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

FORM 10-Q

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

For the quarterly period ended September 27, 2014

or

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

Commission file number: 000-24049

CRA International, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Class	Outstanding at October 23, 2014
Common Stock, no par value per share	9,529,418 shares

CRA International, Inc.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CRA International, Inc.

Condensed Consolidated Income Statements (unaudited)

(In thousands, except per share data)

	Quarter Ended		Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenues	$73,483	$74,427	$227,912	$202,760
Costs of services	49,417	50,577	153,952	137,634
Gross profit	24,066	23,850	73,960	65,126
Selling, general and administrative expenses	16,674	16,096	51,297	47,276
Depreciation and amortization	1,597	1,640	4,746	4,792
Income from operations	5,795	6,114	17,917	13,058
Interest income	29	39	107	121
Interest expense	(162)	(183)	(453)	(425)
Other expense, net	(87)	(18)	(278)	(57)
Income before provision for income taxes	5,575	5,952	17,293	12,697
Provision for income taxes	(2,386)	(2,619)	(7,629)	(5,178)
Net income	3,189	3,333	9,664	7,519
Net (income) loss attributable to noncontrolling interest, net of tax	35	(63)	158	129
Net income attributable to CRA International, Inc.	$ 3,224	$ 3,270	$ 9,822	$ 7,648
Net income per share attributable to CRA International, Inc.:				
Basic	$ 0.33	$ 0.32	$ 0.99	$ 0.76
Diluted	$ 0.33	$ 0.32	$ 0.98	$ 0.75
Weighted average number of shares outstanding:				
Basic	9,729	10,093	9,892	10,088
Diluted	9,919	10,192	10,018	10,180

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Comprehensive Income Statements (unaudited)

(In thousands)

	Quarter Ended		Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income	$ 3,189	$3,333	$ 9,664	$7,519
Other comprehensive income:				
Foreign currency translation adjustments	(2,116)	1,605	(1,247)	276
Comprehensive income	1,073	4,938	8,417	7,795
Less: comprehensive (income) loss attributable to noncontrolling interest	35	(63)	158	129
Comprehensive income attributable to CRA International, Inc.	$ 1,108	$4,875	$ 8,575	$7,924

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Balance Sheets (unaudited)

(In thousands, except share data)

	September 27, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 44,684	$ 51,251
Accounts receivable, net of allowances of $4,777 at September 27, 2014 and $7,210 at December 28, 2013	52,139	57,856
Unbilled services	28,559	24,275
Prepaid expenses and other current assets	14,096	11,775
Deferred income taxes	17,559	17,806
Total current assets	157,037	162,963
Property and equipment, net	15,180	15,655
Goodwill	83,125	81,573
Intangible assets, net of accumulated amortization of $9,406 at September 27, 2014 and $8,392 at December 28, 2013	4,886	4,537
Deferred income taxes, net of current portion	147	955
Other assets	47,257	54,621
Total assets	$307,632	$320,304
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 11,793	$ 13,766
Accrued expenses	56,545	65,657
Deferred revenue and other liabilities	4,823	6,098
Deferred income taxes	82	—
Current portion of deferred rent	1,997	2,322
Current portion of deferred compensation	167	117
Total current liabilities	75,407	87,960
Notes payable	981	1,007
Deferred rent and facility-related non-current liabilities	2,246	3,669
Deferred compensation and other non-current liabilities	2,647	1,446
Deferred income taxes, net of current portion	1,840	1,585
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; 9,580,508 shares and 10,048,611 shares issued and outstanding at September 27, 2014 and December 28, 2013, respectively	84,694	93,242
Retained earnings	143,802	133,980
Accumulated other comprehensive loss	(4,671)	(3,424)
Total CRA International, Inc. shareholders' equity	223,825	223,798
Noncontrolling interest	686	839
Total shareholders' equity	224,511	224,637
Total liabilities and shareholders' equity	$307,632	$320,304

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013
Operating activities:		
Net income	$ 9,664	$ 7,519
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of effect of acquired businesses:		
Depreciation and amortization	4,748	4,853
Loss on disposal of property and equipment	9	—
Deferred rent	(1,739)	(1,594)
Deferred income taxes	967	357
Share-based compensation expense	4,123	2,153
Excess tax benefits from share-based compensation	—	(5)
Accounts receivable allowances	(2,655)	(328)
Changes in operating assets and liabilities:		
Accounts receivable	8,515	(1,210)
Unbilled services	(4,037)	(8,710)
Prepaid expenses and other assets	(302)	(18,336)
Accounts payable, accrued expenses, and other liabilities	(8,541)	(1,840)
Net cash provided by (used in) operating activities	10,752	(17,141)
Investing activities:		
Consideration relating to acquisitions, net	(1,537)	(15,591)
Purchase of property and equipment	(3,175)	(2,497)
Collections on notes receivable	114	14
Net cash used in investing activities	(4,598)	(18,074)
Financing activities:		
Issuance of common stock, principally stock option exercises	—	207
Borrowings under line of credit	—	17,320
Repayments under line of credit	—	(17,320)
Payments on notes payable	(26)	(700)
Payments of debt issuance costs	—	(1,039)
Tax withholding payment reimbursed by restricted shares	(159)	(227)
Excess tax benefits from share-based compensation	—	5
Repurchase of common stock	(11,927)	(631)
Net cash used in financing activities	(12,112)	(2,385)
Effect of foreign exchange rates on cash and cash equivalents	(609)	51
Net decrease in cash and cash equivalents	(6,567)	(37,549)
Cash and cash equivalents at beginning of period	51,251	55,451
Cash and cash equivalents at end of period	$ 44,684	$ 17,902
Noncash investing and financing activities:		
Issuance of common stock for acquired business	$ 427	$ —
Supplemental cash flow information:		
Cash paid for income taxes	$ 12,608	$ 1,337
Cash paid for interest	$ 287	$ 222

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Condensed Consolidated Statement of Shareholders' Equity (unaudited)

(In thousands, except share data)

