included in selling, general and administrative expenses are $0.4 million and $0.6 million in the five weeks ended January 1, 2011, and January 2, 2010, respectively, due to the consolidation of NeuCo. The decrease in selling, general, and administrative expenses was due primarily to our cost cutting efforts during fiscal 2010.

Interest and other income (expense), net. Interest and other expense decreased $0.2 million, or 52.3%, to $0.1 million for the five weeks ended January 1, 2011, from $0.3 million for the five weeks ended January 2, 2010, primarily due to the lower principal balance outstanding on our convertible debt in the five weeks ended January 1, 2011 as compared to the five weeks ended January 2, 2010. Included in the five weeks ended January 1, 2011 are $0.1 million in costs related to the sale of our Asia-Pacific based Energy practice.

Provision for Income Taxes. For the five weeks ended January 1, 2011, our effective tax rate was a benefit of 30.4% and lower than statutory rates due primarily to foreign losses for which we provided no benefit, offset by a partial tax benefit from the divestiture of our Asia-Pacific based Energy practice. Our effective tax rate for fiscal 2010 was a provision of 68.6%. The effective tax rate for fiscal 2010 was higher than the expected statutory rate primarily due to losses in certain tax jurisdictions that were not benefited. The annual effective rate of 68.6% was applied to the five-week transition period ended January 2, 2010 and resulted in a benefit for that period.

Net Loss Attributable to CRA International, Inc. We reported a net loss of $0.6 million, or net loss of $0.06 per share, for the five weeks ended January 1, 2011, compared to a net loss of $0.4 million, or a net loss of $0.03 per share, for the five weeks ended January 2, 2010. Included in the net loss were $39,000 and $0.1 million in net losses in the five weeks ended January 1, 2011 and January 2, 2010, respectively, due to the consolidation of NeuCo. Weighted average shares outstanding decreased by approximately 72,000 shares to approximately 10,567,000 for the five weeks ended January 1, 2011, from approximately 10,639,000 for the five weeks ended January 2, 2010. The decrease in weighted average shares outstanding was due to repurchases of common stock during fiscal 2010, partially offset by restricted shares that vested and stock options that were exercised during fiscal 2010.

Liquidity and Capital Resources

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

General. In fiscal 2012, cash and cash equivalents decreased by $6.1 million. We completed the period with cash and cash equivalents of $55.5 million and working capital (defined as current assets less current liabilities) of $102.5 million. Of the total cash and cash equivalents of $55.5 million at December 29, 2012, $47.0 million was held within the U.S. The Company has sufficient sources of cash in the U.S. to fund U.S. cash requirements without the need to repatriate any funds. As of December 29, 2012, a substantial portion of our cash accounts was concentrated at a single financial institution, which potentially exposes us to credit risks. The financial institution has generally "stable" credit ratings and its short-term credit rating is A-1 by Standard & Poor's ratings services. We have not experienced any losses related to such accounts and we do not believe that there is significant risk of non-performance by the financial institution. Our cash on deposit at this financial institution is fully liquid and we continually monitor the credit ratings of this 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 fiscal 2012, net cash used by operations was $8.5 million. We had a net loss of $52.8 million during fiscal 2012, which included a goodwill impairment charge of $71.4 million. We paid out a majority of our fiscal 2011 performance bonuses during the first quarter of fiscal 2012, which was the primary factor in the aggregate decrease in accounts payable, accrued expenses, and other liabilities of $13.4 million during fiscal 2012. As of December 29, 2012, approximately $28 million was accrued for fiscal 2012 performance bonuses. Other uses of cash included an increase in prepaid expenses and other assets of $19.9 million, primarily related to the issuance of forgivable loans, term loans, and advances to employees and non-employee experts during fiscal 2012, a benefit in deferred taxes of $9.9 million and a decrease in deferred rent of $4.5 million. The uses of cash were partially offset by the following sources of cash: a decrease in accounts receivable, including the change in accounts receivable allowances, of $13.1 million, which was partially offset by an increase in unbilled services of $4.7 million, as a result of increased collections as a percentage of revenues, depreciation and amortization expense of $5.8 million, share-based compensation expense of $4.9 million, and a loss on disposal of property and equipment of $1.4 million related primarily to the write-off of unamortized leaseholds and other costs recorded in fiscal 2012 for the reduction of leased office space in our London, England office and our Boston, Massachusetts office.

We anticipate that a majority of the accrued performance bonuses for fiscal 2012 will be paid during the first quarter of fiscal 2013. In addition, we anticipate cash expenditures to be made during the first quarter of fiscal 2013 in connection with acquisitions and forgivable loans. With the payment of these bonuses and cash expenditures, we anticipate borrowing approximately $25 million under our line of credit during the first half of fiscal 2013, and we anticipate repaying such borrowings by the end of fiscal 2013. We expect to maintain a minimum cash balance of approximately $10 million in fiscal 2013, even during the period we utilize our line of credit.

During fiscal 2012, net cash provided by investing activities was $12.8 million, which included $24.0 million received from the sale of short-term investments and $1.0 million received from collections on notes receivable, partially offset by $9.5 million used to purchase short-term investments and $2.7 million used for capital expenditures.

We used $10.3 million of net cash in financing activities during fiscal 2012. Cash used in financing activities was primarily for the repurchase of shares of our common stock for $9.1 million, the redemption of $1.4 million in vested employee restricted shares for tax withholdings, and payments of notes payable of $0.7 million, offset partially by $0.6 million received upon the exercise of stock options.

Indebtedness

We are party to a senior loan agreement with RBS Citizens, N.A 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 amount available under our bank revolving line of credit is constrained by various financial covenants and is reduced by certain outstanding letters of credit, which amounted to $0.6 million as of December 29, 2012. There were no amounts outstanding under this revolving line of credit as of December 29, 2012. We anticipate that we will borrow under our line of credit during fiscal 2013.

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 $9.8 million in net assets as of December 29, 2012.

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 December 29, 2012, we were in compliance with our agreement with the bank.

Compensation Arrangements

In connection with a previous acquisition, we agreed to pay an award to certain employees of the acquired business if they achieved specific performance targets through fiscal 2012. Retention of amounts paid to the individual employees is contingent on their continued employment with us through 2016. The amount of the award, which was determined at the end of fiscal 2012, was approximately $6.2 million and is being expensed over the seven and a half year service period ending in December 2016. Subsequent to December 29, 2012, an additional award of approximately $4.3 million was granted to certain employees of the acquired business for future services. Payments under these awards will be made in the first quarter of fiscal 2013 and we expect to fund these payments from existing cash resources, cash generated from operations, or borrowings under our line of credit.

Share Repurchases

On August 30, 2011, we announced that our Board of Directors approved a share repurchase program of up to $7.5 million of our common stock. On February 22, 2012 and August 10, 2012, our Board of Directors authorized the repurchase of up to an additional $4.45 million and $5.0 million, respectively, of our common stock under this program. During fiscal 2012, we repurchased 466,109 shares under this program at an average price per share of $19.47. As of December 29, 2012, $3.6

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million was available for future repurchases under this program. We will finance this program with available cash and cash from future operations. We may repurchase shares in open market purchases or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. We expect to continue to repurchase shares under this program.

Other Matters

Acquisitions

On January 31, 2013, we announced that an approximate 40-person litigation consulting team has joined us, effective February 1, 2013. Under an agreement to hire the team, we accelerated the previously announced start dates of certain key personnel from May 2013. Under the terms of the transaction, we acquired certain intangible assets, accounts receivable, and certain client projects currently underway. The allocation of the purchase price for the acquisition will be finalized as we receive other information relevant to the acquisition and complete our analysis of other transaction-related costs.

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

Impact of Inflation

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

Contractual Obligations

The following table presents information about our known contractual obligations as of December 29, 2012. It does not reflect contractual obligations that may have arisen or may arise after that date. Except for historical facts, the information in this section is forward-looking information.

	Payments due by period				
Contractual Obligations	**Total**	**Fiscal 2013**	**Fiscal 2014-2015**	**Fiscal 2016-2017**	**After Fiscal 2017**
			(in thousands)		
Notes payable to sellers(1)	$ 700	$ 700	$	$	$
Operating lease obligations	40,805	14,187	21,637	4,163	818
Other long-term liabilities(2)(3)	7,205	6,198			1,007
Net unrecognized tax benefit obligation under Topic 740(4)	134	134			
Total	$ 48,844	$ 21,219	$ 21,637	$ 4,163	$ 1,825

(1) "Notes payable to sellers" includes amounts due to a former shareholder of NeuCo.

(2) NeuCo received a cash advance from its former parent company in exchange for a note. There are no specified repayment dates in the note agreement, except that the principal balance of the note becomes due upon demand at the termination of the blanket contract between NeuCo and a customer. NeuCo will repay the note by submitting 50% of the total amount of all future receipts from the customer to its former parent company. As of December 29, 2012, based on estimated

future receipts for this customer, NeuCo estimated that the $1.0 million note will be paid after fiscal 2017.

