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 Chief Financial Officer, will read the disclaimer on forward-looking statements and then discuss our performance in our third quarter of fiscal 2013, which ended June 28, 2013. Max Shevitz, our President, will then provide some forward-looking information about our fourth quarter of fiscal 2013 and our future plans. After those remarks, we’ll open the floor for questions and discussion.

Forward Looking Statement Disclaimer:

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 and our third quarter 2013 report on Form 10-Q. Please read those risk factors carefully. Some of the factors discussed in our Form 10-K and Form 10-Q 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.
- Reliance on key vendors for technical services and support.

and

- Continued uncertainty over the US Congress’ ability to resolve the budget issues and the impact of sequestration.

Third Quarter Results

First I’ll summarize some key line items from our third quarter of fiscal year 2013:
• Revenues in our third quarter of fiscal 2013 were $29.0 million, a decrease of 12.4% compared to revenues of $33.0 million in our third quarter of fiscal 2012;

• Our gross profit percentage in our third quarter was 44.3% of revenues, compared to 52.7% in our same quarter of fiscal 2012;

• We reduced operating expenses in our third quarter of fiscal 2013 to $13.8 million, compared to $19.5 million in our third quarter of fiscal 2012. Operating expenses for our third quarter of fiscal year 2013 were 47.7% of revenues compared to 59.1% of revenues for the same quarter of fiscal year 2012;

• Loss from operations in our third quarter of fiscal 2013 was $1.0 million compared to a loss from operations of $2.1 million in our third quarter of fiscal 2012.

• Net loss in our third quarter of fiscal 2013 was $1.1 million compared to a net loss of $6.8 million in our third quarter of fiscal 2012; and

• Loss per share for our third quarter of fiscal 2013 was $0.08 on a diluted basis, compared to loss per share of $0.50 in our third quarter of fiscal 2012.

Third Quarter Revenue and Participants

In our third quarter of fiscal 2013 our revenues of $29.0 million were $4.0 million or 12.4% lower than our revenues in the same quarter of fiscal 2012. This principally resulted from two factors:

• The number of participants decreased by 8.5%, and

• Average revenue per participant declined 4.4%. 
The decrease in revenues and course participants is primarily attributable to our operations in North America which were adversely impacted by the US Government’s enactment of sequestration. During our third quarter of fiscal 2013, our U.S. operations experienced a substantial decline in the number of attendees who participated in our courses under our GSA schedules resulting in a $3.4 million decrease in U.S. revenues quarter over quarter. Revenues also declined $0.6 million in the United Kingdom and $0.4 million in Sweden quarter over quarter as a result of the continued adverse European economies. The decrease in average revenue per participant compared to the same quarter of our prior year was primarily the result of lower prices realized from participants attending under a special, more-heavily discounted passport program, which started in our fourth quarter of fiscal 2012 and largely ended June 30, 2013.

Changes in foreign exchange rates reduced revenues by 0.6%.

Overall, during our third quarter of fiscal 2013, we trained a total of 18,363 course participants, compared to 20,062 participants who we trained in our same quarter last year. Compared to our third quarter of fiscal 2012, during our third quarter of fiscal 2013:

- Attendee-days of IT training increased by 2.8% to 41,309 from 40,201;
- Attendee-days of management training decreased by 14.3% to 24,218 from 28,264; and
- Total attendee-days of training were 65,527, a decrease of 4.3% from 68,465 in our third quarter of fiscal 2012.

The decrease in attendee-days of management training primarily reflects a decrease in demand for our management courses delivered onsite at customer locations.
Third Quarter Operations

Next, I’ll discuss our operations in our third quarter of fiscal 2013 and how they compare with our same quarter of fiscal 2012.

During our third quarter of fiscal 2013, we presented 1,410 events, a 15.6% decrease from the 1,671 events conducted during the same period in fiscal 2012. This resulted from the reduction in course attendees and our efforts over the past year to adjust our course scheduling, and thus to increase both the number of participants per event and the percentage of events that run as scheduled.