	Common Stock				CRA International, Inc.		
	Shares Issued	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	CRA International, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
BALANCE AT DECEMBER 28, 2013	10,048,611	$ 93,242	$133,980	$(3,424)	$223,798	$ 839	$224,637
Net income (loss)	—	—	9,822	—	9,822	(158)	9,664
Foreign currency translation adjustment	—	—	—	(1,247)	(1,247)	—	(1,247)
Issuance of common stock	22,520	427	—	—	427	—	427
Share-based compensation expense for employees	—	3,958	—	—	3,958	—	3,958
Share-based compensation expense for non-employees	—	165	—	—	165	—	165
Restricted share vesting	48,128	—	—	—	—	—	—
Redemption of vested employee restricted shares for tax withholding	(7,057)	(159)	—	—	(159)	—	(159)
Tax deficit on stock options and restricted shares vesting	—	(239)	—	—	(239)	—	(239)
Shares repurchased	(531,694)	(12,700)	—	—	(12,700)	—	(12,700)
Equity transactions of noncontrolling interest	—	—	—	—	—	5	5
BALANCE AT SEPTEMBER 27, 2014	9,580,508	$ 84,694	$143,802	$(4,671)	$223,825	$ 686	$224,511

See accompanying notes to the condensed consolidated financial statements.

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

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

2. Unaudited Interim Condensed Consolidated Financial Statements and Estimates

The following financial statements included in this report are unaudited: the condensed consolidated income statements for the fiscal quarters and year-to-date periods ended September 27, 2014 and September 28, 2013, the condensed consolidated comprehensive income statements for the fiscal quarters and year-to-date periods ended September 27, 2014 and September 28, 2013, the condensed consolidated balance sheet as of September 27, 2014, the condensed consolidated statements of cash flows for the fiscal year-to-date periods ended September 27, 2014 and September 28, 2013, and the condensed consolidated statement of shareholders' equity for the fiscal year-to-date period ended September 27, 2014. In the opinion of management, these statements include all adjustments necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows. The condensed consolidated balance sheet as of December 28, 2013 included in this report was derived from audited consolidated financial statements included in the Company's annual report on Form 10-K that was filed on March 13, 2014.

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

The condensed consolidated statement of cash flows for the fiscal year-to-date period ended September 28, 2013 has been adjusted to properly present payments of debt issuance costs, which were previously presented in cash used in operating activities and have been reclassified to cash used in financing activities. This revision is not material to CRA's consolidated financial statements taken as a whole.

3. Principles of Consolidation

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

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

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

4. Recent Accounting Standards

Accounting for Share-Based Payments

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2014-12"). ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. There are no new disclosures required under ASU 2014-12. ASU 2014-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. CRA believes that the adoption of ASU 2014-12 will not have a material impact on its financial position, results of operations, cash flows, or disclosures.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The main provision of ASU 2014-09 is to recognize revenue when control of the goods or services transfers to the customer, as opposed to the existing guidance of recognizing revenue when the risks and rewards transfer to the customer. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. CRA has not yet determined the effects, if any, that the adoption of ASU 2014-09 may have on its financial position, results of operations, cash flows, or disclosures.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11") to clarify the presentation of current and deferred income taxes on the balance sheet.

4. Recent Accounting Standards (Continued)

Under ASU 2013-11, companies generally must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, for a net operating loss carryforward, similar tax loss, or tax credit carryforward using the "net presentation" approach as a reduction of a deferred tax asset, with some allowed exceptions. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. CRA's adoption of ASU 2013-11 in the first quarter of fiscal 2014 had no impact on its financial position, results of operations, cash flows, or disclosures.

Cumulative Translation Adjustment

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. ASU 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively. CRA's adoption of ASU 2013-05 in the first quarter of fiscal 2014 had no impact on its financial position, results of operations, cash flows, or disclosures.

5. Cash and Cash Equivalents

Cash equivalents consist principally of money market funds and commercial paper, with maturities of three months or less when purchased. As of September 27, 2014, a substantial portion of the Company's cash accounts was concentrated at a single financial institution, which potentially exposes the Company to credit risks. The financial institution has a short-term credit rating of A-2 by Standard & Poor's ratings services. The Company has not experienced any losses related to such accounts, and the Company does not believe that there is significant risk of non-performance by the financial institution. The Company's cash on deposit at this financial institution is fully liquid, and the Company continually monitors the credit ratings of this financial institution.

6. Fair Value Measurements

Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures,* establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement), then the lowest priority to unobservable inputs (Level 3 measurement).

6. Fair Value Measurements (Continued)

The following table shows CRA's assets as of September 27, 2014 and December 28, 2013 that are measured and recorded in the financial statements at fair value on a recurring basis (in thousands):

	September 27, 2014		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3
Money market funds	$20,037	$ —	$—
Commercial paper	—	4,999	—

	December 28, 2013		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3
Money market funds	$21,034	$ —	$—
Commercial paper	—	9,000	—

The fair values of the Company's money market funds are based on quotes received from third-party banks. The fair value of commercial paper is based on broker quotes that utilize observable market inputs. The carrying amounts of the Company's instruments classified as cash equivalents are stated at amortized cost, which approximates fair value because of their short-term maturity.

7. Prepaid Expenses and Other Current Assets, and Other Assets

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

	September 27, 2014	December 28, 2013
Term loans to employees	$ 1,664	$ 1,764
Other	12,432	10,011
Total	$14,096	$11,775

Other assets consist of the following (in thousands):

	September 27, 2014	December 28, 2013
Forgivable loans to employees and non-employee experts	$44,624	$51,083
Other	2,633	3,538
Total	$47,257	$54,621

In order to attract and retain highly skilled professionals, CRA may issue forgivable loans or term loans to employees and non-employee experts which are classified in "prepaid expenses and other current assets" and "other assets" within the accompanying balance sheets as of September 27, 2014 and December 28, 2013. A portion of the term loans are collateralized. The forgivable loans have terms that are generally between three and eight years. The principal amount of forgivable loans and accrued

7. Prepaid Expenses and Other Current Assets, and Other Assets (Continued)

interest is forgiven by CRA over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with CRA and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. During the fiscal year-to-date period ended September 27, 2014, CRA issued approximately $10.2 million in forgivable loans to employees and non-employee experts for future service.