(3) In connection with a previous acquisition, we agreed to pay an award to certain employees of the acquired business if they achieved 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 December 29, 2012, the amount of the award, which was determined at the end of fiscal 2012, was approximately $6.2 million. Payments under this award will be made in the first quarter of fiscal 2013 and we expect to fund these payments from existing cash resources, cash generated from operations, or borrowings under our line of credit.

(4) This amount relates to interest on tax audit liabilities.

We are party to standby letters of credit with RBS Citizens N.A. in support of the minimum future lease payments under leases for permanent office space and bonds required per the terms of certain project proposals and contracts amounting to $0.6 million as of December 29, 2012.

Factors Affecting Future Performance

Item 1A of this annual 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 annual 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 7A *Quantitative and Qualitative Disclosure 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 affect reported revenues and expenses, based on our currency exposures at December 29, 2012. A hypothetical 10% movement in foreign exchange rates on December 29, 2012 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 December 29, 2012, 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 money market funds with maturities of three months or less when purchased. These held-to-maturity securities are subject to interest rate risk. However, a hypothetical change in the interest rate of 10% would not have

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a material impact to the fair values of these securities at December 29, 2012 primarily due to their short maturity.

Item 8 *Financial Statements and Supplementary Data*

We have included our consolidated financial statements in this annual report starting on page FS-1. We have provided an index to our consolidated financial statements on page FS-1.

Item 9 *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A *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 fourth quarter of fiscal 2012, 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate 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 assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework in "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our President and Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our independent registered public accounting firm, KPMG LLP, has issued an audit report on their assessment of our internal control over financial reporting. The audit report is included herein.

Important Considerations

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CRA International, Inc.:

We have audited CRA International, Inc.'s internal control over financial reporting as of December 29, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CRA International, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CRA International, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 29, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CRA International, Inc. and subsidiaries as of December 29, 2012 and December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' equity for each of the fiscal years ended December 29, 2012 and December 31, 2011, the five-week period ended January 1, 2011, and the fiscal year ended November 27, 2010, and our report dated March 8, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Boston, Massachusetts
March 8, 2013

Item 9B ***Other Information***

None.

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PART III

We have omitted the information required in Part III of this annual report because we intend to include that information in our definitive proxy statement for the 2013 special meeting in lieu of annual meeting of shareholders, which we expect to file before 120 days after the end of fiscal 2012. We incorporate that information in this annual report by reference to the proxy statement to be filed in connection with the 2013 annual meeting of our shareholders, which we will refer to herein as our "2013 annual proxy statement."

Item 10 *Directors, Executive Officers and Corporate Governance*

We incorporate the information required by this item by reference to the sections captioned "Executive Officers and Directors", "Corporate Governance", and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2013 annual proxy statement.

Item 11 *Executive Compensation*

We incorporate the information required by this item by reference to the section captioned "Compensation of Directors and Executive Officers" in our 2013 annual proxy statement.

Item 12 *Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters*

We incorporate the information required by this item by reference to the sections captioned "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plans" in our 2013 annual proxy statement.

Item 13 *Certain Relationships and Related Transactions and Director Independence*

We incorporate the information required by this item by reference to the sections captioned "Transactions with Related Parties" and "Corporate Governance" in our 2013 annual proxy statement.

Item 14 *Principal Accountant Fees and Services*

We incorporate the information required by this item by reference to the section captioned "Principal Accountant Fees and Services" in our 2013 annual proxy statement.

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PART IV

Item 15 ***Exhibits and Financial Statement Schedules***

(a) *Financial Statements, Schedules, and Exhibits.* We have listed our consolidated financial statements filed as part of this annual report in the index to consolidated financial statements on page FS-1. We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.

(b) *Exhibits.* We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.

(c) *Financial Statement Schedules.* We have omitted all financial statement schedules because they are not applicable or not required or because we have included the necessary information in our consolidated financial statements or related notes.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ PAUL A. MALEH

Paul A. Maleh
President, Chief Executive Officer and Director

Date: March 8, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PAUL A. MALEH Paul A. Maleh	President, Chief Executive Officer, and Director (principal executive officer)	March 8, 2013
/s/ WAYNE D. MACKIE Wayne D. Mackie	Executive Vice President, Treasurer, and Chief Financial Officer (principal financial and accounting officer)	March 8, 2013
/s/ ROWLAND T. MORIARTY Rowland T. Moriarty	Chairman of the Board	March 8, 2013
/s/ WILLIAM F. CONCANNON William F. Concannon	Director	March 8, 2013
/s/ RONALD T. MAHEU Ronald T. Maheu	Director	March 8, 2013
/s/ THOMAS S. ROBERTSON Thomas S. Robertson	Director	March 8, 2013
/s/ NANCY L. ROSE Nancy L. Rose	Director	March 8, 2013
/s/ WILLIAM T. SCHLEYER William T. Schleyer	Director	March 8, 2013

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EXHIBIT INDEX

			Incorporated by Reference		
Exhibit No.	Description	Filed with this Form 10-K	Form	Filing Date	Exhibit No.
3.1	Amended and Restated Articles of Organization.		S-1	February 26, 1998	3.1
3.2	Articles of Amendment to our Articles of Organization		8-K	May 11, 2005	99.1
3.3	Amended and Restated By-Laws, as amended.		8-K	January 31, 2011	3.2
4.1	Specimen certificate for common stock.		S-8	April 21, 2006	4.4
10.1*	1998 Incentive and Nonqualified Stock Option Plan, as amended.		10-Q	June 20, 2002	10.1
10.2*	1998 Employee Stock Purchase Plan.		S-1/A	April 3, 1998	10.2
10.3*	2004 Nonqualified Inducement Stock Option Plan.		10-Q	October 15, 2004	10.1
10.4*	Amended and Restated 2006 Equity Incentive Plan, as amended		DEF 14A	April 27, 2012	Annex A
10.5*	2009 Nonqualified Inducement Stock Option Plan		10-Q	June 22, 2009	10.1
10.6*	Form of Incentive Stock Option under the 1998 Incentive and Nonqualified Stock Option Plan, as amended.		10-K	February 10, 2005	10.4
10.7*	Form of Nonqualified Stock Option under the 1998 Incentive and Nonqualified Stock Option Plan, as amended.		10-K	February 10, 2005	10.5
10.8*	Form of Nonqualified Stock Option under the 2004 Nonqualified Inducement Stock Option Plan.		10-K	February 10, 2005	10.6
10.9*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.2
10.10*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.9
10.11*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 2, 2012	10.11
10.12*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.3
10.13*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.11
10.14*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company, as amended.		10-K	March 2, 2012	10.14
10.15*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan.		10-K	February 8, 2007	10.10
10.16*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.16
10.17*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan.		10-K	January 29, 2010	10.14
10.18*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.18
10.19*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan.		10-K	January 29, 2010	10.15

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			Incorporated by Reference		
Exhibit No.	Description	Filed with this Form 10-K	Form	Filing Date	Exhibit No.
10.20*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.20
10.21*	CRA International, Inc. Cash Incentive Plan, as amended.		8-K	March 2, 2012	10.1
10.22*	Offer Letter with Wayne D. Mackie dated June 3, 2005.		10-K	February 9, 2006	10.7
10.23*	Summary of Director Compensation.	X			
10.24*	Summary of Executive Officer Compensation.	X			
10.25	Office Lease Agreement dated as of March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended.		S-1/A	April 3, 1998	10.6
10.26	Amendments to Office Lease Agreement dated March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended.		10-K	February 23, 2001	10.7
10.27	Fifteenth Amendment to Office Lease Agreement dated March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended.		10-K	February 28, 2003	10.8
10.28	Sixteenth Amendment to Office Lease Agreement dated March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended.		10-Q	June 28, 2004	10.1
10.29	Seventeenth Amendment to Lease dated as of February 6, 2008 between CRA and 100 & 200 Clarendon LLC.		8-K	August 4, 2008	10.1
10.30	Eighteenth Amendment to Lease dated as of July 29, 2008 between CRA and 100 & 200 Clarendon LLC.		8-K	August 4, 2008	10.2
10.31	Nineteenth Amendment to Lease entered into on December 7, 2012 by and between CRA International, Inc. and BP Hancock LLC.		8-K	December 11, 2012	10.1
10.32	Office Lease dated as of November 29, 1999 between CRA and 1201 F Street, L.L.C., as amended.		10-K	February 23, 2001	10.9
10.33	Agreement dated as of October 26, 2006 by and among 99 Bishopsgate (No.1) Limited and 99 Bishopsgate (No.2) Limited, Hammerson UK Properties PLC, 99 Bishopsgate Management Limited, CRA International (UK) Limited, and CRA International, Inc. (including forms of lease agreement).		8-K	November 1, 2006	10.1
10.34	Agreement for Surrender of Leases at 99 Bishopsgate, London EC2, dated April 2, 2012, between CRA International, Inc., CRA International (UK) Limited, Hammerson (99 Bishopsgate) Limited, Hammerson UK Properties PLC and 99 Bishopsgate Management Limited.		8-K	April 6, 2012	10.1
10.35	Form of consulting agreement with outside experts.		S-1/A	April 3, 1998	10.8
10.36	Loan Agreement dated as of January 14, 2004 between CRA and Citizens Bank of Massachusetts.		10-Q	April 1, 2004	10.1
10.37	First Amendment to Loan Agreement, dated as of March 29, 2005, by and between CRA and Citizens Bank of Massachusetts.		8-K	April 1, 2005	10.1
10.38	Second Amendment to Loan Agreement, dated as of June 20, 2005, by and between CRA and Citizens Bank of Massachusetts.		8-K	June 24, 2005	10.1

