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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **June 29, 2012**

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **0-27248**

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**Learning Tree International, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-3133814**  
(I.R.S. Employer  
Identification No.)

**1805 Library Street**  
**Reston, VA**  
(Address of principal executive offices)

**20190**  
(Zip Code)

**703-709-9119**  
(Registrant's telephone number, including area code)

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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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if 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

The number of shares of common stock, \$.0001 par value, outstanding as of July 23, 2012 was 13,175,225.

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**LEARNING TREE INTERNATIONAL, INC.**

**FORM 10-Q—June 29, 2012**

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**PART I—FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS.**

**LEARNING TREE INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<u>June 29,</u> <u>2012</u> <u>(unaudited)</u>	<u>September 30,</u> <u>2011</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 31,731	\$ 40,293
Available for sale securities	8,473	2,352
Trade accounts receivable, net	15,107	18,220
Income tax receivable	857	219
Prepaid expenses	4,406	3,769
Deferred income taxes	1,161	150
Other current assets	2,143	2,235
Total current assets	<u>63,878</u>	<u>67,238</u>
<b>Equipment, Property and Leasehold Improvements:</b>		
Education and office equipment	37,572	38,006
Transportation equipment	231	240
Property and leasehold improvements	28,212	28,021
	<u>66,015</u>	<u>66,267</u>
Less: accumulated depreciation and amortization	<u>(48,745)</u>	<u>(48,590)</u>
	17,270	17,677
Restricted interest-bearing investments	9,303	9,242
Deferred income taxes	877	7,098
Other assets	830	897
Total assets	<u>\$ 92,158</u>	<u>\$ 102,152</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 10,220	\$ 7,468
Deferred revenues	31,249	34,572
Accrued payroll, benefits and related taxes	4,973	5,060
Other accrued liabilities	3,280	2,900
Income taxes payable	299	471
Current portion of deferred facilities rent and other	1,029	994
Total current liabilities	<u>51,050</u>	<u>51,465</u>
Asset retirement obligations	3,759	3,598
Deferred income taxes	372	296
Deferred facilities rent and other	6,890	6,926
Noncurrent tax liabilities	1,153	2,116
Total liabilities	<u>63,224</u>	<u>64,401</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$.0001 par value; 1,000,000 shares authorized; 0 shares issued and outstanding	0	0
Common Stock, \$.0001 par value; 75,000,000 shares authorized; 13,175,225 and 13,479,409 issued and outstanding, respectively	1	1
Additional paid-in capital	5,725	5,534
Accumulated comprehensive loss	(395)	(217)
Retained earnings	23,603	32,433
Total stockholders' equity	<u>28,934</u>	<u>37,751</u>
Total liabilities and stockholders' equity	<u>\$ 92,158</u>	<u>\$ 102,152</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LEARNING TREE INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
**Unaudited**

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>June 29, 2012</u>	<u>July 1, 2011</u>	<u>June 29, 2012</u>	<u>July 1, 2011</u>
Revenues	\$33,041	\$33,458	\$96,958	\$99,492
Cost of revenues	15,642	15,913	45,834	46,522
Gross profit	17,399	17,545	51,124	52,970
Operating expenses:				
Course development	2,165	1,872	6,356	5,691
Sales and marketing	9,707	7,811	25,577	23,536
General and administrative	7,652	6,901	22,009	21,420
	<u>19,524</u>	<u>16,584</u>	<u>53,942</u>	<u>50,647</u>
Income (loss) from operations	(2,125)	961	(2,818)	2,323
Other income (expense):				
Interest income, net	55	60	178	167
Foreign exchange gains (losses)	255	(28)	(7)	(129)
Other, net	(1)	(6)	(7)	(26)
	<u>309</u>	<u>26</u>	<u>164</u>	<u>12</u>
Income (loss) before provision for income taxes	(1,816)	987	(2,654)	2,335
Provision for income taxes	4,962	342	4,408	723
Net income (loss)	<u>\$ (6,778)</u>	<u>\$ 645</u>	<u>\$ (7,062)</u>	<u>\$ 1,612</u>
Earnings (loss) per share:				
Income (loss) per common share - basic	<u>\$ (0.50)</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>	<u>\$ 0.12</u>
Income (loss) per common share - diluted	<u>\$ (0.50)</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>	<u>\$ 0.12</u>
Weighted average shares outstanding:				
Weighted average shares - basic	<u>13,388</u>	<u>13,479</u>	<u>13,464</u>	<u>13,546</u>
Weighted average shares - diluted	<u>13,388</u>	<u>13,479</u>	<u>13,464</u>	<u>13,563</u>
Comprehensive income (loss):				
Net income (loss)	\$ (6,778)	\$ 645	\$ (7,062)	\$ 1,612
Temporary recovery (impairment) of available for sale securities	4	(2)	6	(7)
Foreign currency translation adjustments	(443)	127	(184)	440
Comprehensive income (loss)	<u>\$ (7,217)</u>	<u>\$ 770</u>	<u>\$ (7,240)</u>	<u>\$ 2,045</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LEARNING TREE INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
**Unaudited**