8. Goodwill

In accordance 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 CRA's goodwill impairment analysis, CRA operates under one reporting unit. Under ASC Topic 350, in performing the first step of the goodwill impairment testing and measurement process, CRA compares its entity-wide estimated fair value to its net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing CRA'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. CRA has utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If the fair value of CRA is less than its net book value, the second step is performed to determine if goodwill is impaired. If CRA determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in its consolidated income statements.

There were no impairment losses related to goodwill during each of the fiscal year-to-date periods ended September 27, 2014 and September 28, 2013, respectively, as there were no events or circumstances that would more likely than not reduce CRA's fair value below its carrying amount.

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

8. Goodwill (Continued)

The changes in the carrying amount of goodwill during the fiscal year-to-date period ended September 27, 2014, are as follows (in thousands):

	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at December 28, 2013	$153,466	$(71,893)	$81,573
Goodwill adjustments related to acquisitions	1,809	—	1,809
Effect of foreign currency translation	(257)	—	(257)
Balance at September 27, 2014	$155,018	$(71,893)	$83,125

The changes in the carrying amount of goodwill during the fiscal year-to-date period ended September 28, 2013, are as follows (in thousands):

	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at December 29, 2012	$142,658	$(71,893)	$70,765
Goodwill adjustments related to acquisition	5,358	—	5,358
Goodwill adjustments related to NeuCo	(63)	—	(63)
Effect of foreign currency translation	(34)	—	(34)
Balance at September 28, 2013	$147,919	$(71,893)	$76,026

9. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 27, 2014	December 28, 2013
Compensation and related expenses	$50,414	$51,960
Forgivable loans to employees	—	4,966
Income taxes payable	740	3,503
Other	5,391	5,228
Total	$56,545	$65,657

As of September 27, 2014 and December 28, 2013, approximately $37.6 million and $40.0 million of accrued bonuses were included above in "Compensation and related expenses".

10. Credit Agreement

As of September 27, 2014, CRA is party to a credit agreement that provides CRA with a $125.0 million revolving credit facility and a $15 million sublimit for the issuance of letters of credit. CRA may use the proceeds of the revolving credit facility for working capital and other general corporate purposes. CRA may repay any borrowings under the revolving credit facility at any time, but

10. Credit Agreement (Continued)

no later than April 24, 2018. There was no amount outstanding under this revolving line of credit as of September 27, 2014.

As of September 27, 2014, the amount available under this revolving line of credit was reduced by certain letters of credit outstanding, which amounted to $1.3 million. Borrowings under the revolving credit facility bear interest at a rate per annum of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.50% and 1.50% depending on CRA's total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.50% and 2.50% depending on CRA's total leverage ratio. CRA is required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.25% and 0.375% depending on its total leverage ratio. 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 certain of its foreign subsidiaries, which represent approximately $6.8 million in net assets as of September 27, 2014.

Under the credit agreement, CRA 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 credit facility may become immediately due and payable upon the occurrence of stated events of default, including CRA's failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require CRA to maintain a consolidated interest expense to adjusted consolidated EBITDA ratio of more than 2.5 to 1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0 to 1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, CRA's ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. As of September 27, 2014, CRA was in compliance with the covenants of its credit agreement.

11. Revenue Recognition

CRA derives substantially all of its revenues from the performance of professional services. CRA's revenues include projects secured by our non-employee experts as well as projects secured by our employees. CRA recognizes all project revenue on a gross basis based on consideration of the criteria set forth in ASC Topic 605-45, *Principal Agent Considerations*.

The contracts that CRA enters into and operates under specify whether the engagement will be billed on a time-and-materials or a fixed-price basis. Most of CRA's revenue is derived from time-and-materials service contracts. Revenues from time-and-materials service contracts are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as indirect fees based upon hours worked. Revenues from a majority of CRA'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. In general, project costs are classified in costs of services and are based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement, including any amounts billed to CRA by its non-employee experts.

11. Revenue Recognition (Continued)

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

	Quarter Ended		Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Reimbursable expenses	$8,683	$9,521	$26,369	$26,929

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

12. Net Income per Share

Basic net income per share represents net income divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents, if applicable, outstanding during the period. Common stock equivalents arise from stock options and unvested shares of restricted stock, using the treasury stock method. Under the treasury stock method, the amount CRA 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 CRA 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. CRA's unvested shares of restricted stock that contain rights to receive non-forfeitable dividends are considered participating securities, but net earnings available to these participating securities were not significant for the third quarter and fiscal year-to-date period ended September 27, 2014. A reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Quarter Ended		Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Basic weighted average shares outstanding	9,729	10,093	9,892	10,088
Common stock equivalents:				
Stock options and restricted shares	190	99	126	92
Diluted weighted average shares outstanding	9,919	10,192	10,018	10,180

For the fiscal quarter and fiscal year-to-date period ended September 27, 2014, the anti-dilutive share-based awards that were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding amounted to 319,564 and 831,975 shares, respectively. For the fiscal quarter and fiscal year-to-date period ended September 28, 2013, the anti-dilutive share-based awards that were excluded from the calculation of common stock equivalents

12. Net Income per Share (Continued)

for purposes of computing diluted weighted average shares outstanding amounted to 1,048,432 and 1,085,432 shares, respectively. These share-based awards were antidilutive because their exercise price exceeded the average market price for the applicable period.

On August 10, 2012 and February 13, 2014, the Board of Directors authorized the repurchase of up to $5.0 million and $15.0 million, respectively, of CRA's common stock. During the third quarter and fiscal year-to-date period ended September 28, 2013, CRA repurchased and retired 33,775 shares under these share repurchase programs at an average price per share of $18.70. During the third quarter of fiscal 2014, CRA repurchased and retired 279,094 shares under these share repurchase programs at an average price per share of $25.73. During the fiscal year-to-date period ended September 27, 2014, CRA repurchased and retired 531,694 shares under these share repurchase programs at an average price per share of $23.91. There was approximately $3.7 million available for future repurchases under these programs as of September 27, 2014.

On October 23, 2014, CRA announced that its Board of Directors approved a share repurchase program of up to $30 million of CRA's common stock, in addition to the share repurchase programs discussed above.

CRA may repurchase shares under any of these programs in open market purchases (including through any Rule 10b5-1 plan adopted by CRA) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. CRA records the retirement of its repurchased shares as a reduction to common stock.