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			Incorporated by Reference		
Exhibit No.	Description	Filed with this Form 10-K	Form	Filing Date	Exhibit No.
10.39	Third Amendment to Loan Agreement, dated as of April 17, 2006, by and between CRA and Citizens Bank of Massachusetts.		8-K	April 19, 2006	10.1
10.40	Fourth Amendment to Loan Agreement, dated as of July 25, 2006, by and between CRA and Citizens Bank of Massachusetts.		8-K	July 26, 2006	10.1
10.41	Fifth Amendment to Loan Agreement, dated as of May 16, 2007, by and between CRA and Citizens Bank of Massachusetts.		8-K	May 22, 2007	10.1
10.42	Sixth Amendment to Loan Agreement, dated as of August 18, 2009, by and between CRA International, Inc. and RBS Citizens, N.A.		8-K	August 19, 2009	10.1
10.43	Seventh Amendment to Loan Agreement, dated as of January 11, 2011, by and between CRA International, Inc. and RBS Citizens, N.A.		8-K	January 13, 2011	10.1
10.44	First Amendment to Revolving Note, dated as of March 29, 2005, by and between CRA and Citizens Bank of Massachusetts.		8-K	April 1, 2005	10.2
10.45	Second Amendment to Revolving Note, dated as of June 20, 2005, by and between CRA and Citizens Bank of Massachusetts.		8-K	June 24, 2005	10.2
10.46	Third Amendment to Revolving Note, dated as of May 16, 2007, by and between CRA and Citizens Bank of Massachusetts.		8-K	May 22, 2007	10.2
10.47	Fourth Amendment to Revolving Note, dated as of August 18, 2009, by and between CRA International, Inc. and RBS Citizens, N.A.		8-K	August 19, 2009	10.2
10.48	Fifth Amendment to Revolving Note, dated as of January 11, 2011 by and between CRA International, Inc. and RBS Citizens, N.A.		8-K	January 13, 2011	10.2
10.49	Stock Pledge Agreement dated as of January 14, 2004 between CRA and Citizens Bank of Massachusetts.		10-Q	April 1, 2004	10.2
10.50	First Amendment to Stock Pledge Agreement, dated as of June 20, 2005, by and between CRA and Citizens Bank of Massachusetts.		8-K	June 24, 2005	10.1
14.1	CRA International, Inc. Code of Business Conduct and Ethics, as amended.		8-K	July 7, 2010	99.1
21.1	Subsidiaries.	X			
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.	X			
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer.	X			
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer.	X			
32.1	Section 1350 certification.	X			

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			Incorporated by Reference		
Exhibit No.	Description	Filed with this Form 10-K	Form	Filing Date	Exhibit No.
101**	The following financial statements from CRA International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2012, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Statements of Operations for the fiscal years ended December 29, 2012, December 31, 2011 and November 27, 2010, and the five-week period ended January 1, 2011, (ii) Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended December 29, 2012, December 31, 2011 and November 27, 2010, and the five-week period ended January 1, 2011, (iii) Consolidated Balance Sheets as at December 29, 2012 and December 31, 2011, (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 29, 2012, December 31, 2011 and November 27, 2010, and the five-week period ended January 1, 2011, (v) Consolidated Statements of Shareholders' Equity for the fiscal years ended December 29, 2012, December 31, 2011 and November 27, 2010, and the five-week period ended January 1, 2011, and (vi) Notes to Consolidated Financial Statements.				

* Management contract or compensatory plan

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

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CRA INTERNATIONAL, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CRA International, Inc.:

We have audited the accompanying consolidated balance sheets of CRA International, Inc. and subsidiaries as of December 29, 2012 and December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows and shareholders' equity for each of the fiscal years ended December 29, 2012 and December 31, 2011, the five-week period ended January 1, 2011 and for the fiscal year ended November 27, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CRA International, Inc. and subsidiaries as of December 29, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the fiscal years ended December 29, 2012 and December 31, 2011, the five-week period ended January 1, 2011, and the fiscal year ended November 27, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CRA International, Inc.'s internal control over financial reporting as of December 29, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
March 8, 2013

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 29, 2012 (52 weeks)	Year Ended December 31, 2011 (52 weeks)	Transition Period January 1, 2011 (5 weeks)	Year Ended November 27, 2010 (52 weeks)
	(In thousands, except per share data)			
Revenues	$ 270,390	$ 305,228	$ 22,250	$ 287,424
Costs of services	182,381	199,383	16,400	197,140
Gross profit	88,009	105,845	5,850	90,284
Selling, general and administrative expenses	67,235	71,752	6,144	73,900
Depreciation and amortization	7,190	5,029	506	5,983
Goodwill impairment	71,394			
Income (loss) from operations	(57,810)	29,064	(800)	10,401
Interest income	264	332	29	361
Interest expense	(300)	(908)	(147)	(3,356)
Loss on extinguishment of convertible debentures				(669)
Other expense, net	(177)	(405)	(28)	(504)
Income (loss) before (provision) benefit for income taxes	(58,023)	28,083	(946)	6,233
(Provision) benefit for income taxes	5,180	(11,138)	288	(4,273)
Net income (loss)	(52,843)	16,945	(658)	1,960
Net (income) loss attributable to noncontrolling interest, net of tax	(147)	(94)	32	626
Net income (loss) attributable to CRA International, Inc.	$ (52,990)	$ 16,851	$ (626)	$ 2,586
Net income (loss) per share attributable to CRA International, Inc.:				
Basic	$ (5.21)	$ 1.60	$ (0.06)	$ 0.24
Diluted	$ (5.21)	$ 1.57	$ (0.06)	$ 0.24
Weighted average number of shares outstanding:				
Basic	10,167	10,555	10,567	10,643
Diluted	10,167	10,739	10,567	10,773

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 29, 2012 (52 weeks)	Year Ended December 31, 2011 (52 weeks)	Transition Period January 1, 2011 (5 weeks)	Year Ended November 27, 2010 (52 weeks)
		(In thousands)		
Net income (loss)	$ (52,843)	$ 16,945	$ (658)	$ 1,960
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,950	(676)	(455)	(1,992)
Comprehensive income (loss)	(50,893)	16,269	(1,113)	(32)
Less: comprehensive (income) loss attributable to noncontrolling interest	(147)	(94)	32	626
Comprehensive income (loss) attributable to CRA International, Inc.	$ (51,040)	$ 16,175	$ (1,081)	$ 594

See accompanying notes to the condensed consolidated financial statements

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CRA INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	December 29, 2012	December 31, 2011
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,451	$ 61,587
Short-term investments		14,495
Accounts receivable, net of allowances of $9,459 at December 29, 2012 and $6,548 at December 31, 2011	56,083	68,394
Unbilled services	21,187	16,326
Prepaid expenses and other assets	23,001	8,224
Deferred income taxes	15,955	20,898
Total current assets	171,677	189,924
Property and equipment, net	17,980	21,611
Goodwill	70,765	140,654
Intangible assets, net of accumulated amortization of $7,122 at December 29, 2012 and $6,806 at December 31, 2011	1,834	2,472
Deferred income taxes, net of current portion	8,083	105
Other assets	21,671	17,341
Total assets	$ 292,010	$ 372,107
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,766	$ 10,469
Accrued expenses	45,305	60,502
Deferred revenue and other liabilities	6,748	7,707
Deferred income taxes	1,145	
Current portion of deferred rent	2,268	2,870
Current portion of notes payable	691	650
Current portion of deferred compensation	3,287	75
Total current liabilities	69,210	82,273
Notes payable, net of current portion	1,007	1,631
Deferred rent and other non-current liabilities	5,608	9,423
Deferred compensation and other non-current liabilities	2,676	1,714
Deferred income taxes, net of current portion	1,275	8,659
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; 10,057,448 and 10,329,051 shares issued and outstanding at December 29, 2012 and December 31, 2011, respectively	93,174	98,578
Receivables from shareholders	(120)	(236)
Retained earnings	122,610	175,600
Accumulated other comprehensive loss	(4,388)	(6,338)
Total CRA International, Inc. shareholders' equity	211,276	267,604
Noncontrolling interest	958	803
Total shareholders' equity	212,234	268,407
Total liabilities and shareholders' equity	$ 292,010	$ 372,107