	Nine months ended	
	June 29, 2012	July 1, 2011
Cash flows - operating activities		
Net (Loss) Income	\$ (7,062)	\$ 1,612
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	3,222	3,486
Share based compensation	191	436
Deferred income taxes	5,267	167
Provision for doubtful accounts	49	55
Accretion on asset retirement obligations	151	142
Gain on settlement of asset retirement obligation	0	(103)
Losses on disposal of equipment and leasehold improvements	7	13
Unrealized foreign exchange (gains) losses	(13)	45
Changes in operating assets and liabilities:		
Trade accounts receivable	2,890	456
Asset retirement obligations	0	279
Prepaid marketing expenses	20	144
Prepaid expenses and other assets	(149)	287
Income tax receivable / payable	(1,866)	(1,112)
Trade accounts payable	2,823	290
Deferred revenues	(3,367)	(1,324)
Deferred facilities rent and other	(2)	145
Other accrued liabilities	429	610
Net cash provided by operating activities	<u>2,590</u>	<u>5,628</u>
Cash flows - investing activities:		
Purchases of available for sale securities	(24,669)	(26,590)
Sales of available for sale securities	18,311	26,344
Purchases of equipment, property and leasehold improvements	(2,819)	(4,965)
Proceeds from sale of equipment, property and leasehold improvements	0	7
Net cash used in investing activities	<u>(9,177)</u>	<u>(5,204)</u>
Cash flows - financing activities:		
Payments to repurchase common stock	(1,678)	(428)
Dividends paid	(33)	(39)
Shares surrendered in lieu of tax withholding	(57)	0
Net cash used in financing activities	<u>(1,768)</u>	<u>(467)</u>
Effects of exchange rate changes on cash and cash equivalents	(207)	690
Net (decrease) increase in cash and cash equivalents	(8,562)	647
Cash and cash equivalents at beginning of period	40,293	34,449
Cash and cash equivalents at end of period	<u>\$ 31,731</u>	<u>\$ 35,096</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LEARNING TREE INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(tables in thousands, except per share data)**  
**Unaudited**

**NOTE 1—BASIS OF PRESENTATION**

The accompanying unaudited interim condensed consolidated financial statements of Learning Tree International, Inc. and our subsidiaries have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and, therefore, omit or condense certain note disclosures and other information required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should therefore be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended September 30, 2011 included in our Annual Report on Form 10-K.

We use the 52/53-week fiscal year method to better align our external financial reporting with the way we operate our business. Under this method, each fiscal quarter ends on the Friday closest to the end of the calendar quarter. Accordingly, the third quarter of the current fiscal year ended on June 29, 2012, while the third quarter of our prior fiscal year ended on July 1, 2011.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, that are only of a normal recurring nature, considered necessary to present fairly our financial position as of June 29, 2012, and our results of operations for the three months and nine months ended June 29, 2012 and July 1, 2011, and our cash flows for the nine months ended June 29, 2012 and July 1, 2011.

**NOTE 2—STOCK-BASED COMPENSATION**

Stock-based compensation expense of less than \$0.1 million and \$0.2 million related to grants of employee stock options and restricted stock units was included in operating expenses during the three months and nine months ended June 29, 2012, and was charged in a manner consistent with the related employee salary costs. This compares to stock-based compensation expense of \$0.2 million and \$0.4 million for grants of employee stock options, restricted stock and restricted stock units for the three months and nine months ended July 1, 2011.