13. Income Taxes

CRA's effective income tax rates were 42.8% and 44.0% for the third quarters of fiscal 2014 and fiscal 2013, respectively. The effective tax rate in the third quarter of fiscal 2014 was higher than CRA's combined Federal and state statutory tax rate primarily due to certain unfavorable tax adjustments, offset partially by a favorable geographical mix of earnings. The effective tax rate for the third quarter of fiscal 2013 was higher than the Company's combined Federal and state statutory tax rate primarily due to losses in foreign jurisdictions that provided no tax benefit.

CRA's effective income tax rates were 44.1% and 40.8% for the fiscal year-to-date periods ended September 27, 2014 and September 28, 2013, respectively. The effective tax rate for the fiscal year-to-date period ended September 27, 2014 was higher than CRA's combined Federal and state statutory tax rate primarily due to the approximately $0.8 million non-cash tax expense recorded in the second quarter of fiscal 2014 to correct an immaterial error in CRA's previously issued consolidated financial statements, partially offset by certain favorable tax adjustments that were treated as discrete items in the first half of fiscal 2014. The effective tax rate for the fiscal year-to-date period ended September 28, 2013 was lower than the Company's combined Federal and state statutory tax rate primarily due to the favorable settlement of a tax matter in the first quarter of fiscal 2013, partially offset by a discrete tax adjustment of $0.3 million recorded in the second quarter of fiscal 2013 and the effect of losses in foreign jurisdictions that provided no tax benefit in the fiscal year-to-date period ended September 28, 2013.

CRA has not provided for deferred income taxes or foreign withholding taxes on undistributed earnings from its foreign subsidiaries as of September 27, 2014, because such earnings are considered

13. Income Taxes (Continued)

to be indefinitely reinvested. CRA does not rely on these unremitted earnings as a source of funds for its domestic business as CRA expects to have sufficient cash flow and availability from its cash generated from operations and amounts available under its bank line of credit to fund its U.S. operational and strategic needs. If CRA were to repatriate its foreign earnings that are indefinitely reinvested, it would incur minimal additional tax expense.

14. Restructuring Charges

The Company did not incur any restructuring charges during the quarter or fiscal year-to-date period ended September 27, 2014. The restructuring reserve balance was as follows as of September 27, 2014 (in thousands):

	Office Vacancies
Balance at December 28, 2013	$1,170
Amounts paid, net of amounts received, during the fiscal year-to-date period ended September 27, 2014	(549)
Adjustments and foreign currency translation during the fiscal year-to-date period ended September 27, 2014	20
Balance at September 27, 2014	$ 641

On the accompanying balance sheet as of September 27, 2014, the reserve balance of $0.6 million was classified principally in "current portion of deferred rent".

The Company did not incur any restructuring charges during the quarter or fiscal year-to-date period ended September 28, 2013. The restructuring reserve balance was as follows as of September 28, 2013 (in thousands):

	Facility-Related Costs	Employee Workforce Reduction	Total Restructuring
Balance at December 29, 2012	$2,106	$ 873	$ 2,979
Amounts paid during the fiscal year-to-date period ended September 28, 2013	(689)	(729)	(1,418)
Adjustments and effect of foreign currency translation during the fiscal year-to-date period ended September 28, 2013	(177)	(144)	(321)
Balance at September 28, 2013	$1,240	$ —	$ 1,240

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

Forward-Looking Statements

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

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

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

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

We have described our significant accounting policies in Note 1 to our consolidated financial statements included in our annual report on Form 10-K for fiscal 2013. We have reviewed our accounting policies, identifying those that we believe to be critical to the preparation and understanding of our consolidated financial statements in the list set forth below. See the disclosure under the heading "Critical Accounting Policies" in Item 7 of Part II of our annual report on Form 10-K for fiscal 2013 for a detailed description of these policies and their potential effects on our results of operations and financial condition.

- Revenue recognition and accounts receivable allowances
- Share-based compensation expense
- Valuation of goodwill and other intangible assets

• Accounting for income taxes

We did not adopt any changes in the fiscal year-to-date period ended September 27, 2014 that had a material effect on these critical accounting policies nor did we make any changes to our accounting policies in the fiscal year-to-date period ended September 27, 2014 that changed these critical accounting policies.

Recent Accounting Standards

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

Results of Operations—For the Quarter and Fiscal Year-to-Date Period Ended September 27, 2014, Compared to the Quarter and Fiscal Year-to-Date Period Ended September 28, 2013

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

	Quarter Ended		Fiscal Year to Date Period Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenues	100.0%	100.0%	100.0%	100.0%
Costs of services	67.2	68.0	67.5	67.9
Gross profit	32.8	32.0	32.5	32.1
Selling, general and administrative expenses	22.7	21.6	22.5	23.3
Depreciation and amortization	2.2	2.2	2.1	2.4
Income from operations	7.9	8.2	7.9	6.4
Interest income	0.0	0.1	0.0	0.1
Interest expense	(0.2)	(0.2)	(0.2)	(0.2)
Other expense, net	(0.1)	(0.0)	(0.1)	(0.0)
Income before provision for income taxes	7.6	8.0	7.6	6.3
Provision for income taxes	(3.2)	(3.5)	(3.3)	(2.6)
Net income	4.3	4.5	4.2	3.7
Net (income) loss attributable to noncontrolling interest, net of tax	0.0	(0.1)	0.1	0.1
Net income attributable to CRA International, Inc.	4.4%	4.4%	4.3%	3.8%

Quarter Ended September 27, 2014 Compared to the Quarter Ended September 28, 2013

Revenues. Revenues decreased by $0.9 million, or 1.3%, to $73.5 million for the third quarter of fiscal 2014 from $74.4 million for the third quarter of fiscal 2013.

Despite the decrease in revenue in the third quarter of fiscal 2014 as compared with the strong performance in the third quarter of fiscal 2013, we experienced solid revenue performance in our litigation, regulatory, and financial consulting business and our management consulting business, building upon the continued momentum from the strong performance in the latter part of fiscal 2013 that continued into the fiscal year-to-date period ended September 27, 2014. Our utilization decreased to 75% for the third quarter of fiscal 2014 from 78% for the third quarter of fiscal 2013. Further contributing to the decrease in revenue was a decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin, and the $0.2 million decrease in revenue from NeuCo in the third quarter of fiscal 2014 as compared with the third quarter of fiscal 2013.