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 29, 2012 (52 weeks)	Year Ended December 31, 2011 (52 weeks)	Transition Period January 1, 2011 (5 weeks)	Year Ended November 27, 2010 (52 weeks)
	(In thousands)			
OPERATING ACTIVITIES:				
Net income (loss)	$ (52,843)	$ 16,945	$ (658)	$ 1,960
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities, net of effect of acquired businesses:				
Depreciation and amortization	5,841	5,103	652	5,710
Loss on disposal of property and equipment	1,444	146		266
Goodwill impairment	71,394			
Deferred rent	(4,475)	(1,956)	920	(536)
Deferred income taxes	(9,882)	(8,739)	485	3,294
Loss on extinguishment of convertible debentures				669
Share-based compensation expenses	4,947	5,769	795	6,572
Excess tax benefits from share-based compensation	(81)	(49)		(53)
Accounts receivable allowances	2,814	(546)	125	232
Noncash interest from discount on convertible debentures		229	50	1,177
Changes in operating assets and liabilities:				
Accounts receivable	10,271	(11,999)	3,517	(324)
Unbilled services	(4,674)	12,640	7,699	(7,102)
Prepaid expenses and other assets	(19,870)	(47)	324	7,266
Accounts payable, accrued expenses, and other liabilities	(13,411)	12,535	(6,372)	(5,510)
Net cash (used in) provided by operating activities	(8,525)	30,031	7,537	13,621
INVESTING ACTIVITIES:				
Consideration relating to acquisitions, net		(844)		9,999
Purchase of property and equipment	(2,732)	(8,246)	(347)	(4,144)
Purchase of investments	(9,494)	(61,049)		(59,992)
Sale of investments	23,989	46,554	6,275	77,579
Collections on notes receivable	989	64		89
Net cash provided by (used in) investing activities	12,752	(23,521)	5,928	23,531
FINANCING ACTIVITIES:				
Issuance of common stock, principally stock options exercises	647	620		1,010
Payments on notes payable	(650)	(334)	(150)	(550)
Extinguishment of convertible debentures		(21,880)		(40,401)
Tax withholding payment reimbursed by restricted shares	(1,360)	(1,146)		(1,072)
Excess tax benefits from share-based compensation	81	49		53
Repurchase of common stock	(9,062)	(9,054)		(4,473)
Repurchase of treasury stock by Neuco, Inc.		(33)	(17)	(450)
Net cash used in financing activities	(10,344)	(31,778)	(167)	(45,883)
Effect of foreign exchange rates on cash and cash equivalents	(19)	(650)	(11)	143
Net (decrease) increase in cash and cash equivalents	(6,136)	(25,918)	13,287	(8,588)
Cash and cash equivalents at beginning of period	61,587	87,505	74,218	82,806
Cash and cash equivalents at end of period	$ 55,451	$ 61,587	$ 87,505	$ 74,218
Noncash investing and financing activities:				
Repurchase of shares in exchange for notes receivable by Neuco, Inc.	$	$	$	$ 422
Supplemental cash flow information:				
Cash paid for taxes	$ 8,718	$ 18,744	$ 25	$ 915
Cash paid for interest	$ 223	$ 558	$ 315	$ 2,298

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock Shares Issued	Common Stock Amount	Receivable from Shareholder	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	CRA International, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
BALANCE AT NOVEMBER 29, 2009	10,639,249	$ 102,392	$ (1,854)	$ 156,789	$ (3,215)	$ 254,112	$ 1,603	$ 255,715
Net income (loss)				2,586		2,586	(626)	1,960
Foreign currency translation adjustment					(1,992)	(1,992)		(1,992)
Comprehensive income (loss)				2,586	(1,992)	594	(626)	(32)
Exercise of stock options	68,435	1,006				1,006		1,006
Share-based compensation expense for employees		6,358				6,358		6,358
Restricted shares vesting	137,622							
Redemption of vested employee restricted shares for tax withholding	(43,484)	(1,072)				(1,072)		(1,072)
Tax deficit on stock option exercises and restricted share vesting		(1,131)				(1,131)		(1,131)
Notes receivable issued to shareholders			(77)			(77)		(77)
Payments received on notes receivable from shareholders			370			370		370
Shares repurchased	(234,770)	(4,473)				(4,473)		(4,473)
Share-based compensation expense for non-employees		91				91		91
Convertible debenture extinguishment		41				41		41
Equity transactions of noncontrolling interest		(91)				(91)	(285)	(376)
BALANCE AT NOVEMBER 27, 2010	10,567,052	$ 103,121	$ (1,561)	$ 159,375	$ (5,207)	$ 255,728	$ 692	$ 256,420
Net loss				(626)		(626)	(32)	(658)
Foreign currency translation adjustment					(455)	(455)		(455)
Comprehensive loss				(626)	(455)	(1,081)	(32)	(1,113)
Share-based compensation expense for employees		774				774		774
Tax deficit on stock option exercises and restricted share vesting		(839)				(839)		(839)
Payments received on notes receivable from shareholders			161			161		161
Share-based compensation expense for non-employees		11				11		11
Equity transactions of noncontrolling interest and effect of change in ownership interest in NeuCo, Inc.							10	10
BALANCE AT JANUARY 1, 2011	10,567,052	$ 103,067	$ (1,400)	$ 158,749	$ (5,662)	$ 254,754	$ 670	$ 255,424
Net income				16,851		16,851	94	16,945
Foreign currency translation adjustment					(676)	(676)		(676)
Comprehensive income (loss)				16,851	(676)	16,175	94	16,269
Exercise of stock options	47,009	620				620		620
Share-based compensation expense for employees		5,696				5,696		5,696
Restricted shares vesting	164,086							
Redemption of vested employee restricted shares for tax withholding	(50,724)	(1,146)				(1,146)		(1,146)
Tax deficit on stock option exercises and restricted share vesting		(639)				(639)		(639)
Notes receivable issued to shareholders			(36)			(36)		(36)
Payments received on notes receivable from shareholders			1,200			1,200		1,200
Shares repurchased	(398,372)	(9,054)				(9,054)		(9,054)
Share-based compensation expense for non-employees		34				34		34
Equity transactions of noncontrolling interest.							39	39

BALANCE AT DECEMBER 31, 2011	10,329,051	$ 98,578	$ (236)	$ 175,600	$ (6,338)	$ 267,604	$ 803	$ 268,407
Net income (loss)				(52,990)		(52,990)	147	(52,843)
Foreign currency translation adjustment					1,950	1,950		1,950
Comprehensive income (loss)				(52,990)	1,950	(51,040)	147	(50,893)
Exercise of stock options	47,185	647				647		647
Share-based compensation expense for employees		4,868				4,868		4,868
Restricted shares vesting	216,528							
Redemption of vested employee restricted shares for tax withholding	(69,207)	(1,360)				(1,360)		(1,360)
Tax deficit on stock option exercises and restricted share vesting		(576)				(576)		(576)
Payments received on notes receivable from shareholders			116			116		116
Shares repurchased	(466,109)	(9,062)				(9,062)		(9,062)
Share-based compensation expense for non-employees		79				79		79
Equity transactions of noncontrolling interest.							8	8
BALANCE AT DECEMBER 29, 2012	10,057,448	$ 93,174	$ (120)	$ 122,610	$ (4,388)	$ 211,276	$ 958	$ 212,234

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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 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.

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 was effective beginning with the 2011 fiscal year, which began January 2, 2011 and ended 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 ("transition period"). The audited results of the five-week transition period are presented herein. The fiscal year change was not effective until after the completion of the 2010 fiscal year. Therefore, the fiscal year 2010 comparative financial and other information reported in the financial statements herein continues to be presented based on the Company's prior fiscal year end calendar.

CRA's fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2012, 2011, and fiscal 2010 were 52-week years.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. In addition, as more fully explained below, the consolidated financial statements include the Company's interest in NeuCo, Inc. ("NeuCo"). All significant intercompany accounts have been eliminated.

NeuCo Interest

During fiscal 2010, NeuCo acquired $0.9 million of its outstanding shares. As a result of this transaction, the Company's ownership interest in NeuCo increased from 49.15% to 55.89%. CRA's ownership interest has constituted control under GAAP for all periods presented. Therefore, NeuCo's financial results have been consolidated with CRA and the portion of NeuCo's results allocable to its other owners is shown as "noncontrolling interest." The increase in the Company's ownership in NeuCo during the second quarter of fiscal 2010 was accounted for as an adjustment to shareholders' equity in the accompanying consolidated financial statements.