**NOTE 3—ASSET RETIREMENT OBLIGATIONS**

The following table presents the activity for the asset retirement obligations (“ARO”) liabilities, which are primarily related to the restoration of classroom facilities in our Learning Tree Education Centers:

	Nine months ended June 29, 2012	Year ended September 30, 2011
ARO balance, beginning of period	\$ 3,598	\$ 3,291
Accretion expense	151	191
Liabilities incurred	0	279
Gain on settlement of ARO liability	0	(103)
Foreign currency translation	10	(60)
ARO balance, end of period	<u>\$ 3,759</u>	<u>\$ 3,598</u>

#### NOTE 4—EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding (which excludes unvested shares of our common stock granted under our 2007 Equity Incentive Plan) during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include common stock equivalents, to the extent their effect is dilutive. Approximately 138,000 restricted stock units and stock options were excluded from the computations of diluted earnings (loss) per share for the three and nine months ended June 29, 2012, because their effect would have been anti-dilutive. Approximately 262,000 stock options and restricted stock units were excluded from the computations of diluted earnings (loss) per share for the three months ended July 1, 2011 and approximately 246,000 stock options and restricted stock units for the nine months ended July 1, 2011, because their effect would have been anti-dilutive. The computations for basic and diluted earnings per share are as follows:

	Three months ended		Nine months ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
<b>Numerator:</b>				
Net income (loss)	\$ (6,778)	\$ 645	\$ (7,062)	\$ 1,612
<b>Denominator:</b>				
Weighted average shares outstanding				
Basic	13,388	13,479	13,464	13,546
Effect of dilutive securities	0	0	0	17
Diluted	<u>13,388</u>	<u>13,479</u>	<u>13,464</u>	<u>13,563</u>
Income (loss) per common share - basic	<u>\$ (0.50)</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>	<u>\$ 0.12</u>
Income (loss) per common share - diluted	<u>\$ (0.50)</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>	<u>\$ 0.12</u>

#### NOTE 5—INCOME TAXES

The high tax provision in fiscal year 2012 is primarily due to the establishment during the current period of a valuation allowance against deferred tax assets in the U.S. Specific management judgment is required in determining whether it has become more likely than not that all or some portion of deferred tax assets, such as net operating losses or foreign tax credit carryforwards, will not be realized. When such a judgment is reached, a valuation allowance must be established for the amount of the deferred tax assets that are not expected to be realized. In reaching this conclusion, management assessed a wide range of both positive and negative evidence, including historical financial performance as well as projected future financial performance.

The income tax provision for the first nine months of fiscal year 2012 reflects a (166.1)% effective tax rate.

The income tax provision for the first nine months of fiscal year 2011 reflected a 31.0% effective tax rate.

#### NOTE 6—COMMITMENTS AND CONTINGENCIES

##### *Contingencies*

Currently, and from time to time, we are involved in litigation incidental to the conduct of our business. We are not a party to any lawsuit or proceeding that, in the opinion of management, is likely to have a material adverse effect on our consolidated financial position or results of operations.

#### NOTE 7—SEGMENT REPORTING

Our worldwide operations involve the design and delivery of instructor-led classroom training courses and related services to multinational companies and government entities. The training and education we offer is presented in an identical manner in every country in which we operate. Our instructors present our courses in a virtually identical fashion worldwide, regardless of whether presented in leased classroom space or external facilities, the content of the class being taught or the location or method of distribution. We did not have sales to any single customer that amounted to 10% or more of our revenues in the first nine months of fiscal year 2012 and the first nine months of fiscal year 2011.

We conduct and manage our business globally and have reportable segments that operate in six countries: the United States, Canada, the United Kingdom, France, Sweden and Japan.