Overall, revenues outside of the U.S. represented approximately 22% of total revenues for the third quarter of fiscal 2014, compared with approximately 19% of total revenues for the third quarter of fiscal 2013. Revenues derived from fixed-price engagements were 12% of total revenues for the third quarter of fiscal 2014 and the third quarter of fiscal 2013. This percentage depends largely on the relative proportion of our revenues derived from our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service contracts.

Costs of Services. Costs of services decreased by $1.2 million, or 2.3%, to $49.4 million for the third quarter of fiscal 2014 from $50.6 million for the third quarter of fiscal 2013. The decrease in costs of services was due primarily to a decrease in incentive compensation expense for our employee consultants as a result of our decreased revenues in the third quarter of fiscal 2014 as compared to the third quarter of fiscal 2013 and a decrease in client reimbursable expenses of $0.8 million.

As a percentage of revenues, costs of services decreased to 67.2% for the third quarter of fiscal 2014 from 68.0% for the third quarter of fiscal 2013 due primarily to the decrease in client reimbursable expenses outpacing the decrease in revenues in the third quarter of fiscal 2014 as compared with the third quarter of fiscal 2013.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $0.6 million, or 3.6%, to $16.7 million for the third quarter of fiscal 2014 from $16.1 million for the third quarter of fiscal 2013. The primary contributors to this increase were increased professional fees, primarily driven by recruiting expenses incurred in connection with the recruitment of senior level revenue generators, travel costs associated with business development activities, and increased rent and office operating expenses, offset partially by decreased compensation expense and commissions to our nonemployee experts for the third quarter of fiscal 2014 as compared to the third quarter of fiscal 2013.

As a percentage of revenues, selling, general and administrative expenses increased to 22.7% for the third quarter of fiscal 2014 from 21.6% for the third quarter of fiscal 2013 due primarily to the increase in selling, general, and administrative expenses and the decrease in revenues in the third quarter of fiscal 2014 as compared with the third quarter of fiscal 2013. The increase in selling, general and administrative expenses as a percentage of revenue was partially offset by decreased commissions to non-employee experts. Those commissions represented 2.9% of revenue in the third quarter of fiscal 2014 compared with 3.2% of revenue in the third quarter of fiscal 2013.

Other Expense, Net. Other expense, net increased by $69,000 to $87,000 for the third quarter of fiscal 2014 from $18,000 for the third quarter of fiscal 2013. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. The multi-currency credit facility we entered into on April 24, 2013 allows us to minimize such foreign exchange exposures. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies including the Euro and the British Pound.

Provision for Income Taxes. The income tax provision was $2.4 million and the effective tax rate was 42.8% for the third quarter of fiscal 2014 compared to a tax provision of $2.6 million and an effective tax rate of 44.0% for the third quarter of fiscal 2013. The effective tax rate in the third quarter of fiscal 2014 was higher than our combined Federal and state statutory tax rate primarily due to certain unfavorable tax adjustments, offset partially by a favorable geographical mix of earnings. The effective tax rate in the third quarter of fiscal 2013 was higher than our combined Federal and state statutory tax rate primarily due to losses in foreign jurisdictions that provided no tax benefit.

Net Income Attributable to Noncontrolling Interest, Net of Tax. Our ownership interest in NeuCo constitutes control under U.S. GAAP. As a result, NeuCo's financial results are consolidated with ours, and allocations of the noncontrolling interest's share of NeuCo's net income result in deductions to our net income, while allocations of the noncontrolling interest's share of NeuCo's net loss result in additions to our net income. The results of operations of NeuCo allocable to its other owners was a net loss of $35,000 for the third quarter of fiscal 2014 and net income of $63,000 for the third quarter of fiscal 2013.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. decreased by $46,000 to net income of $3.2 million for the third quarter of fiscal 2014 from net income of $3.3 million for the third quarter of fiscal 2013. The diluted net income per share was $0.33 per share for the third quarter of fiscal 2014, compared to diluted net income per share of $0.32 for the third quarter of fiscal 2013. Diluted weighted average shares outstanding decreased by approximately 273,000 shares to approximately 9,919,000 shares for the third quarter of fiscal 2014 from approximately 10,192,000 shares for the third quarter of fiscal 2013. The decrease in weighted average shares outstanding was primarily due to repurchases of common stock since the third quarter of fiscal 2013, partially offset by shares of restricted stock that have vested or that have been issued since the third quarter of fiscal 2013.

Fiscal Year-to-Date Period Ended September 27, 2014 Compared to the Fiscal Year-to-Date Period Ended September 28, 2013

Revenues. Revenues increased by $25.2 million, or 12.4%, to $227.9 million for the fiscal year-to-date period ended September 27, 2014 as compared with $202.8 million for the fiscal year-to-date period ended September 28, 2013. Our revenue increase was due primarily to the momentum from the strong performance in the latter part of fiscal 2013 that continued into the fiscal year-to-date period ended September 27, 2014, compared to a slow start in the first half of fiscal 2013. Revenue increased in our litigation, regulatory, and financial consulting business and management consulting business, reflecting organic growth and increasing contributions from the new senior-level hires we welcomed to CRA during the first quarter of fiscal 2013. Utilization increased to 77% for the fiscal year-to-date period ended September 27, 2014 from 70% for the fiscal year-to-date period ended September 28, 2013. Partially offsetting this increase in revenues was the decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin, in the fiscal year-to-date period ended September 27, 2014 as compared to the fiscal year-to-date period ended September 28, 2013.

Overall, revenues outside of the U.S. represented approximately 23% of total revenues for the fiscal year-to-date period ended September 27, 2014, compared with approximately 21% of total revenues for the fiscal year- to-date period ended September 28, 2013. Revenues derived from fixed-price engagements increased to 14% of total revenues for the fiscal year- to-date period ended September 27, 2014 compared with 13% for the fiscal year-to-date period ended September 28, 2013. These percentages depend largely on the relative proportion of our revenues derived from our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service contracts.