NeuCo's revenues included in the Company's consolidated statements of operations for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010 totaled approximately $5.5 million, $6.2 million, $0.4 million, and $6.4 million, respectively. NeuCo's net income included in the Company's consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.3 million and $0.2 million, respectively. NeuCo's net loss included in the Company's consolidated statements of operations for the five-week transition period ended January 1, 2011 and fiscal 2010 totaled approximately $0.1 million and $1.3 million, respectively. NeuCo's net income, net of amounts allocable to its other owners, included in the Company's consolidated statements of operations for fiscal 2012 and fiscal 2011 was approximately $0.2 million and $0.1 million, respectively. NeuCo's net loss, net of amounts allocable to its other owners, included in the Company's consolidated statements of

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operations for the five-week transition period ended January 1, 2011 and fiscal 2010 totaled approximately $39,000 and $0.7 million, respectively.

NeuCo's interim reporting schedule is based on calendar month-ends, and 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. Due to the change in the Company's fiscal year end starting with fiscal 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, if any, will have a significant impact on CRA's consolidated statements of operations or financial condition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make significant estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of consolidated revenues and expenses during the reporting period. Estimates in these consolidated financial statements include, but are not limited to, accounts and unbilled 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.

Revenue Recognition

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

CRA recognizes substantially all of its revenues under written service contracts with its clients 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 CRA provides services to its clients without sufficient contractual documentation, or fees are tied to performance-based criteria, which require the Company to defer revenue in accordance with U.S. GAAP. In these cases, these amounts are fully reserved until all criteria for recognizing revenue are met.

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

Revenues from the majority of the Company's fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. CRA derived approximately 15%, 22%, 26%, and

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21% of consolidated revenues from fixed-price engagements in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively. Project costs are based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement. The proportional performance method is used because 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 CRA's clients. Fixed-price contracts generally convert to time-and-materials contracts in the event the contract terminates. CRA's management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, management is updated on the budgeted costs and resources required to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. Occasionally, CRA has been required to commit unanticipated additional resources to complete projects, which has resulted in lower than anticipated income or losses on those contracts. CRA may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

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

	Year Ended December 29, 2012 (52 weeks)	Year Ended December 31, 2011 (52 weeks)	Transition Period January 1, 2011 (5 weeks)	Year Ended November 27, 2010 (52 weeks)
Reimbursable expenses	$ 33,530	$ 39,722	$ 2,936	$ 37,585

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

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

CRA collects goods and services and value added taxes from customers and records these amounts on a net basis, which is within the scope of Accounting Standards Codification ("ASC") Topic 605-45, "Principal Agent Considerations".

Cash Equivalents and Investments

Cash equivalents consist principally of funds holding only U.S. government obligations, money market funds, and commercial paper, with maturities of three months or less when purchased. As of December 29, 2012, a substantial portion of the Company's cash accounts was concentrated at a single financial institution, which potentially exposes the Company to credit risks. As of December 29, 2012, 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-1 by Standard & Poor's ratings services. The Company does not believe that there is significant risk of non-performance by the financial institution and the cash on deposit is fully liquid. The Company continually monitors the credit ratings of the institution.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Short-term investments generally consisted of commercial paper and Canadian government bonds with maturities of more than three months and less than one year when purchased. These short-term investments were expected to be held-to-maturity and were classified as such in the accompanying consolidated financial statements. At December 29, 2012, CRA did not hold any short-term investments. As of December 31, 2011, short-term investments included $14.5 million in commercial paper and are considered Level 2 inputs within the fair value hierarchy.

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. 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 fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, the Company did not write-down any investment balances.

Fair Value of Financial Instruments

The Company's financial instruments, including cash, cash equivalents, investments, accounts receivable, loans and advances from employees and non-employee experts, accounts payable, and accrued expenses, are carried at cost, which approximates their fair value because of the short-term maturity of these instruments or their stated interest rates are indicative of market interest rates.

Goodwill

In accordance with 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 events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For the Company's goodwill impairment analysis, the Company operates under one reporting unit. Any impairment would be measured based upon the fair value of the related asset. Under ASC Topic 350, in performing the first step of the goodwill impairment testing and measurement process, the Company compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing the Company's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the test date by the market price of CRA's common stock on that date. The Company has utilized a control premium which considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If the fair value of the Company is less than its net book value, the second step is performed to determine if goodwill is impaired. If the Company determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in the consolidated statement of operations.

Late in the second quarter of fiscal 2012, the Company's stock price experienced a decline. In the third quarter of fiscal 2012, the Company's stock price improved but remained below the price levels experienced in fiscal 2011 and the first five months of fiscal 2012. The Company did not record any impairment losses related to goodwill or intangible assets during the fiscal year to date period ended September 29, 2012 as the stock price decline was not deemed to be more than temporary, there were no other events or circumstances that would more likely than not reduce the Company's fair value below its carrying amount, and Company's management felt that an increase in the stock price was a

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reasonable expectation. However, the depressed stock price levels persisted into the fourth quarter of 2012 and through the date of the Company's annual impairment test date performed in the fourth quarter of fiscal 2012. When the Company performed its annual impairment test, its net book value exceeded its market capitalization plus an estimated control premium. Therefore, the Company was required to perform the second step of the goodwill impairment test. In this step, the Company's fair value is allocated among all of its assets and liabilities, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the Company were being acquired in a business acquisition. If the implied fair value of goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference. During the process of conducting the second step of the annual goodwill impairment test in the fourth quarter of fiscal 2012, the Company identified significant unrecognized intangible assets. The combination of these hypothetical unrecognized intangible assets and other hypothetical unrecognized fair value changes to the carrying values of other assets and liabilities, together with the lower fair value calculated in the first step of the annual impairment test, resulted in a non-cash goodwill impairment charge of $71.4 million in the fourth quarter of fiscal 2012.

The re-measurement of goodwill is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed using Company-specific information. The Company used a combination of the income, cost and market approach techniques to determine the fair value of its assets and liabilities. The fair value adjustment to goodwill was computed as the difference between the Company's fair value and the fair value of underlying assets and liabilities. The unobservable inputs used to determine the fair value of the underlying assets and liabilities were based on Company-specific information such as estimates of revenue and cost growth rates, profit margins, discount rates, and cost estimates.

Intangible Assets

Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their estimated useful lives. Intangible assets consist of non-competition agreements, customer relationships, customer lists, developed technology, and trademarks, all of which are generally amortized on a straight-line basis over their remaining useful lives of four to ten years.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of three years for computer equipment, three to ten years for computer software, and ten years for furniture and fixtures. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the lease term or the estimated useful life of the leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized.

Leases and Deferred Rent

The Company leases all of its office space. Leases are evaluated and classified as operating or capital leases for financial reporting purposes. For leases that contain rent escalations and rent holidays, the Company records the total rent payable during the lease term, as determined above, on a straight-line basis over the term of the lease and records the difference between the rents paid and the straight-line rent as deferred rent. Additionally, any tenant improvement allowances received from the lessor are recorded as a reduction to deferred rent.

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Impairment of Long-Lived Assets

The Company reviews the carrying value of its long-lived assets (primarily property and equipment and intangible assets) to assess the recoverability of these assets whenever events or circumstances indicate that impairment may have occurred. Factors CRA considers 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 CRA's use of the acquired asset or the strategy for CRA's overall business; and
- a significant negative industry or economic trend.

If CRA determines that an impairment review is required, CRA would review the expected future undiscounted cash flows to be generated by the assets or asset groups. If CRA determines that the carrying value of long-lived assets or asset groups may not be recoverable, CRA would measure any impairment based on a projected discounted cash flow method using a discount rate determined by CRA to be commensurate with the risk inherent in CRA's current business model. If impairment is indicated through this review, the carrying amount of the assets would be reduced to their estimated fair value.

Concentration of Credit Risk

The Company's billed and unbilled receivables consist of receivables from a broad range of clients in a variety of industries located throughout the U.S. and in other countries. The Company performs a credit evaluation of its clients to minimize its collectability risk. Periodically, the Company will require advance payment from certain clients. However, the Company does not require collateral or other security. The Company maintains accounts receivable allowances for estimated losses and disputed amounts resulting from clients' failures to make required payments. The Company bases its estimates on historical collection experience, current trends, and credit policy. In determining these estimates, CRA examines historical write-offs of its receivables and reviews client accounts to identify any specific customer collection issues. If the financial condition of any of CRA's customers were to deteriorate, resulting in an impairment of their ability or intent to make payment, additional allowances may be required.

A rollforward of the accounts receivable allowances is as follows (in thousands):

	Fiscal Year 2012	Fiscal Year 2011
Balance at beginning of period	$ 6,548	$ 7,036
Change related to NeuCo		(155)
Additions charged to revenues	6,808	4,628
Amounts written off	(3,897)	(4,961)
Balance at end of period	$ 9,459	$ 6,548

Amounts deemed uncollectible are recorded as a reduction to revenues.

The consolidated statement of cash flows for the fiscal year ended December 31, 2011, the five-week period ended January 1, 2011 and the fiscal year ended November 27, 2010 has been adjusted to properly present the noncash component related to the Company's change in accounts

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

receivable. These amounts were previously presented on a net basis. This revision is not material to the Company's consolidated financial statements taken as a whole.