Summarized financial information by country for the first nine months of fiscal year 2012 and 2011 is as follows:

	Three months ended		Nine months ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
<b>Revenues:</b>				
United States	\$18,044	\$ 16,890	\$46,611	\$46,537
Canada	2,464	2,637	10,590	10,965
United Kingdom	7,185	7,564	22,900	23,789
France	2,993	3,671	9,408	10,162
Sweden	1,828	2,265	5,927	6,668
Japan	527	431	1,522	1,371
Total	<u>\$33,041</u>	<u>\$ 33,458</u>	<u>\$96,958</u>	<u>\$99,492</u>
<b>Gross profit:</b>				
United States	\$ 9,705	\$ 8,968	\$23,769	\$23,895
Canada	1,220	1,377	6,246	6,757
United Kingdom	3,360	3,383	11,372	11,317
France	1,550	2,041	4,837	5,768
Sweden	1,185	1,484	3,851	4,312
Japan	379	292	1,049	921
Total	<u>\$17,399</u>	<u>\$ 17,545</u>	<u>\$51,124</u>	<u>\$52,970</u>
<b>Total assets:</b>				
United States	\$45,886	\$ 52,563		
Canada	4,638	5,795		
United Kingdom	25,758	25,822		
France	8,157	9,842		
Sweden	5,773	6,621		
Japan	1,946	1,772		
Total	<u>\$92,158</u>	<u>\$102,415</u>		

#### NOTE 8—AVAILABLE FOR SALE SECURITIES

Securities are classified consistent with how we manage, monitor, and measure them on the basis of the nature and risks of the security. The amortized cost of these securities and their respective fair values are as follows:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>June 29, 2012:</b>				
Commercial Paper	\$ 2,000	\$ 0	\$ 0	\$2,000
Corporate Securities	6,475	0	(2)	6,473
	<u>\$ 8,475</u>	<u>\$ 0</u>	<u>\$ (2)</u>	<u>\$8,473</u>
<b>September 30, 2011:</b>				
Commercial Paper	\$ 0	\$ 0	\$ 0	\$ 0
Corporate Securities	2,363	0	(11)	2,352
	<u>\$ 2,363</u>	<u>\$ 0</u>	<u>\$ (11)</u>	<u>\$2,352</u>

The scheduled maturities of available for sale securities were as follows as of June 29, 2012:

	<u>Fair Value</u>
Due within a year	\$8,473
Due after one year through five years	0
Due after five years through ten years	0
Due after ten years	0
	<u>\$8,473</u>

During the three months ended June 29, 2012, net sales of available for sale securities were \$4.3 million. Net purchases of available for sale securities were \$6.4 million for the nine months ended June 29, 2012. Net sales of available for sale securities were \$4.3 million for the three months ended July 1, 2011 and net purchases were \$0.2 million for the nine months ended July 1, 2011. No realized gains or losses were recognized in either period.

#### **NOTE 9—STOCKHOLDERS' EQUITY**

During the three months and nine months ended June 29, 2012 we repurchased 335,700 shares of our common stock at a total cost of approximately \$1.7 million. During the three months ended July 1, 2011 we did not repurchase any shares of our common stock. During the nine months ended July 1, 2011 we repurchased 47,058 shares of our common stock at a total cost of approximately \$0.4 million.

#### **NOTE 10—FAIR VALUE MEASUREMENTS**

We adopted the provisions of Accounting Standards Codification 820, Fair Value Measurements and Disclosure, ("ASC 820") in the first quarter of fiscal year 2009 for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. The fair value is measured on assumptions that market participants would use, including assumptions about non performance risk and credit risk.

ASC 820 establishes a fair value hierarchy for valuation inputs and prioritizes them based on the extent to which the inputs are observable in the marketplace. Categorization is based on the lowest level of input that is available and significant to the measurement. These levels are:

Level 1—Quoted prices in active markets for identical assets and liabilities.

Level 2—Observable inputs other than quoted prices in active markets, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3—Unobservable inputs that reflect management's assumptions about the estimates and risks that market participants would use in pricing the asset or liability.

### Assets Measured at Fair Value on a Recurring Basis

The following table presents our assets measured at fair value on a recurring basis at June 29, 2012 and September 30, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 29, 2012:</b>			
Commercial Paper	\$2,000	\$ 0	\$ 0
Corporate Securities	6,473	0	0
	<u>\$8,473</u>	<u>\$ 0</u>	<u>\$ 0</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>September 30, 2011:</b>			
Commercial Paper	\$ 0	\$ 0	\$ 0
Corporate Securities	2,352	0	0
	<u>\$2,352</u>	<u>\$ 0</u>	<u>\$ 0</u>

### Level 3 Assets Measured at Fair Value on a Recurring Basis

There are no level 3 assets measured at fair value on a recurring basis as of June 29, 2012 and September 30, 2011.

