As a reminder, except for historical statements, the matters addressed in this conference call are forward-looking statements. Please do not put undue reliance on these forward-looking statements, since they are based on key assumptions about future risks and uncertainties. Although we believe that our assumptions are reasonable, inevitably some will prove to be incorrect. As a result, our actual future results can be expected to differ from those discussed in this call, and those differences may be material. We are not undertaking any obligation to update forward-looking statements.

To help you assess the major risks in our business, we have identified many, but not all, of them in Item 1A of our 2012 Annual Report on Form 10-K. Please read those risk factors carefully. Some of the factors discussed in our Form 10-K that could affect us include risks associated with:

- Changing economic and market conditions;
- The timely development, introduction, and customer acceptance of our courses;
• Competition;
• International operations, including currency fluctuations;
• Technology development and new technology introduction;
• Efficient delivery and scheduling of our courses;
• Adverse weather conditions, strikes, acts of war or terrorism and other external events;
• Attracting and retaining qualified personnel.
• The outcome of a possible acquisition of the company.

and

• Continued uncertainty over the US Congress’ ability to resolve the budget issues and avoid sequestration.

For your convenience, we have posted the text of today’s prepared remarks in the Investor Relations section of our website. Go to: www.learningtree.com/investor.

David Asai, our Interim Chief Financial Officer, will discuss our performance in our first quarter of fiscal 2013, which ended December 28, 2012. Max Shevitz, our President, will then provide some forward-looking information about our second quarter of fiscal 2013 and our future plans. After those remarks, we’ll open the floor for questions and discussion.

First Quarter Results

First I’ll summarize some key line items from our first quarter of fiscal year 2013:
- Revenues in our first quarter of fiscal 2013 were $33.3 million, a decrease of 4.8% compared to revenues of $35.0 million in our first quarter of fiscal 2012;

- Our gross profit percentage in our first quarter was 50.7% of revenues, compared to 55.3% in our same quarter of fiscal 2012;

- Operating expenses increased in our first quarter of fiscal 2013 to $18.2 million, compared to $16.5 million in our first quarter of fiscal 2012;

- During our first quarter of fiscal 2013 we took a charge of $1.4 million for costs related to the closure of our corporate office facility in El Segundo, CA. Also in our first quarter, we incurred two other unusual costs: expenditures of $0.8 million by the Special Committee of our Board of Directors to evaluate offers to acquire the company, and additional direct costs of $0.4 million as a result of Hurricane Sandy.

- Net loss in our first quarter of fiscal 2013 was $1.4 million compared to net income of $1.8 million in our first quarter of fiscal 2012; and

- Loss per share for our first quarter of fiscal 2013 was $0.11 on a diluted basis, compared to income per share of $0.14 in our first quarter of fiscal 2012.

**First Quarter Revenue and Participants**

In our first quarter of fiscal 2013 our revenues of $33.3 million were $1.7 million or 4.8% lower than our revenues in the same quarter of fiscal 2012. This principally resulted from two factors:

- The number of participants decreased by 3.8%, and
Average revenue per participant declined 1.2%.

The decrease in the number of participants is partially the result of cancelling 32 course events as a result of Hurricane Sandy. In addition, we experienced weakened demand in several of our international operations.

The decrease in average revenue per participant compared to the same quarter of our prior year was the result of lower prices realized from participants attending under our discounted voucher and passport programs.

Overall, during our first quarter of fiscal 2013, we trained a total of 19,189 course participants, compared to 19,941 participants who we trained in our same quarter last year. Compared to our first quarter of fiscal 2012, during our first quarter of fiscal 2013:

- Attendee-days of IT training decreased by 0.2% to 40,635 from 40,720;
- Attendee-days of management training decreased by 5.5% to 27,174 from 28,740; and
- Total attendee-days of training were 67,809, a decrease of 2.4% from 69,460 in the first quarter of fiscal 2012.

**First Quarter Operations**

Next, I’ll discuss our operations in our first quarter of fiscal 2013 and how they compare with our same quarter of fiscal 2012.
During our first quarter of fiscal 2013, we presented 1,544 events, a 10.2% decrease from the 1,720 events conducted during the same period in fiscal 2012.

**Cost of Revenues.** Cost of revenues was 49.3% of revenues in our first quarter of fiscal 2013 compared to 44.7% in our first quarter of fiscal 2012, and our gross profit percentage accordingly was 50.7% compared to 55.3% in our prior year quarter. The change in cost of revenues as a percentage of revenues in our first quarter of fiscal 2013 primarily reflects the reduction of 1.2% in revenue per participant while cost per participant increased 9.2%. The increase in the cost per participant was driven by increased instructor costs, higher depreciation expense reflecting the decision to upgrade classroom computers and equipment, and one-time costs resulting from Hurricane Sandy.

Changes in foreign exchange rates do not materially affect our gross profit percentage, since exchange rate changes affect our cost of revenues by approximately the same percentage as they affect our revenues.

**Course Development Expense.** During our first quarter of fiscal 2013, we spent $2.1 million on course development, the same as we spent in the same quarter of fiscal 2012. Course development expense was 6.3% of revenues in our first quarter of fiscal 2013 compared to 6.1% in the same quarter of fiscal 2012. The first quarter of 2013 included a $0.3 million restructuring charge for severance costs related to the closure of our El Segundo, CA offices.
In our first quarter of fiscal 2013, we introduced five new IT course titles. Also in our first quarter, we introduced three new management course titles. We retired eighteen IT course titles and six management course titles in our first quarter.