Share-Based Compensation

CRA accounts for equity-based compensation using a fair value based recognition method. Under the fair value recognition requirements of ASC Topic 718, "Compensation-Stock Compensation" ("ASC Topic 718"), 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. The amount of share-based compensation expense recognized at any date must at least equal the portion of grant date value of the award that is vested at that date.

For share-based awards granted to non-employee experts, CRA accounts for the compensation under variable accounting in accordance with ASC Topic 718 and ASC Topic 505-50, "Equity-Based Payments to Non-Employees" (formerly Emerging Issues Task Force 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services"), and recognizes the cost over the related vesting period. For performance-vesting restricted stock units awarded to employees, CRA accounts for the compensation under variable accounting in accordance with ASC Topic 718, and recognizes the cost over the related vesting period.

Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. 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. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. The Company records liabilities for estimated tax obligations resulting in a provision for taxes that may become payable in the future, in accordance with ASC Topic 740-10, "Income Taxes," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. CRA includes accrued interest and penalties, if any, related to uncertain tax positions in income tax expense.

Foreign Currency Translation

Balance sheet accounts of the Company's foreign subsidiaries are translated into U.S. dollars at year-end exchange rates and operating accounts are translated at average exchange rates for each year. The resulting translation adjustments are recorded in shareholders' equity as a component of accumulated other comprehensive income (loss). Foreign currency transactions are translated at current exchanges rates, with adjustments recorded in the statement of operations. The effect of transaction gains and losses recorded in income (loss) amounted to a loss of $0.2 million for fiscal 2012, a loss of $0.4 million for fiscal 2011, a gain of $47,000 during the five-week transition period ended January 1, 2011, and a loss of $0.5 million for fiscal 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recent Accounting Standards

Intangibles

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02") to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. Under former guidance, an organization was required to test an indefinite-lived intangible asset for impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference. ASU 2012-02 allows an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. The Company believes the adoption of ASU 2012-02 will have no impact on its financial position, results of operations, cash flows, or disclosures.

Goodwill

In September 2011, the FASB issued ASU No. 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. The Company's adoption of ASU 2011-08 in the first quarter of fiscal 2012 had no impact on its financial position, results of operations, cash flows, or disclosures.

In December 2010, the FASB issued ASU No. 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 in fiscal 2011 had no effect on the Company's financial position, results of operations, cash flows, or disclosures.

Comprehensive Income

In June 2011, the FASB issued ASU No. 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. ASU 2011-05 is effective

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for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. The Company adopted ASU 2011-05 in the first quarter of fiscal 2012 and elected to present other comprehensive income in two consecutive financial statements. The Company's adoption of ASU 2011-05 had no impact on its financial position, results of operations, or cash flows.

Fair Value Measurements

In May 2011, the FASB issued ASU No. 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 was effective for the first interim or annual reporting period beginning on or after December 15, 2011. The Company's adoption of ASU 2011-04 in the first quarter of fiscal 2012 had no impact on its financial position, results of operations, cash flows, or disclosures.

Business Combinations

In December 2010, the FASB issued ASU No. 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 in fiscal 2011 had no effect on the Company's financial position, results of operations, cash flows, or disclosures.

2. Prepaids and Other Assets

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

	December 29, 2012	December 31, 2011
Forgivable loans and term loans to employees and non-employee experts	$ 11,875	$ 1,343
Income taxes receivable	4,104	93
Subscriptions and licenses	1,395	1,170
Prepaid insurance	1,330	1,515
Prepaid rent and deposits	968	1,191
Other	3,329	2,912
Total	$ 23,001	$ 8,224

In order to attract and retain highly skilled professionals, the Company may issue forgivable loans or term loans to employees and non-employee experts. A portion of the term loans are collateralized. The forgivable loans are unsecured with terms between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by the Company over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with the Company and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. During fiscal 2012 and fiscal 2011, the Company issued approximately $20.7 million and $5.5 million, respectively, in forgivable loans and term loans to employees and non-employee experts for future service. These loans are classified in "prepaid and other assets" and "other assets" on the accompanying balance sheet as of December 29, 2012 and December 31, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for fiscal 2012 and fiscal 2011 are as follows (in thousands):

Balance at January 1, 2011	$ 140,681
Goodwill adjustments related to acquisitions	85
Effect of foreign currency translation and other adjustments	(112)
Balance at December 31, 2011	$ 140,654
Goodwill impairment	(71,394)
Goodwill adjustments related to sale of practice	(29)
Effect of foreign currency translation and other adjustments	1,534
Balance at December 29, 2012	$ 70,765

When the Company performed its annual impairment test in the fourth quarter of fiscal 2012, its net book value exceeded its market capitalization plus an estimated control premium. Therefore, the Company was required to perform the second step of the goodwill impairment test, which resulted in a goodwill impairment charge of $71.4 million. The Company recorded this non-cash goodwill impairment charge in the fourth quarter of fiscal 2012.

There were no impairment losses related to goodwill or intangible assets during fiscal 2011. During the five weeks ended January 1, 2011, in connection with the sale of its Asia-Pacific based Energy practice, the Company recorded a charge of approximately $39,000 related to the write-off of goodwill. In fiscal 2010, in connection with the sale of select practice areas, the Company recorded charges of $0.3 million in the aggregate related to the write-off of goodwill.

Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their expected useful lives.

The components of acquired identifiable intangible assets are as follows (in thousands):

	December 29, 2012	December 31, 2011
Non-competition agreements, net of accumulated amortization of $3,311, and $2,804, respectively	$ 1,047	$ 1,475
Customer relationships, net of accumulated amortization of $2,840 and $2,529, respectively	691	948
Other intangible assets, net of accumulated amortization of $971, and $1,473, respectively	96	49
	$ 1,834	$ 2,472

Amortization of intangible assets was $0.8 million, $0.9 million, $0.1 million, and $1.0 million in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

respectively. Amortization of intangible assets held at December 29, 2012 for the next five fiscal years is expected to be as follows (in thousands):

Fiscal Year	Amortization Expense
2013	$ 767
2014	616
2015	278
2016	92
2017	49
	$ 1,802

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 29, 2012	December 31, 2011
Computer, office equipment and software	$ 24,867	$ 25,478
Leasehold improvements	20,622	25,569
Furniture	7,886	9,169
	53,375	60,216
Accumulated depreciation and amortization	(35,395)	(38,605)
	$ 17,980	$ 21,611

Depreciation expense, including amounts recorded in costs of services, was $5.0 million, $4.1 million, $0.4 million, and $5.2 million in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively.

5. Other Assets

Other Assets consist of the following (in thousands):

	December 29, 2012	December 31, 2011
Forgivable loans and term loans to employees and non-employee experts	$ 17,364	$ 12,612
Other	4,307	4,729
Total	$ 21,671	$ 17,341

In order to attract and retain highly skilled professionals, the Company may issue forgivable loans or term loans to employees and non-employee experts. A portion of the term loans are collateralized. The forgivable loans are unsecured with terms between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by the Company over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with the Company and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. These loans are classified in "prepaid and other assets" and "other assets" on the accompanying balance sheet as of December 29, 2012 and December 31, 2011.

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6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 29, 2012	December 31, 2011
Compensation and related expenses	$ 40,329	$ 53,438
Income taxes payable	626	2,602
Other	4,350	4,462
	$ 45,305	$ 60,502

As of December 29, 2012 and December 31, 2011, approximately $28 million and $39 million of accrued bonuses for fiscal 2012 and fiscal 2011, respectively, were included above in "Compensation and related expenses".

7. Private Placement of Convertible Debt and Other Financing

Private Placement of Convertible Debt. In 2004, CRA completed a private placement of $90.0 million of 2.875% convertible senior subordinated debentures due in 2034. 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.

The carrying amount of the common stock component of the convertible debentures was $7.7 million as of each of December 29, 2012 and December 31, 2011 and is included in common stock.

Through June 15, 2011, the effective interest rate of the debentures for fiscal 2011 was 5.7%. The effective interest rates of the debentures for the five-week transition period ended January 1, 2011 and fiscal 2010 were 5.7% and 5.6% respectively.

For fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, the contractual interest, amortization of prepaid debt issuance costs, and amortization of the discount included in interest expense was $0.6 million, $0.1 million, and $2.9 million, respectively.

Borrowings under the Revolving Line of Credit. The Company has a $60.0 million revolving line of credit with RBS Citizens, N.A with a maturity date of April 30, 2014. The revolving line of credit 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 $0.6 million as of December 29, 2012. There were no amounts outstanding under this revolving line of credit as of December 29, 2012 or December 31, 2011.

Under the senior loan agreement with RBS Citizens that governs the line of credit, the Company must comply with various financial and non-financial covenants. As of December 29, 2012, the Company was in compliance with its agreement with the bank. Borrowings under the credit facility bear interest at LIBOR plus an applicable margin. Applicable margins range from 1.75% to 2.75%, depending on the ratio of the Company's 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. 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 CRA's U.S. subsidiaries and 65% of the stock of CRA's foreign subsidiaries, which represents approximately $9.8 million in net assets as of December 29, 2012.