Cost of Revenues. Cost of revenues was 55.7% of revenues in our third quarter of fiscal 2013 compared to 47.3% in our third quarter of fiscal 2012, and our gross profit percentage accordingly was 44.3% compared to 52.7% in our prior year quarter. The change in cost of revenues as a percentage of revenues in our third quarter of fiscal 2013 primarily reflects the combined impact of the 4.4% reduction in revenue per participant and a 12.8% increase in cost per participant. The increase in the cost per participant was driven by increased instructor costs, higher depreciation expense reflecting the upgrade of classroom computers and equipment, and the apportionment of the fixed costs related to our education centers over a lower participant base.

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 third quarter of fiscal 2013, we spent $2.0 million on course development, compared to $2.2 million in the same quarter of fiscal 2012. Course development expense was 6.9% of revenues in our third quarter of fiscal 2013 compared to 6.6% in the same quarter of fiscal 2012.

In our third quarter of fiscal 2013, we introduced eight new IT course titles and one new management course title. We retired three IT course titles and three management course titles in our third quarter.

Our library of instructor-led courses included a total of 185 titles at the end of our third quarter of fiscal 2013 compared with 216 titles at the same point a year earlier. At the end of our third quarter of fiscal 2013, we had 122 IT titles in our course library, compared with 133 IT titles at the end of our third quarter of fiscal 2012. Our library included 63 management titles at the end of our third quarter of fiscal 2013, compared to 83 a year earlier. The reduction in titles reflects our decision to continue to focus our product support, marketing and sales efforts on our better-performing course titles.

**Sales and Marketing Expense.** In our third quarter of fiscal 2013, we reduced our sales and marketing expense by $2.9 million to $6.8 million from $9.7 million in the same quarter last year. The decrease quarter over quarter is driven primarily by more selective targeting of our direct mail marketing campaigns resulting in lower production and mailing costs totaling $1.2 million, and $1.4 million in reduced personnel expenses as a result of lower staffing levels.
General and Administrative Expense. We reduced G&A expense during our third quarter of fiscal 2013 to $5.0 million, a $2.7 million decrease compared to the $7.7 million in our third quarter of fiscal 2012. The decrease was due primarily to lower salary and benefit costs as a result of lower staffing levels and lower severance expense quarter over quarter.

Loss from Operations. In our third quarter of fiscal 2013, we recorded a loss from operations of $1.0 million, or (3.4) % of revenues, compared to a loss from operations of $2.1 million, or (6.4) % of revenues, in the same quarter of our fiscal 2012.

Other Income and Expense. Other income was negligible for our third quarter of fiscal 2013 compared to other income of $0.3 million for our third quarter of fiscal 2012 when we experienced foreign exchange gains of $0.3 million.

Pre-Tax Loss. Pre-tax loss in our third quarter of fiscal 2013 was $1.0 million compared to a pre-tax loss of $1.8 million in our third quarter of fiscal 2012.

Income Taxes. Our tax provision for our third quarter of fiscal 2013 was $0.1 million, compared $5.0 million in our third quarter of fiscal 2012. The tax provision for our third quarter of fiscal 2013 relates to foreign taxes and US state taxes. The large tax provision recorded in our third quarter of fiscal 2012 was due to the establishment of a valuation allowance for our deferred tax assets in the US.
**Net Loss.** Net loss for our third quarter was $1.1 million, or (3.7) % of revenues, compared to a net loss of $6.8 million, or (20.5)% of revenues in our third quarter of fiscal 2012.

**Liquidity and Capital Resources**

During the first nine months of fiscal year 2013, the total of our cash and cash equivalents increased by $1.3 million to $27.1 million at June 28, 2013 from $25.8 million at September 28, 2012. This increase primarily resulted from the sale of $6.1 million of available for sale securities which was partially offset by cash used in operations of $1.8 million, capital expenditures of $2.1 million, and the negative effects of exchange rate changes on cash and cash equivalents of $0.9 million.

I will now turn the call over to Max Shevitz our President.