The following sections describe the valuation methodologies we use to measure different financial assets at fair value:

- **Commercial Paper**—Because of the readily available markets for these instruments, we use quoted prices and other relevant information generated by market transactions involving identical or comparable assets provided by our investment broker/advisor to establish fair values.
- **Corporate Securities**—Because of the readily available markets for these instruments, we use quoted prices and other relevant information generated by market transactions involving identical or comparable assets provided by our investment broker/advisor, as well as our independent research, to establish fair values.

### Non Financial Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure our asset retirement obligations at fair value on a nonrecurring basis, when we believe there has been an indication the fair value has changed. We did not adjust the values of those liabilities during the three months and nine months ended June 29, 2012.

## NOTE 11—DEFERRED FACILITIES RENT AND OTHER

### Deferred Facilities Rent and Other

The following tables show details of the following line items in our consolidated balance sheets.

### Current Portion of Deferred Facilities Rent and Other

	June 29, 2012	September 30, 2011
Deferred rent	\$ 830	\$ 555
Sublease loss accruals	199	439
	<u>\$1,029</u>	<u>\$ 994</u>

*Long Term Portion of Deferred Facilities Rent and Other*

	<u>June 29, 2012</u>	<u>September 30, 2011</u>
Deferred rent	\$5,471	\$ 5,474
Sublease loss accruals	729	814
Other minimum lease payments	690	638
	<u>\$6,890</u>	<u>\$ 6,926</u>

**NOTE 12—RECENT ACCOUNTING PRONOUNCEMENTS**

In December 2011, the Financial Accounting Standards Board (“FASB”) issued guidance updating the June 2011 guidance on the presentation of comprehensive income. The object of this update was to defer only those changes in Accounting Standards Update No. 2011-05 that relate to the presentation of reclassification adjustments. This update is effective for annual reporting periods beginning after December 15, 2011 and interim periods within that fiscal year. The adoption of this guidance will not have a material impact on our financial statements.

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this guidance will not have a material impact on our financial statements.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The adoption of this guidance will not have a material impact on our financial statements.

Other recent accounting pronouncements issued by the FASB (including the Emerging Issues Task Force), the American Institute of Certified Public Accountants and the Securities and Exchange Commission did not, or management believes will not, have a material impact on our present or future consolidated financial statements.

**NOTE 13—SUBSEQUENT EVENTS**

We have evaluated all events subsequent to the balance sheet date of June 29, 2012 through the date the financial statements were filed, and have determined that there are no subsequent events that require disclosure.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis is provided to increase the understanding of, and should be read in conjunction with, our unaudited condensed consolidated financial statements and notes included in this Quarterly Report on Form 10-Q and our consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (our "2011 10-K"). We use the terms "we," "our," and "us" to refer to Learning Tree International, Inc. and our subsidiaries.

### **DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

*This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may," or other similar expressions in this report. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, future operating expenses, future gross profits, earnings or losses, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this report that are not historical facts are also forward-looking statements.*

*We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. We caution investors that any forward-looking statements presented in this report, or that we may make orally or in writing from time to time, are based on our beliefs, assumptions made by us, and information currently available to us. Such statements are based on assumptions, and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control and ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance, and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. We are not undertaking any obligation to update any forward-looking statements. Accordingly, investors should use caution in relying on forward-looking statements, which are based on assumptions and known results and trends at the time they are made, to anticipate future results or trends.*

*Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include those related to the following: risks associated with the timely development, introduction, and customer acceptance of our courses; efficient delivery and scheduling of our courses; technology development and new technology introduction; competition; international operations, including currency fluctuations; attracting and retaining qualified personnel; intellectual property, including having to defend potential infringement claims; changing economic and market conditions; and adverse weather conditions, strikes, acts of war or terrorism and other external events. Please refer to the risk factors under "Item 1A. Risk Factors" beginning on page 12 and elsewhere in our 2011 10-K, as well as in our other filings with the Securities and Exchange Commission.*

*The risks included in our filings are not exhaustive, and additional factors could adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We do not undertake and specifically disclaim any obligation to update such forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements, except as otherwise required by law.*

### **OVERVIEW**

We are a leading worldwide vendor-independent provider to business and government organizations for the training and education of information technology ("IT") professionals and managers. Since our founding in 1974, we have provided high-quality training to over 2 million managers and IT professionals.