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8. Employee Benefit Plans

The Company maintains qualified defined-contribution plans under Section 401(k) of the Internal Revenue Code, covering substantially all U.S. employees who meet specified age and service requirements. Company contributions are made at the discretion of the Company, and cannot exceed the maximum amount deductible under applicable provisions of the Internal Revenue Code. Company contributions under these plans amounted to approximately $1.8 million, $2.7 million, $0.2 million, and $2.2 million, for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively.

9. Leases

At December 29, 2012, the Company had the following minimum rental commitments for office space and equipment leases, all of which are under non-cancelable operating leases (in thousands):

Fiscal Year	Rental Commitments
2013	$ 14,187
2014	13,389
2015	8,248
2016	2,843
2017	1,320
Thereafter	818
	$ 40,805
Future minimum rentals under sublease arrangements	(5,847)
	$ 34,958

Certain office leases contain renewal options that the Company may exercise at its discretion, which were not included in the amounts above. Rent expense was approximately $12.4 million in fiscal 2012, $13.6 million in fiscal 2011, $1.3 million for the five-week transition period ended January 1, 2011, and $15.7 million in fiscal 2010. Included in rent expense were $0.9 million, $1.0 million, and $2.1 million in restructuring charges in fiscal 2012, fiscal 2011, and fiscal 2010, respectively.

The Company is party to standby letters of credit with its bank in support of the minimum future lease payments under leases for office space amounting to $0.4 million as of December 29, 2012.

10. Net Income (Loss) Per Share

Basic net income (loss) per share represents net income (loss) divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents, if applicable, outstanding during the period. Common stock equivalents arise from stock options and unvested shares of restricted stock, using the treasury stock method. Under the treasury stock method, the amount the Company would receive on the exercise of stock options and the vesting of shares of restricted stock, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in common stock when these stock options and shares of restricted stock become deductible are assumed to be used to repurchase shares at the average share price over the applicable fiscal period, and these repurchased shares are netted against the shares underlying these stock options and these unvested shares of restricted stock. A

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Fiscal Year 2012	Fiscal Year 2011	Transition Period	Fiscal Year 2010
Basic weighted average shares outstanding	10,167	10,555	10,567	10,643
Common stock equivalents:				
Stock options and restricted stock		184		130
Diluted weighted average shares outstanding	10,167	10,739	10,567	10,773

For fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, certain share-based awards, which amounted to 1,947,992, 1,045,351, 1,244,708 and 1,047,146 shares, respectively, were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding because they were anti-dilutive. These share-based awards were anti-dilutive because their exercise price exceeded the average market price over the applicable period. Additionally, approximately 140,000 and 174,000 common stock equivalents were excluded from diluted weighted average shares outstanding for fiscal 2012 and the five-week transition period ended January 1, 2011, respectively, because they were anti-dilutive as the Company had a net loss for those periods.

11. Common Stock

Share-Based Compensation. Approximately $4.9 million, $5.7 million, $0.8 million, and $6.4 million of share-based compensation expense were recorded in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively, as an increase to common stock for share-based payment awards made to the Company's employees and directors, based on the estimated grant date fair values of stock options and shares of restricted stock vesting during the period.

CRA also recorded $79,000, $34,000, $11,000, and $0.1 million for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively, in shared-based compensation expense for grants to non-employee experts.

Restricted Share Vesting. In fiscal 2012, fiscal 2011, and fiscal 2010, 216,528, 164,086, and 137,622 shares of restricted stock vested, respectively. CRA redeemed 69,207, 50,724, and 43,484 of these shares from their holders in order to pay $1.4 million, $1.1 million, and $1.1 million, respectively, of employee tax withholdings. There were no shares of restricted stock that vested during the five-week transition period ended January 1, 2011.

Common Stock Repurchases and Retirements. On July 6, 2010, the Company announced that its Board of Directors approved a share repurchase program of up to $5 million of the Company's common stock. On August 30, 2011, February 22, 2012 and August 10, 2012, the Board of Directors authorized the repurchase of up to an additional $7.5 million, $4.45 million, and $5.0 million, respectively, of the Company's common stock under this program. During fiscal 2012, the Company repurchased and retired 466,109 shares of its common stock under this program at an aggregate price of approximately $9.1 million, resulting in approximately $3.6 million available for future repurchases as of December 29, 2012. During fiscal 2011, the Company repurchased and retired 398,372 shares of its common stock under this program at an aggregate price of approximately $9.1 million.

In addition, during fiscal 2010, the Company repurchased 10,319 shares of its common stock from non-employee experts and employees based on contractual rights of first purchase contained in their stock purchase agreements with the Company. During fiscal 2012, fiscal 2011, and the transition period,

CRA INTERNATIONAL, INC.

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the Company did not repurchase any shares of its common stock from non-employee experts and employees based on contractual rights of first purchase contained in their stock purchase agreement with the Company.

The Company records the retirement of its repurchased common stock as a reduction to common stock.

Exercise of Stock Options. During fiscal 2012, 47,185 options were exercised for $0.6 million of proceeds. During fiscal 2011, 47,009 options were exercised for $0.6 million of proceeds. There were no stock options exercised during the five-week transition period ended January 1, 2011. During fiscal 2010, 68,435 options were exercised for $1.0 million of proceeds.

Tax Deficit on Stock Option Exercises and Restricted Share Vesting. The Company recorded tax deficits on stock options exercises and vesting of shares of restricted stock as a decrease to common stock in fiscal 2012, fiscal 2011, the five week transition period ended January 1, 2011, and fiscal 2010 totaling $0.6 million, $0.6 million, $0.8 million and $1.1 million, respectively.

Convertible Debenture Extinguishment. The Company recorded $41,000 as an increase to common stock in fiscal 2010 related to the repurchase of convertible debentures. There were no amounts recorded to common stock in fiscal 2012, fiscal 2011 and the five-week transition period ended January 1, 2011 related to the repurchase of convertible debentures.

12. Share-Based Compensation

CRA recorded $4.9 million, $5.7 million, $0.8 million, and $6.5 million of compensation expense for fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively, for share-based awards consisting of stock options, shares of restricted stock and time-vesting restricted stock units issued to employees and directors based on their respective estimated grant date fair values. Compensation expense also includes performance-vesting restricted stock units issued to employees that are accounted for under variable accounting in accordance with ASC Topic 718.

Compensation expense, net of tax, was $3.0 million, $3.5 million, $0.5 million, and $3.9 million in fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively, for share-based awards made to the Company's employees and directors consisting of stock options, shares of restricted stock, and time-vesting restricted stock units issued to employees and directors based on their respective estimated grant date fair values and for performance-vesting restricted stock units issued to employees that are accounted for under variable accounting. In addition, the Company recorded $79,000, $34,000, $11,000, and $0.1 million of share-based compensation expense, net of tax, during fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010, respectively, for share-based awards consisting of stock options and shares of restricted stock issued to non-employees (other than directors).

The weighted average fair market value using the Black-Scholes option-pricing model of the stock options granted in fiscal 2011 and fiscal 2010 was $10.01 and $9.21, respectively. There were no stock options granted during fiscal 2012 or the transition period. The fair market value of the stock options

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at the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	1.0%	1.2%
Expected volatility	54%	51%
Weighted average expected life (in years)	5.00	5.00
Expected dividends		

The risk-free interest rate is based on U.S. Treasury interest rates whose term is consistent with the expected life of the stock options. Expected volatility and expected life are based on the Company's historical experience. Expected dividend yield was not considered in the option-pricing formula because CRA does not pay dividends and has no current plans to do so in the future. The forfeiture rate used was based upon historical experience. CRA may adjust the estimated forfeiture rate based upon actual experience.

CRA maintains share-based compensation plans that use restricted stock, stock options, restricted stock units, as well as an employee stock purchase plan, to provide incentives to its directors, employees and independent contractors.

