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.

Good Afternoon. I am David Asai, Chief Financial Officer of Learning Tree International. First I will read the disclaimer on forward-looking statements and then discuss our performance in our fourth quarter and full fiscal year 2013, which ended September 27, 2013. Max Shevitz, our President, will then provide some forward-looking information about our first quarter of fiscal 2014 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 2013 Form 10-K filed today. 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.
- Reliance on key vendors for technical services and support

and

- Continued uncertainty over the U. S. Government’s ability to resolve its budgetary issues and avoid further disruptions such as government shutdowns and sequestration.

**Fourth Quarter Results**

Now let me summarize some key line items from our fourth quarter of fiscal year 2013:
• Revenues in our fourth quarter of fiscal 2013 were $27.6 million, a decrease of 13.9% compared to revenues of $32.1 million in our fourth quarter of fiscal 2012;
• Our gross profit percentage in our fourth quarter was 43.6% of revenues, compared to 47.1% in our same quarter of fiscal 2012;
• Operating expenses decreased in our fourth quarter of fiscal 2013 to $14.0 million, compared to $19.2 million in our fourth quarter of fiscal 2012;
• During our fourth quarter of fiscal 2012 we took a charge of $1.3 million for severance costs related to a reduction in force and accelerated amortization of leasehold costs related to the closure of our corporate office facility in El Segundo, CA. Net loss in our fourth quarter of fiscal 2013 was $2.2 million compared to a net loss of $4.8 million in our fourth quarter of fiscal 2012; and
• Loss per share on a diluted basis for our fourth quarter of fiscal 2013 was $0.17, compared to a loss per share of $0.37 in our fourth quarter of fiscal 2012.

For all of fiscal 2013:

Reviewing our performance for our full fiscal year 2013, I’d like to point out the following key line items:
• Revenues were $116.8 million, a decrease of $12.2 million or 9.5% from revenues of $129.0 million in fiscal 2012;
• Gross profit was 46.1% of revenues, compared to 51.3% for fiscal 2012;
• Operating expenses for fiscal 2013 were $62.0 million, or 53.1% of revenues, compared to $73.2 million for fiscal 2012, or 56.7% of revenues;
• Loss from operations was $8.2 million, compared to a loss from operations of $6.9 million for fiscal 2012;

• Net loss for fiscal 2013 was $8.7 million, compared to a net loss of $11.9 million for fiscal 2012. The net loss in fiscal 2012 includes the establishment of a valuation allowance against our US and French deferred tax assets which was maintained throughout fiscal 2013;

• Loss per share on a diluted basis for fiscal 2013 was $0.66 compared to a loss per share of $0.89 for fiscal 2012.

**Fourth Quarter Revenue and Participants**

Now let’s discuss our fourth quarter revenues in more detail.

In our fourth quarter of fiscal 2013 our revenues of $27.6 million were 13.9% lower than our revenues of $32.1 million in the same quarter of fiscal 2012. This principally resulted from a 12.3% decrease in the number of participants and a 2.7% decline in the average revenue per participant when compared to the same quarter of the prior fiscal year.

Overall, during our fourth quarter of fiscal 2013, we trained a total of 16,784 course participants, compared to 19,131 course participants in our same quarter last year. Compared to the fourth quarter of fiscal 2012, during our fourth quarter of fiscal 2013:

• Attendee-days of IT training decreased by 11.0% to 34,485 from 38,729;

• Attendee-days of management training decreased by 11.0% to 25,019 from 28,112; and
Total attendee-days of training were 59,504, a decrease of 11.0% from 66,841 in the fourth quarter of fiscal 2012.

The decrease in the number of participants was primarily caused by the continued adverse effects of the weak European economies on our operations in that region and by the continuing negative impact of the U.S. Government’s enactment of sequestration. The decrease in average revenue per participant compared to the same quarter of our prior year was the result of more aggressive pricing of our voucher and passport programs resulting in lower revenues realized from participants attending under these programs. Changes in foreign exchange rates reduced revenues 0.9%.

**Fourth Quarter Operations**

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

During our fourth quarter of fiscal 2013, we presented 1,281 events, a 19.6% decrease from the 1,593 events conducted during the same period in fiscal 2012.