Our library of instructor-led courses included a total of 193 titles at the end of our first quarter of fiscal 2013 compared with 215 titles at the same point a year earlier. At the end of our first quarter of fiscal 2013, we had 120 IT titles in our course library, compared with 132 IT titles at the end of our first quarter of fiscal 2012. Our library included 73 management titles at the end of our first quarter of fiscal 2013, compared to 83 a year earlier.

**Sales and Marketing Expense.** In our first quarter of fiscal 2013 our sales and marketing expense increased to $7.8 million from $7.5 million in the same quarter last year.

**General and Administrative Expense.** G&A expense during our first quarter of fiscal 2013 was $8.3 million, a $1.4 million increase over the $6.9 million in our first quarter of fiscal 2012. The increase was due to $0.8 million in costs incurred by a special committee of our Board of Directors to evaluate two proposals and other expressions of interest to acquire the company, and a $1.1 million restructuring charge related to the closure of our El Segundo, CA offices, partially offset by lower salary and benefit costs.
Loss from Operations. In our first quarter of fiscal 2013, we recorded a loss from operations of $1.4 million, or (4.1)% of revenues, compared to income from operations of $2.8 million, or 8.1% of revenues, in the same quarter of our fiscal 2012.

Other Income and Expense. Other income and expense was less than $0.1 million for our first quarters of fiscal 2013 and 2012.

Pre-Tax Loss. Pre-tax loss in our first quarter of fiscal 2013 was $1.4 million compared to pre-tax income of $2.9 million in our first quarter of fiscal 2012.

Income Taxes. Our tax provision for our first quarter of fiscal 2013 was less than $0.1 million, compared to a provision of $1.0 million in our first quarter of fiscal 2012. The tax provision for our first quarter of fiscal 2013 relates to foreign taxes and US state taxes.

Net Loss. Net loss for our first quarter was $1.4 million, or (4.3)% of revenues, compared to net income of $1.8 million, or 5.2% of revenues in our first quarter of fiscal 2012.

Liquidity and Capital Resources

During our first quarter of fiscal year 2013, the total of our cash and available for sale securities decreased by $1.8 million to $30.1 million at December 28, 2012 from $31.9 million at September 28, 2012. This decrease primarily resulted from cash used in operations of $1.1 million, capital expenditures of $0.5 million, and the effects of exchange rate changes on cash
and cash equivalents of $0.1 million.

**Management Focus**

During the past year, we have made significant investments to improve the quality of our courses and to improve our position of leadership as the premier provider of instructor-led IT training. These actions have led to an increased cost per event to a level more in line with our historical cost per event over the past 15 years. While this investment in improving our quality can be made in a relatively short period, it requires a longer period of time for us to re-train our staff to sell the value of our quality to our customers. We are focused on this effort of selling value to increase the revenue which we generate on each of our events and thereby improve our gross margins.

**Second Quarter Fiscal 2013 Financial Guidance**

With that said, historically the winter season results in fewer course events and attendees, and as a result our second quarter is typically our lowest performing quarter of the year. In addition, we have begun to receive reports of proposed reductions in training expenditures from the U.S. Government and U.S. Government Contractors. We believe that the fear of sequestration and an automatically imposed federal budget cut may cause some of our customers to delay their training.

The projections for our second quarter of fiscal 2013 are as follows:
Second Quarter Revenues. We currently expect revenues of between $27.3 million and $29.0 million in our second quarter of fiscal 2013, compared to revenues of $28.9 million in our second quarter of fiscal 2012.

Second Quarter Gross Profit. We expect a gross profit percentage in our second quarter of fiscal 2013 of between 45.3% and 46.8% compared to 49.7% in our second quarter of fiscal 2012.

Second Quarter Operating Expenses. We expect overall operating expenses for our second quarter of fiscal 2013 to be between $17.7 million and $18.3 million, compared to $17.9 million in the same quarter a year earlier.

Second Quarter Loss from Operations. As a result of the above factors, we expect to incur a second quarter operating loss of between $4.2 million and $5.9 million compared with an operating loss of $3.5 million in our second quarter of fiscal 2012.

Second Quarter Other Income (Expense), Net. We expect second quarter other income (expense), net to be less than $0.1 million.

Second Quarter Pre-Tax Loss. Overall, we expect to report a pre-tax loss for our second quarter of fiscal 2013 of between $4.2 million and $5.9 million, compared with a pre-tax loss of $3.7 million in our second quarter of fiscal 2012.

Effective Tax Rate. The Company has determined that due to the establishment of a valuation allowance against deferred tax assets in the U.S., it will no longer be providing guidance on the next quarter’s effective tax rate.
Effect of Exchange Rates. Because we conduct approximately half of our business in currencies other than U.S. dollars, fluctuations in exchange rates will affect revenues and expenses when translated into dollars. If the exchange rates of February 1, 2013 remained constant for the remainder of our second quarter of fiscal 2013, we would expect changes in foreign exchange rates to adversely affect revenues by about 1% in our second quarter compared to our same quarter of fiscal 2012.

Summary

While we are not pleased with our forecast for our second quarter, we are taking the steps we feel necessary to position the company for its return to growth and profitability. We are regularly monitoring the political/economic situation in the United States and in the foreign countries in which we operate and stand ready to make changes if circumstances dictate.

And now we’d like to open the floor for questions.

Thank you. Over the past 38 years, Learning Tree’s mission has been to provide technical and business professionals with the skills and knowledge that significantly enhance their on-the-job productivity, and thereby improve the performance and increase the competitive advantage of their employers. We continue to strive to fulfill this mission.