CRA's Amended and Restated 2006 Equity Incentive Plan, as amended (the "2006 Incentive Plan"), authorizes the grant of a variety of incentive and performance awards to the Company's directors, employees and independent contractors, including incentive stock options, nonqualified stock options, restricted stock awards, restricted stock unit awards, performance awards and other share-based awards. Each share of the Company's common stock issued pursuant to an award (other than a stock option) granted under the 2006 Incentive Plan on or after April 30, 2010 counts as 1.83 shares against the maximum number of shares issuable under the plan, as does any restricted stock unit or other performance award granted under the plan on or after April 30, 2010 to the extent that shares of the Company's common stock were or will be used for measurement purposes. This "fungibility ratio" with respect to shares of the Company's common stock issued pursuant to awards (other than stock options) granted under the plan, as well as restricted stock unit and other performance awards granted under the plan to the extent that shares of the Company's common stock are used for measurement purposes, was 2.2 for grants made on or after March 12, 2008 and before April 30, 2010 and 1.8 for grants made before March 12, 2008. The maximum number of shares issuable under the 2006 Incentive Plan is 4,874,000, consisting of (1) 500,000 shares initially reserved for issuance under the 2006 Incentive Plan, (2) 1,000,000 shares that either remained for future awards under our 1998 Incentive and Nonqualified Stock Option Plan (the "1998 Plan") on April 21, 2006, the date the Company's shareholders initially approved the 2006 Incentive Plan, or were subject to stock options issued under the 1998 Plan that were forfeited or terminated after April 21, 2006, (3) 210,000 shares approved by the Company's shareholders in 2008, (4) 1,464,000 shares approved by the Company's shareholders in 2010, and (5) the 1,700,000 shares that the Company has determined to use of the 2,500,000 shares approved by the Company's shareholders in 2012.

During fiscal 2009, the Company implemented a long-term incentive program ("LTIP") for certain key employees. Under this program, participants may receive a mixture of stock options, restricted stock units, and performance-vesting restricted stock units. The program is designed to reward key employees and provide participants the opportunity to share in the long-term growth of the Company. During fiscal 2011, fiscal 2010 and fiscal 2009, the Company granted options, restricted stock units, and performance-vesting restricted stock units under this program. There were no awards were granted under this program during fiscal 2012. The awards were granted under the 2006 Incentive Plan and are included in the discussion below.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a rollforward of the maximum number of shares issuable under the 2006 Incentive Plan as of December 29, 2012:

	Actual Shares	Shares Using Fungibility Ratio
Maximum shares of common stock issuable under the 2006 Incentive Plan		4,874,000
Restricted shares or units granted/reserved through March 12, 2008	467,644	(841,634)
Restricted shares or units granted/reserved from March 12, 2008 to April 29, 2010	343,521	(755,746)
Restricted shares or units granted/reserved on or after April 30, 2010	626,877	(1,147,184)
Cancellation of restricted shares or units through March 12, 2008	91,277	164,299
Cancellation of restricted shares or units from March 12, 2008 to April 29, 2010	19,126	42,077
Cancellation of restricted shares or units on or after April 30, 2010	23,434	42,884
Options granted		(653,655)
Options cancelled		153,389
Options forfeited		10,000
Shares available for grant under the 2006 Incentive Plan		1,888,430

Under the 1998 Plan, 3,839,216 options to purchase shares have been granted. With the adoption of the 2006 Incentive Plan, no new options will be granted under the 1998 Plan. Under the terms of the 1998 Plan, options have been granted at an exercise price equal to the fair market value of the shares of common stock at the date of grant. Vesting terms were determined at the discretion of the Board of Directors and generally range from immediate vesting to vesting at various rates up to five years. In general, stock options terminate 10 years after the date of grant.

In addition, under the Company's 2004 Nonqualified Inducement Stock Option Plan, options to purchase 359,420 shares have been granted. With the adoption of the 2006 Incentive Plan, no new stock options will be granted under the 2004 Nonqualified Inducement Stock Option Plan.

During fiscal 2009, the Company adopted the 2009 Nonqualified Inducement Stock Option Plan. There are a maximum of 250,000 shares available for issuance pursuant to stock option grants under the 2009 Nonqualified Inducement Stock Option Plan. During fiscal 2009, stock options to purchase 200,000 shares were granted. Each stock option vests over four years, has a term of seven years, and an exercise price equal to $50.00 per share. There are an additional 50,000 stock options available for grant under this plan.

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A summary of option activity from all plans is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2011	1,315,467	$ 31.82		
Fiscal 2012:				
Granted				
Exercised	(47,185)	13.71		
Forfeited	(98,804)	34.39		
Outstanding at December 29, 2012	1,169,478	32.33	3.23	$ 45
Options exercisable at December 29, 2012	867,902	$ 34.70	2.57	$ 45

The aggregate intrinsic value of stock options exercised in fiscal 2012, fiscal 2011, and fiscal 2010 was approximately $0.4 million, $0.6 million, and $0.5 million, respectively. There were no stock options exercised during the five-week transition period ended January 1, 2011. The following table summarizes stock options outstanding and stock options exercisable as of December 29, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 29, 2012	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at December 29, 2012	Weighted-Average Exercise Price
$10.86 - 20.75	17,122	1.19	$ 16.60	15,255	$ 16.09
$20.76 - 21.91	366,207	5.40	$ 21.68	135,084	$ 21.60
$21.92 - 22.81	79,360	0.44	$ 22.81	79,360	$ 22.81
$22.82 - 29.07	122,326	3.55	$ 25.00	91,240	$ 25.22
$29.08 - 32.09	53,502	1.34	$ 32.00	53,502	$ 32.00
$32.10 - 32.26	154,147	1.36	$ 32.26	154,147	$ 32.26
$32.27 - 48.85	83,250	2.24	$ 38.80	83,250	$ 38.80
$48.86 - 50.00	150,000	3.51	$ 50.00	112,500	$ 50.00
$50.01 - 53.72	143,564	2.19	$ 50.87	143,564	$ 50.87
Total	1,169,478	3.23	$ 32.33	867,902	$ 34.70

The following table summarizes the status of CRA's non-vested stock options since December 31, 2011:

	Non-vested Options	
	Number of Shares	Weighted-Average Fair Value
Non-vested at December 31, 2011	499,865	$ 8.92
Granted		
Vested	(163,306)	8.90
Forfeited	(34,983)	9.27
Non-vested at December 29, 2012	301,576	$ 8.89

The total fair value of stock options that vested during fiscal 2012, fiscal 2011, the five-week transition period ended January 1, 2011, and fiscal 2010 was $1.5 million, $1.1 million, $2,250, and $0.9 million, respectively. As of December 29, 2012, there was $2.5 million of total unrecognized

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

compensation cost, net of expected forfeitures, related to non-vested stock options granted. That cost is expected to be recognized over a weighted-average period of 2.3 years.

CRA grants restricted stock and time-vesting restricted stock unit awards, which are subject to the execution of a restricted stock agreement or restricted stock unit agreement, as applicable. Generally, shares of restricted stock and time-vesting restricted stock units vest in four equal annual installments beginning on the first anniversary of the date of grant. Total unrecognized compensation cost, net of expected forfeitures, related to restricted stock and time-vesting restricted stock unit awards as of December 29, 2012 was $4.5 million, which is expected to be recognized over a weighted-average period of 2.3 years.

The following table summarizes the status of CRA's non-vested restricted stock and time-vesting restricted stock unit awards since December 31, 2011:

	Non-vested Restricted Stock and Stock Units	
	Number of Shares	Weighted-Average Fair Value
Non-vested at December 31, 2011	383,085	$ 24.23
Granted	154,887	20.89
Vested	(216,528)	25.81
Forfeited	(22,311)	21.82
Non-vested at December 29, 2012	299,133	$ 22.49

As of December 29, 2012, there were 159,423 vested shares outstanding that include a right of first refusal provision in favor of the Company. As of December 29, 2012, there were 181,740 stock options exercisable that include this right of first refusal provision.

Performance share awards are valued based on the fair value of CRA's stock 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. As of December 29, 2012, up to approximately 160,000 shares will become issuable under performance share awards upon achievement of certain financial performance goals, including revenue and profits, for a measurement period falling within the first quarter of fiscal 2012 through the fourth quarter of fiscal 2013. Additionally, up to approximately 132,000 shares will become issuable under performance share awards upon achievement of certain financial performance goals, including revenue and profits, for a measurement period falling within the fourth quarter of fiscal 2009 through the third quarter of fiscal 2013.

The Company adopted its 1998 Employee Stock Purchase Plan. The Stock Purchase Plan authorizes the issuance of up to an aggregate of 243,000 shares of common stock to participating employees at a purchase price equal to 85% of fair market value on either the first or the last day of the one-year offering period under the Stock Purchase Plan. In fiscal 2012, fiscal 2011, the five-week period ended January 1, 2011, and fiscal 2010, there were no offering periods under the Stock Purchase Plan and no shares were issued.

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13. Business Segment and Geographic Information

CRA operates in one business segment, which is consulting services. Revenue and long-lived assets by country, based on the physical location of the operation to which the revenues or the assets relate, are as follows (in thousands):

	Fiscal Year 2012 (52 weeks)	Fiscal Year 2011 (52 weeks)	Transition Period January 1, 2011 (5 weeks)	Fiscal Year 2010 (52 weeks)
Revenue:				
United States	$ 207,779	$ 224,661	$ 17,030	$ 211,390
United Kingdom	51,059	58,426	3,504	54,496
Other	11,552	22,141	1,716	21,538
Total foreign	62,611	80,567	5,220	76,034
	$ 270,390	$ 305,228	$ 22,250	$ 287,424

	December 29, 2012	December 31, 2011
Long-lived assets (property and equipment, net):		
United States	$ 15,442	$