Costs of Services. Costs of services increased by $16.3 million, or 11.9%, to $154.0 million for the fiscal year-to-date period ended September 27, 2014 from $137.6 million for the fiscal year-to-date period ended September 28, 2013. The increase in costs of services was due primarily to an increase in compensation expense for our employee consultants, principally as a result of an increase in profitability, partially offset by the decrease of $0.6 million in client reimbursable expenses for the fiscal year-to-date period ended September 27, 2014 as compared to the fiscal year-to-date period ended September 28, 2013. As a percentage of revenues, costs of services decreased to 67.5% for the fiscal year-to-date period ended September 27, 2014 from 67.9% for fiscal year-to-date period ended

September 28, 2013 due primarily to the increase in revenues outpacing the increases in costs of services in the fiscal year-to-date period ended September 27, 2014 as compared with the fiscal year-to-date period ended September 28, 2013.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.0 million, or 8.5%, to $51.3 million for the fiscal year-to-date period ended September 27, 2014 from $47.3 million for the fiscal year-to-date period ended September 28, 2013. The primary contributors to this increase were increased compensation expense, rent and office operating expenses, professional fees, and commissions to our non-employee experts in the fiscal year-to-date period ended September 27, 2014 as compared with the fiscal year-to-date period ended September 28, 2013.

As a percentage of revenues, selling, general and administrative expenses decreased to 22.5% for the fiscal year-to-date period ended September 27, 2014 from 23.3% for the fiscal year-to-date period ended September 28, 2013 due primarily to the increase in revenues outpacing the increased selling, general and administrative expenses in the fiscal year-to-date period ended September 27, 2014 as compared with the fiscal year-to-date period ended September 28, 2013. Commissions to our nonemployee experts decreased to 3.1% of revenues for the fiscal year-to-date period ended September 27, 2014 as compared with 3.2% of revenues for the fiscal year-to-date period ended September 28, 2013.

Other Expense Net. Other expense, net increased by $221,000 to $278,000 for the fiscal year-to-date period ended September 27, 2014, as compared to $57,000 for the fiscal year to date period ended September 28, 2013. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. The multi-currency credit facility we entered into on April 24, 2013 allows us to minimize such foreign exchange exposures. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies including the Euro and the British Pound.

Provision for Income Taxes. For the fiscal year-to-date period ended September 27, 2014, our income tax provision was $7.6 million and the effective tax rate was 44.1% compared to $5.2 million and an effective tax rate of 40.8% for the fiscal year-to-date period ended September 28, 2013. The effective tax rate for the fiscal year-to-date period ended September 27, 2014 was higher than our combined Federal and state statutory tax rate primarily due to a non-cash tax expense recorded in the second quarter of fiscal 2014 to correct an immaterial error in our previously issued consolidated financial statements, partially offset by certain favorable tax adjustments that were treated as discrete items in the first half of fiscal 2014. The effective tax rate for the fiscal year-to-date period ended September 28, 2013 lower than our combined Federal and state statutory tax rate primarily due to the favorable settlement of a tax matter in the first quarter of fiscal 2013, partially offset by a discrete tax adjustment recorded in the second quarter of fiscal 2013 and the effect of losses in foreign jurisdictions that provided no tax benefit.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by $2.2 million to $9.8 million for the fiscal year-to-date period ended September 27, 2014 from $7.6 million for the fiscal year-to-date period ended September 28, 2013. The diluted net income per share was $0.98 per share for the fiscal year-to-date period ended September 27, 2014, compared to $0.75 per share for the fiscal year-to-date period ended September 28, 2013. Diluted weighted average shares outstanding decreased by approximately 162,000 shares to approximately 10,018,000 shares for the fiscal year-to-date period ended September 27, 2014 from approximately 10,180,000 shares for the fiscal year-to-date period ended September 28, 2013. The decrease in weighted average shares outstanding was primarily due to repurchases of common stock, offset in part by an increase as a result of shares of restricted stock that have vested or that have been issued since September 28, 2013.

Liquidity and Capital Resources

Fiscal Year-to-Date Period Ended September 27, 2014

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

General. In the fiscal year-to-date period ended September 27, 2014, cash and cash equivalents decreased by $6.6 million. We completed the period with cash and cash equivalents of $44.7 million and working capital (defined as current assets less current liabilities) of $81.6 million. The principal drivers of the reduction in cash were the payment of the majority of our fiscal 2013 performance bonuses in the first quarter of fiscal 2014, the increase in days sales outstanding from 94 days at the end of fiscal 2013 to 98 days at the end of the third quarter of fiscal 2014, and the repurchase and retirement of 531,694 shares of our common stock during the fiscal year-to-date period ended September 27, 2014.

Of the total cash and cash equivalents of $44.7 million at September 27, 2014, $31.9 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 September 27, 2014, 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 a short-term credit rating of A-2 by Standard & Poor's ratings services. We have not experienced any losses related to such accounts, and we do not believe that there is significant risk of non-performance by the financial institution. Our cash on deposit at this financial institution is fully liquid, and we continually monitor the credit ratings of such institution. A change in the credit ratings of this financial institution could materially affect our liquidity and working capital.

Sources and Uses of Cash. During the fiscal year-to-date period ended September 27, 2014, net cash provided by operations was $10.8 million. Cash provided by operations included net income of $9.7 million, non-cash charges for depreciation and amortization expense of $4.7 million, share-based compensation expense of $4.1 million, and deferred income tax provision of $1.0 million, partially offset by decreased "deferred rent" of $1.7 million. The primary factor in cash provided by operations was the $5.9 million net favorable movement in "accounts receivable" and "accounts receivable allowances", partially offset by the unfavorable movement of $4.0 million in "unbilled services". The primary use of cash during the fiscal year-to-date period ended September 27, 2014 was a decrease in "accounts payable, accrued expenses, and other liabilities" of $8.5 million due primarily to the payment of the majority of our fiscal 2013 performance bonuses during the first quarter of fiscal 2014.

During the fiscal year-to-date period ended September 27, 2014, net cash used by investing activities was $4.6 million, which included $3.2 million for capital expenditures and $1.5 million of net acquisition consideration payments, offset partially by $0.1 million of collections on notes receivable.

We used $12.1 million of net cash in financing activities during the fiscal year-to-date period ended September 27, 2014, primarily for repurchases and retirements of our common stock of $11.9 million and the redemption of $0.2 million in vested employee restricted shares for tax withholdings.