We develop our own proprietary courses to be highly interactive, and incorporate extensive hands-on exercises or case study workshops. Our vendor-independent IT courses provide participants an unbiased perspective regarding software and hardware products and the ability to compare and integrate multiple platforms and technologies from various vendors. Our management courses, while addressing core concepts and theories, focus heavily on providing skills, tools and technologies that participants can apply immediately upon returning to their jobs. Based on their sophistication and quality, all our courses are recommended for one to two semester hours of college credit by the American Council on Education. We are also a trusted continuing professional education ("CPE") provider of the International Information Systems Security Certification Consortium (ISC)<sup>2</sup>. In addition, we are on the National Association of State Boards of Accountancy National Registry of CPE sponsors and are a Registered Education Provider of the Project Management Institute.

After assessing market need, most of our courses are translated into French, Swedish and Japanese. We offer our proprietary courses through local operations in the United States, the United Kingdom, France, Canada, Sweden and Japan, and typically generate approximately half of our revenues internationally.

After several years of extensive testing of several hybrid-learning formats and training program structures, in fiscal year 2009, we introduced Learning Tree AnyWare™, our proprietary web-based platform that integrates participants in remote locations into live class events in another location. Attendees, at home or in their offices, can use an ordinary Internet connection to participate in live Learning Tree courses being held in our education centers. AnyWare class participants see and hear their instructor and classmates in real time, and view the instructor's annotations on the two in-class MagnaLearn™ projection screens in real-time. They are able to participate in discussions, ask questions, work in breakout sessions, and complete the same hands-on exercises as their in-class counterparts, all under the guidance of a live, expert instructor. They gain the full benefit of our proprietary courseware, and achieve the same level of knowledge and skill transfer as in-class participants. Customers report that AnyWare is highly different from other forms of e-Learning and significantly more effective in promoting job-related learning.

Our instructors are not full-time employees; rather, they are practicing professionals who apply the same IT and management skills they teach in our classrooms as independent consultants or full-time employees elsewhere when they are not teaching. On average, each expert instructor teaches about 10 courses per year on an "as needed" basis. This ensures that our instructors stay at the forefront of their respective disciplines, and also enables us to structure our business so the majority of course delivery costs are variable. In addition to the delivery of our courses in our state-of-the-art education centers, our infrastructure and logistical capabilities allow us to coordinate, plan and deliver our courses at hotels, conference facilities and customer sites worldwide.

We continue our tradition of excellence by always seeking to improve our core strengths: expert instructors, proprietary content library, state-of-the-art classrooms and worldwide course delivery systems. We believe that quality and customer satisfaction remain the underlying driving forces for our long-term success.

#### ***KEY METRICS OF OUR THIRD QUARTER AND NINE MONTHS OF FISCAL YEAR 2012***

As discussed in more detail throughout our Management's Discussion and Analysis of Financial Condition and Results of Operations,

For the three months ended June 29, 2012:

- Revenues decreased 1.2% to \$33.0 million from \$33.5 million in the same quarter of fiscal year 2011.
- Gross profit increased to 52.7% of revenues from 52.4% of revenues for the same quarter of fiscal year 2011.
- Operating expenses increased by \$2.9 million, largely due to an increase in marketing spending, compared to the same quarter of our prior fiscal year. Operating expenses for the third quarter of fiscal year 2012 were 59.1% of revenues compared to 49.5% of revenues for the same quarter of fiscal year 2011.
- Loss from operations was \$2.1 million compared to income from operations of \$1.0 million in the same quarter of fiscal year 2011.
- During the third quarter we took a charge of \$4.2 million to establish a valuation allowance against the deferred tax assets in the U.S.
- Net loss of \$6.8 million compared to net income of \$0.6 million in our third quarter of fiscal year 2011.