**Outlook**

The U.S. government’s enactment of sequestration adversely impacted our third quarter of fiscal year 2013 results. We continue to deal with the impact of the sequester in our fourth quarter and anticipate continued impact into fiscal year 2014. Additionally, our UK, France and Sweden operations continue to face the challenge of weak economies.

We have taken several steps to mitigate the ongoing negative impact on our future quarters:

- We have reduced our operating expenses. Comparing our first nine months of fiscal year 2013 to the same period of 2012:
• Course development costs are down 5.1%
• Sales and marketing costs are down 14.5%
• G&A costs are down 9.0%

We have opened 28 stand-alone AnyWare centers worldwide on a test basis:
  • 26 in the US during our third quarter
  • One in Canada during our fourth quarter
  • One in Scotland during our fourth quarter

These centers offer our clients the ability to attend any of our classes via AnyWare from high quality facilities where they can concentrate and be free of interruptions that they might have encountered had they participated via AnyWare from their home or office, without having to incur unnecessary travel costs. Over the next several quarters, we will test the ability of these centers to generate incremental attendees for our courses.

• As I said in our last earnings call, we are starting to put more emphasis on e-marketing activities as we attempt to conduct more interactions with our customers and prospective customers over the internet. As part of that, we have created a new “My Learning Tree Community” which offers our customers access to free learning resources, including instructor blogs, Podcasts, and White Papers. It also allows our customers to receive news and notice of special offers and tuition savings.

• Also, we continue to closely monitor advance booking data in order to match the number and types of events we offer to the demand of our customers.

We have experienced similar economic conditions and government spending cutbacks in our prior four decades and feel well prepared to respond to the current situation.
Now I will discuss our guidance for our fourth quarter.

**Fourth Quarter Fiscal 2013 Financial Guidance**

Since the enactment of sequestration by the U.S. government, we have seen a substantial reduction in the amount of net bookings under our GSA contracts along with a slight decline in net bookings from our commercial clients in the U.S. This, combined with the impact of continued weak European economies, has resulted in a downturn in our total worldwide business. We have incorporated these factors into our projections for our fourth quarter, but caution that further erosion of attendees as a result of continued sequestration or other U.S. government action or inaction could materially impact revenues in our fourth quarter and future quarters.

The projections for our fourth quarter of fiscal 2013 are as follows:

**Fourth Quarter Revenues.** We currently expect revenues of between $26.4 million and $27.9 million in our fourth quarter of fiscal 2013, compared to revenues of $32.1 million in our fourth quarter of fiscal 2012.

**Fourth Quarter Gross Profit.** We expect a gross profit percentage in our fourth quarter of fiscal 2013 of between 42.4% and 43.7% compared to 47.1% in our fourth quarter of fiscal 2012.

**Fourth Quarter Operating Expenses.** We expect overall operating expenses for our fourth quarter of fiscal 2013 to be between $14.6 million and $15.2 million, compared to $19.2 million in the same quarter a year earlier.
**Fourth Quarter Loss from Operations.** As a result of the above factors, we expect to incur a fourth quarter operating loss of between $2.4 million and $4.0 million compared with an operating loss of $4.1 million in our fourth quarter of fiscal 2012.

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

**Fourth Quarter Pre-Tax Loss.** Overall, we expect to report a pre-tax loss for our fourth quarter of fiscal 2013 of between $2.4 million and $4.0 million, compared with a pre-tax loss of $4.4 million in our fourth quarter of fiscal 2012.

**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 July 23, 2013 remained constant for the remainder of our fourth quarter of fiscal 2013, we would expect changes in foreign exchange rates to increase revenues by 1% in our fourth quarter compared to our same quarter of fiscal 2012.

**Summary**

We have been through interruptions in government spending several times over our 39 year history, and we believe we have the experience to successfully manage the business through this latest version called sequestration. While we continue to find ways to reduce costs, we also continue to find ways to further improve the quality and convenience of the learning experience for our customer, and thereby providing our customers with the highest level of classroom training available in the industry.
And now we’d like to open the floor for questions.

Thank you. Over the past 39 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.