Indebtedness

As of September 27, 2014, we are party to a credit agreement that provides us with a $125.0 million revolving credit facility and a $15 million sublimit for the issuance of letters of credit. We may use the proceeds of the revolving credit facility to provide working capital and for other general corporate purposes. Generally, we may repay any borrowings under the revolving credit facility at any time, but must repay all borrowings no later than April 24, 2018. There were no amounts outstanding under this revolving line of credit as of September 27, 2014.

The amount available under this revolving line of credit is reduced by certain letters of credit outstanding, which amounted to $1.3 million as of September 27, 2014.

Borrowings under the revolving credit facility bear interest at a rate per annum of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.50% and 1.50% depending on our total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.50% and 2.50% depending on our total leverage ratio. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.25% and 0.375% depending on our total leverage ratio. 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 $6.8 million in net assets as of September 27, 2014.

Under the credit 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 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 consolidated interest expense to adjusted consolidated EBITDA ratio of more than 2.5 to 1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0 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.

Forgivable Loans and Term Loans

In order to attract and retain highly skilled professionals, we may issue forgivable loans or term loans to employees and non-employee experts. A portion of the term loans are collateralized. The forgivable loans have terms that are generally between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by us over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. During the fiscal year-to-date period ended September 27, 2014, we issued approximately $10.2 million in forgivable loans to employees and non-employee experts for future service.

Compensation Arrangements

In connection with an acquisition completed in fiscal 2013, we agreed to pay incentive performance awards to certain non-employee experts and employees of the acquired business, if specific performance targets are met from June 2013 through May 2017. Retention of amounts paid is contingent on the individuals' continued relationships with us through May 2019. The amount of the award could fluctuate depending on future performance through May 2017. We also have compensation arrangements with other non-employee experts. The amounts of the awards to be paid under these compensation arrangements could fluctuate depending on future performance through the respective measurement periods. Changes in the estimated award are expensed prospectively over the remaining service period. We believe that we will have sufficient funds to satisfy any obligations related to the incentive performance awards. We expect to fund these payments, if any, from existing cash resources, cash generated from operations, or financing transactions.

Business Acquisitions

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

Share Repurchases

On August 10, 2012 and February 13, 2014, our Board of Directors authorized the repurchase of up to $5.0 million and $15.0 million, respectively, of our common stock. During the third quarter of fiscal 2014 and the fiscal year-to-date period ended September 27, 2014, we repurchased and retired 279,094 shares and 531,694 shares of our common stock under these programs at an average price per share of $25.73 and $23.91, respectively. Approximately $3.7 million was available for future repurchases under these programs as of September 27, 2014.

On October 23, 2014, we announced that our Board of Directors approved a share repurchase program of up to $30 million of our common stock, in addition to the share repurchase programs discussed above.

We will finance these programs with available cash and cash from future operations. We may repurchase shares under these programs in open market purchases (including through any Rule 10b5-1 plan adopted by CRA) 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 these programs.

Factors Affecting Future Performance

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

The majority of our operations are based in the U.S. and, accordingly, the majority of our transactions are denominated in U.S. Dollars. However, we have foreign-based operations where transactions are denominated in foreign currencies and are subject to market risk with respect to fluctuations in the relative value of foreign currencies. Our primary foreign currency exposures relate to our short-term intercompany balances with our foreign subsidiaries and accounts receivable and cash valued in the United Kingdom in U.S. Dollars or Euros. Our primary foreign subsidiaries have functional currencies denominated in the British Pound and Euro, and foreign denominated assets and liabilities are remeasured each reporting period with any exchange gains and losses recorded in our consolidated income statements. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the U.S. Dollar and foreign currencies and the Euro and the British Pound.

Additionally, the multi-currency facility that we entered into on April 24, 2013 helps us reduce such foreign exchange exposures. Holding all other variables constant, fluctuations in foreign exchange rates may impact reported revenues and expenses significantly, based on currency exposures at September 27, 2014. A hypothetical 10% movement in foreign exchange rates would have affected our income before provision for income taxes for the third quarter of fiscal 2014 by approximately $0.2 million. 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 September 27, 2014, we had no outstanding derivative instruments. We do not use derivative instruments for trading or speculative purposes.

Interest Rate Risk

Our investment portfolio consists principally of money market funds and commercial paper, with maturities of three months or less when purchased. A hypothetical change in the interest rate of 10% would not have a material impact to the fair values of these securities at September 27, 2014 primarily due to their short maturity.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report 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. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 27, 2014, due to the material weakness in internal controls over our income tax accounting and reporting for income taxes described in Item 9A of our annual report on Form 10-K for the fiscal year ended December 28, 2013.

Notwithstanding the material weakness, management has concluded that the consolidated financial statements included in this Form 10-Q present fairly, in all material aspects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Evaluation of Changes in Internal Control over Financial Reporting

Other than with respect to the ongoing remediation of the material weakness in internal controls over our income tax accounting and reporting for income taxes pursuant to the plan described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2013, there were no changes in our internal control over financial reporting identified in connection with the above evaluation that occurred during the third quarter of fiscal 2014 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Important Considerations

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

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

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

We depend upon key employees to generate revenue

Our business consists primarily of the delivery of professional services, and, accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution capabilities of our employee consultants. In particular, our employee consultants' personal relationships with our clients are a critical element in obtaining and maintaining client engagements. If we lose the services of any employee consultant or group of employee consultants, or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect our revenues and results of operations. 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.

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.

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 non-employee experts. 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.

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.

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 are 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.

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.

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

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

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

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

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. In general, the volume of work we perform for any particular client varies from year to year, and due to the specific engagement nature of our practice, a major client in one year may not hire us in the following year.

Our 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.

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 falls 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.

Acquisitions may disrupt our operations or adversely affect our results

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

- diversion of our management's time, attention, and resources;
- decreased utilization during the integration process;
- loss of key acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems including compliance with the Sarbanes- Oxley Act of 2002;
- dilutive issuances of equity securities, including convertible debt securities;
- the assumption of legal liabilities;

- amortization of acquired intangible assets;
- potential write-offs related to the impairment of goodwill, including if our enterprise value declines below certain levels;
- difficulties in integrating diverse corporate cultures; and
- additional conflicts of interests.