For the nine months ended June 29, 2012:

- Revenues decreased 2.5% to \$97.0 million from \$99.5 million in the same period of fiscal year 2011.
- Gross profit declined to 52.7% of revenues from 53.2% of revenues for the same period of fiscal year 2011.
- Operating expenses increased by \$3.3 million compared to the same period of our prior fiscal year. Operating expenses were 55.6% of revenues compared to 50.9% of revenues for the same period of fiscal year 2011.
- Loss from operations was \$2.8 million compared to income from operations of \$2.3 million in the same period of fiscal year 2011.
- Net loss was \$7.1 million compared to net income of \$1.6 million in our first nine months of fiscal year 2011.
- The sum of cash and cash equivalents and current available for sale securities decreased \$2.4 million to \$40.2 million at June 29, 2012 compared with September 30, 2011.
- Net working capital (current assets minus current liabilities) decreased by \$3.0 million to \$12.8 million at June 29, 2012 compared with \$15.8 million at September 30, 2011.

## RESULTS OF OPERATIONS

The following table summarizes our consolidated statements of operations for the periods indicated, expressed as a percentage of revenues:

	Three months ended		Nine months ended	
	June 29, 2012	July 1, 2011	June 29, 2012	July 1, 2011
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	47.3%	47.6%	47.3%	46.8%
Gross profit	52.7%	52.4%	52.7%	53.2%
Operating expenses:				
Course development	6.5%	5.6%	6.5%	5.7%
Sales and marketing	29.4%	23.3%	26.4%	23.7%
General and administrative	23.2%	20.6%	22.7%	21.5%
Total operating expenses	59.1%	49.5%	55.6%	50.9%
Income (loss) from operations	-6.4%	2.9%	-2.9%	2.3%
Other income (expense), net	0.9%	0.1%	0.2%	0.0%
Income (loss) before taxes	-5.5%	3.0%	-2.7%	2.3%
Income tax provision	15.0%	1.1%	4.6%	0.7%
Net income (loss)	-20.5%	1.9%	-7.3%	1.6%

### THREE AND NINE MONTHS ENDED JUNE 29, 2012 COMPARED WITH THE THREE AND NINE MONTHS ENDED JULY 1, 2011

**Revenues.** Our revenues of \$33.0 million in our third quarter of fiscal year 2012 were 1.2% lower than revenues of \$33.5 million in the same quarter of fiscal year 2011. The decrease in revenues primarily resulted from a 2.2% reduction in average revenue per participant that was partially offset by a 0.9% increase in the number of course participants. The decrease in average revenue per participant compared to the same quarter of our prior year was the cumulative result of several smaller factors including: a 2.8% adverse effect of changes in foreign exchange rates, an experimental program of promotional pricing for new customers in one of our operating units, a favorable shift in mix between higher priced courses at our education centers and courses delivered onsite at client locations and shorter duration for courses delivered at client sites.

During our third quarter of fiscal year 2012, we trained 20,062 course participants, a 0.9% increase from the 19,879 course participants we trained in the third quarter of fiscal year 2011.

During our third quarter of fiscal year 2012, we provided 68,465 attendee-days of training, compared to 68,143 attendee-days in the same quarter in fiscal year 2011. In our IT courses during our third quarter of fiscal year 2012, we provided 40,201 attendee-days of training, a 6.4% increase from the 37,779 attendee-days in the corresponding period in fiscal year 2011. In our management courses during our third quarter of fiscal year 2012, we provided 28,264 attendee-days of training, a 6.9% decrease from the 30,364 attendee-days in the corresponding period in fiscal year 2011.

Our revenues of \$97.0 million during the first nine months of fiscal year 2012 were 2.5% lower than revenues of \$99.5 million in the same period of fiscal year 2011. The decrease in revenues primarily resulted from a 4.2% reduction in average revenue per participant that was partially offset by a 1.5% increase in the number of course participants. The decrease in average revenue per participant compared to the same period of our prior year was the cumulative result of several smaller factors including: a 1.4% adverse effect of changes in foreign exchange rates; an experimental program of promotional pricing for new customers in one of our operating units; shorter duration for courses delivered at client sites and a reduction in average price across most product lines.

During the first nine months of fiscal year 2012, we trained 57,699 course participants, a 1.5% increase from the 56,853 course participants we trained in the first nine months of fiscal year 2011.