**Cost of Revenues.** Cost of revenues was 56.4% of revenues in our fourth quarter of fiscal 2013 compared to 52.9% in our fourth quarter of fiscal 2012, and our gross profit percentage accordingly was 43.6% compared to 47.1% in our prior year. The change in cost of revenues as a percentage of revenues in our fourth quarter of fiscal 2013 primarily reflects the combined effects of a 2.7% reduction in revenue per participant and a 4.6% increase in cost per participant.
The increase in the cost per participant was driven primarily by the apportionment of the fixed costs related to our education centers over a lower participant base, which was partially offset by a 9.1% increase in the number of participants per event, and a 6.2% increase in revenue per event.

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 fourth quarter of fiscal 2013, we reduced our course development expense by $0.6 million to $1.8 million compared to $2.4 million in the same quarter of fiscal 2012. Course development expense was 6.5% of revenues in our fourth quarter of fiscal 2013 compared to 7.5% in the same quarter of fiscal 2012.

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

Our library of instructor-led courses included a total of 183 titles at the end of our fourth quarter of fiscal 2013 compared with 209 titles at the same point a year earlier. At the end of our fourth quarter of fiscal 2013, we had 123 IT titles in our course library, compared with 133 IT titles at the end of our fourth quarter of fiscal 2012. Our library included 60 management titles at the end of our fourth quarter of fiscal 2013, compared to 76 a year earlier.
Sales and Marketing Expense. In our fourth quarter of fiscal 2013 we reduced our sales and marketing expense by $2.7 million to $6.7 million from $9.4 million in the same quarter last year. The reduction was primarily achieved through a $1.5 million decrease in personnel expenses as a result of lower staffing levels and lower severance costs, and a $1.1 million reduction in direct marketing costs.

General and Administrative Expense. G&A expense during our fourth quarter of fiscal 2013 was $5.5 million, a $1.9 million decrease from the $7.4 million spent in our fourth quarter of fiscal 2012. The decrease primarily resulted from $0.6 million in lower costs for professional services, $0.6 million in lower general office expense (mainly for rent and depreciation), and $0.5 million in lower salary and benefit costs as a result of lower staffing levels and lower severance expense.

Loss from Operations. In our fourth quarter of fiscal 2013, we recorded a loss from operations of $2.0 million, or negative 7.2% of revenues, compared to a loss from operations of $4.1 million, or negative 12.9% of revenues, in the same quarter of our fiscal 2012.

Other Income and Expense. In our fourth quarter of fiscal 2013, we had other expense, net of $0.3 million, compared to other expense, net of $0.2 million in the fourth quarter of fiscal 2012.

Pre-Tax Loss. Pre-tax loss in our fourth quarter of fiscal 2013 was $2.3 million compared to a pre-tax loss of $4.4 million in our fourth quarter of fiscal 2012.
**Income Taxes.** Our tax benefit for the fourth quarter of fiscal 2013 was $0.1 million, compared to a provision of $0.5 million in our fourth quarter of fiscal 2012. The tax benefit for the fourth quarter of fiscal 2013 relates to reduced estimates for foreign taxes and US state taxes.

**Net Loss.** Net loss for our fourth quarter was $2.2 million, or negative 8.0% of revenues, compared to a net loss of $4.8 million, or negative 15.1% of revenues in our fourth quarter of fiscal 2012.

**Liquidity and Capital Resources**

During our fiscal year 2013, the total of our cash and available for sale securities decreased by $5.3 million to $26.6 million at September 27, 2013 from $31.9 million at September 28, 2012. This decrease primarily resulted from capital expenditures of $2.5 million, cash used in operations of $2.7 million, and the effects of exchange rate changes on cash and cash equivalents of $0.1 million.

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

**Outlook**

We continue to face a tough revenue environment with sequestration and government shutdowns in the United States and tepid economies in Canada and Europe. Through all of this, we have maintained our efforts to improve our service to our customers and return value to them. We are investing in new ways to reach our customers and to provide them easy access to our courses. We continue to roll out stand-alone AnyWare Learning Centers to new markets enabling us to reach our customers with a better learning experience. We are constantly updating our course material and classroom equipment to ensure our customers experience the best and latest
technologies. We are devoting more resources to electronic delivery methods as we experiment with new technologies and products. These ongoing investments in our products weigh heavily on our bottom line; however we believe that in the long run, the return on these investments will far outweigh the costs.