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

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

Additionally, from time to time, we may derive a significant amount of revenue from government agencies in the United States. Because we may derive a significant percentage of our revenue from contracts with the Federal government, changes in Federal government budgetary priorities could directly affect our financial performance. This could result in the cancellation of contracts and/or the incurrence of substantial costs without reimbursement under our contracts with the U.S. Government, which could have a negative effect on our business, financial condition, results of operations and cash flows.

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.

Our international operations create special risks

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

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

- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses 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.

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

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.

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. Many factors could cause the market price of our common stock to rise and fall. Some of these factors are:

- variations in our quarterly results of operations;
- the hiring or departure of key personnel or non-employee experts;
- changes in our professional reputation;
- the introduction of new services by us or our competitors;
- acquisitions or strategic alliances involving us or our competitors;
- changes in accounting principles or methods;
- changes in estimates of our performance or recommendations by securities analysts;
- future sales of shares of common stock in the public market; and
- market conditions in the industry and the economy as a whole.

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

Our stock repurchase program could affect the market price of our common stock and increase its volatility.

Our Board of Directors has from time to time authorized repurchase programs of our outstanding common stock. Under these stock repurchase programs, we are authorized to repurchase, from time-to-time, shares of our outstanding common stock on the open market or in privately negotiated transactions. The timing and amount of stock repurchases will be determined based upon our evaluation of market conditions and other factors. The stock repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common stock under the program. Repurchases pursuant to our stock repurchase program could affect the market price of our common stock and increase its volatility. Any termination of our stock repurchase programs could cause a decrease in the market price of our common stock price, and the existence of a stock repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity of our common stock. There can be no assurance that any stock repurchases under these programs will enhance stockholder value because the market price of our common stock may decline below the levels at which those repurchases were made. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term fluctuations in the market price of our common stock could reduce the program's effectiveness.

Our debt obligations may adversely impact our financial performance

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

We 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 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. 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 that 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, an impairment charge would be recorded in our consolidated income statement.

A goodwill impairment charge in any period would have the effect of decreasing our earnings in such period. If we are required to take a substantial impairment charge, our operating results would be materially adversely affected in such period, though such a charge would have no impact on cash flows or working capital.

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. 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.

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

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

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

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

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

Insurance and claims expenses could significantly reduce our profitability

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

Information or technology systems failures, or a compromise of our or our client's confidential or proprietary information, could have a material adverse effect on our reputation, business and results of operations

We rely upon information and technology infrastructure and systems to operate, manage and run our business and to provide services to our clients. This includes infrastructure and systems for receiving, storing, hosting, analyzing, transmitting and securing our and our clients' sensitive, confidential or proprietary information, including, but not limited to, health and other personally-identifiable information and commercial, financial and consumer data. Our ability to secure and maintain the confidentiality of this information is critical to our reputation and the success of our businesses. We may be affected by or subject to events that are out of our control, including, but not limited to, viruses, malicious software, worms, failures in our or our third party hosting sites' information and technology systems, disruptions in the Internet or electricity grids, natural disasters, terrorism and malicious attacks, and unauthorized intrusions by unknown third parties. Any of these events could disrupt our or our client's business operations or cause us or our clients to incur unanticipated losses and reputational damage, which could have a material adverse effect on our business and results of operations.

In addition, our or our clients' sensitive, confidential or proprietary information could be compromised, whether intentionally or unintentionally, by our employees, outside consultants or vendors. A breach or compromise of the security of our information technology systems or infrastructure, or our processes for securing sensitive, confidential or proprietary information, could result in the loss or misuse of this information. Any such loss or misuse could result in our suffering claims, fines, damages, losses or reputational damage, any of which could have a material adverse effect on our business and results of operations.

Our charter and by-laws, and Massachusetts law may deter takeovers

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

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

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about our repurchases of shares of our common stock during the fiscal quarter ended September 27, 2014. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the fiscal quarter into three periods of four weeks, four weeks, and five weeks, respectively, to coincide with our reporting periods during the third quarter of fiscal 2014.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
June 29, 2014 to July 26, 2014	38,000(1)	$24.13 per share	38,000	$9,995,479
July 27, 2014 to August 23, 2014	191,778(1)(2)	$26.02 per share	191,094	$5,022,523
August 24, 2014 to September 27, 2014	50,000(1)	$25.83 per share	50,000	$3,731,062

(1) On August 10, 2012 and February 13, 2014, our Board of Directors authorized the repurchase of up to $5.0 million and $15 million, respectively, of our common stock. During the four weeks ended July 26, 2014, the four weeks ended August 23, 2014, and the five weeks ended September 27, 2014, we repurchased and retired 38,000 shares, 191,094 shares, and 50,000 shares, respectively, under these programs at an average price per share of $24.13, $26.02, and $25.83, respectively. Approximately $3.7 million was available for future repurchases under these programs as of September 27, 2014. On October 23, 2014, we announced that our Board of Directors approved a share repurchase program of up to $30 million of our common stock, in addition to the share repurchase programs discussed above. We expect to continue to repurchase shares under these programs.

(2) During the four weeks ended August 23, 2014, we accepted 684 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted shares that occurred during the indicated period, pursuant to the terms of our 2006 equity incentive plan, at an average price per share of $23.71.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Item No.	Description
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification
101*	The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2014, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Income Statements (unaudited) for the fiscal quarters and the fiscal year- to-date periods ended September 27, 2014 and September 28, 2013, (ii) Condensed Consolidated Comprehensive Income Statements (unaudited) for the fiscal quarters and the fiscal year-to-date periods ended September 27, 2014 and September 28, 2013, (iii) Condensed Consolidated Balance Sheets (unaudited) as at September 27, 2014 and December 28, 2013, (iv) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal year-to-date periods ended September 27, 2014 and September 28, 2013, (v) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal year-to-date period ended September 27, 2014, and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited).

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

SIGNATURES

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

CRA INTERNATIONAL, INC.

Date: October 27, 2014

By: /s/ PAUL A. MALEH

Paul A. Maleh
President and Chief Executive Officer

Date: October 27, 2014

By: /s/ WAYNE D. MACKIE

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

EXHIBIT INDEX

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