Now I will discuss our guidance for the first quarter.

**First Quarter Fiscal 2014 Financial Guidance**

**First Quarter Revenues.** For our first quarter of fiscal 2014, we currently expect revenues of between $30.9 million and $32.4 million, compared to revenues of $33.3 million in our first quarter of fiscal 2013.

**First Quarter Gross Profit.** We expect a gross profit percentage in our first quarter of fiscal 2014 of between 45.8% and 46.2% compared to 50.7% in our first quarter of fiscal 2013.

**First Quarter Operating Expenses.** We expect overall operating expenses for our first quarter of fiscal 2014 to be between $14.2 million and $15.0 million, compared to $18.2 million in the same quarter a year earlier.

**First Quarter Income (Loss) from Operations.** As a result of the above factors, we expect to incur first quarter operating results of between a loss of $(0.9) million and income of $0.7 million compared with an operating loss of $(1.4) million in our first quarter of fiscal 2013.

**First Quarter Other Income (Expense), Net.** We expect first quarter other expense, net to be less than $0.1 million.
First Quarter Pre-Tax Income (Loss). Overall, we expect to report pre-tax results for our first quarter of fiscal 2014 of between a loss of $(0.9) million and income of $0.7 million, compared with a pre-tax loss of $(1.4) million in our first quarter of fiscal 2013.

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. This is due to the potential volatility of the effective tax rate as a result of the effect of the valuation allowance.

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 December 1, 2013 remain constant for the remainder of our first quarter of fiscal 2014, we would expect changes in foreign exchange rates to favorably affect revenues by about 0.1% in our first quarter compared to our same quarter of fiscal 2013.

Guidance for Future Periods

While our practice has been to provide guidance for the quarter following the one that we are reporting, at this specific point in time we believe it will be helpful to mention several factors that could affect our financial results in subsequent quarters.

First, I would like to remind everyone that we follow a 52- or 53-week fiscal year. This means that our year-end and quarter-end dates are on the Friday nearest the end of the calendar quarter. This method is used in order to better align our external financial reporting with the way we operate our business. Since all courses have a duration of five days or less, and all courses begin and end within the same calendar week, under the 52- or 53-week fiscal year method all
revenues and related direct costs for each course event are recognized in the week and the fiscal quarter in which the event takes place. Accordingly, our fiscal year 2013 ended on September 27, 2013 and, as with most years, it comprised 52 weeks. However, our fiscal year 2014 will end on October 3, 2014 and will comprise 53 weeks. In addition, the number of weeks in each quarter for fiscal year 2014 will vary. The first quarter of fiscal 2014 will have 14 weeks, the second quarter of fiscal 2014 will have 12 weeks, the third quarter of fiscal 2014 will have 13 weeks, and the fourth quarter of fiscal 2014 will have 14 weeks. The change for the first and second quarters will mainly impact expenses as there is no change in the number of available training weeks as compared to the same quarters in fiscal year 2013 due to the Christmas and New Year holidays. The additional training week for fiscal year 2014 will occur in our fourth quarter. Every quarter of fiscal year 2013 was comprised of 13 weeks.

Second, although our operations in our fourth quarter of fiscal 2013 resulted in a smaller loss than in the comparable quarter of the prior year, and although our forward forecast for our first quarter of fiscal 2014 projects a better result than the $1.4 million loss in the comparable quarter of the prior year, we are still facing a difficult revenue environment. In addition, enrollments for future periods will be adversely impacted by the U.S. Government shutdown in October and from the recent early winter storms which impacted North America.

Third, the January-to-March period is typically our lowest revenue quarter of the year, as advance enrollments for courses in those months always slow down in the weeks leading up to and through the holidays, and because many people simply don’t like to attend classes in the dead of winter.
And finally, on the cost side, as I stated earlier, we continue to invest in our products and services to provide the best instructor led training experience for our customers. These factors will impact our operating results for future quarters.

**Summary**

We continue to monitor the economic indicators for the U.S. and Europe. We are hopeful that the U.S. Government can reach agreement on a multiyear spending bill to end sequestration. We are investing in our business to be ready to capitalize on any uptick in the economy or agreement on a U.S. Budget deal, and we continue to work hard to generate more business and to reduce our costs in order to continue to improve our operating results.

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.