During the first nine months of fiscal year 2012, we provided 198,899 attendee-days of training, compared to 199,472 attendee-days in the same period in fiscal year 2011. In our IT courses during our first nine months of fiscal year 2012, we provided 116,200 attendee-days of training, a 1.0% increase from the 115,068 attendee-days in the corresponding period in fiscal year 2011. In our management courses during our first nine months of fiscal year 2012, we provided 82,699 attendee-days of training, a 2.0% decrease from the 84,404 attendee-days in the corresponding period in fiscal year 2011.

**Cost of Revenues.** Our cost of revenues primarily includes the costs of course instructors and their travel expenses, course materials, classroom facilities, equipment, freight and refreshments.

During our third quarter of fiscal year 2012, we presented 1,671 events, a 4.4% increase from 1,601 events during the same period in fiscal year 2011. Our cost of revenues for our third quarter of fiscal year 2012 was \$15.6 million, or 47.3% of revenues, compared to \$15.9 million, or 47.6% of revenues, in the same period in fiscal year 2011. Accordingly, our gross profit percentage for the third quarter of fiscal year 2012 was 52.7% compared to 52.4% in the same period of the prior fiscal year.

The change in cost of revenues as a percentage of revenues in our third quarter of fiscal year 2012 primarily reflects a reduction of 2.2% in revenue per participant while cost per participant decreased 2.6%. 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.

During the first nine months of fiscal year 2012, we presented 4,845 events, a 5.3% increase from 4,599 events during the same period in fiscal year 2011. Our cost of revenues for the first nine months of fiscal year 2012 was \$45.8 million, or 47.3% of revenues, compared to \$46.5 million, or 46.8% of revenues, in the same period in fiscal year 2011. Accordingly, our gross profit percentage for the first nine months of fiscal year 2012 was 52.7% compared to 53.2% in the same period of the prior fiscal year.

The change in cost of revenues as a percentage of revenues during the first nine months of fiscal year 2012 primarily reflects a reduction of 4.2% in revenue per participant while cost per participant decreased proportionately less at 2.9%.

**Course Development Expenses.** Costs incurred to develop new courses and update our existing courses are expensed when incurred and are included in course development expenses. These costs are principally for internal product development staff and for subject matter experts.

During our third quarter of fiscal year 2012 course development expenses were 6.5% of revenues, compared to 5.6% in the same quarter of fiscal year 2011. Overall spending on course development in our third quarter of fiscal year 2012 was \$2.2 million, a 15.7% increase from the \$1.9 million spent on course development in our third quarter of fiscal year 2011. The increase in expense reflects an increase in activities associated with new course development and existing course revisions compared to the same quarter of the prior year.

Course development expense during the first nine months of fiscal year 2012 was \$6.4 million, an increase of \$0.7 million compared to \$5.7 million in the same period of fiscal year 2011. The increase in expense reflects an increase in activities associated with new course development and existing course revisions compared to the same quarter of the prior year.

In our third quarter of fiscal year 2012, we introduced six new IT course titles and three new management course titles and retired three management course titles and five IT course titles. At the end of our third quarter of fiscal year 2012, our library of instructor-led courses numbered 216 titles compared with 219 titles at the end of the same quarter of fiscal year 2011. At the end of our third quarter of this fiscal year, we had 133 IT titles in our course library, compared with 138 titles at the end of the same quarter of fiscal year 2011. Our library of management titles numbered 83 at the end of our third quarter of fiscal year 2012, compared to 81 at the end of the same quarter of fiscal year 2011.

**Sales and Marketing Expenses.** Sales and marketing expenses include the costs of designing, producing and distributing direct mail and media advertisements; distributing marketing e-mails; maintaining and further developing our website; compensation and travel for sales and marketing personnel; and information systems to support these activities.

Sales and marketing expense in our third quarter of fiscal year 2012 was 29.4% of revenues, compared to 23.3% in the same quarter of fiscal year 2011. Sales and marketing expense was \$9.7 million in our third quarter of fiscal year 2012, compared to \$7.8 million during our third quarter of fiscal year 2011. The net increase of \$1.9 million resulted from increases in direct marketing and sales force expenditures.

Sales and marketing expense during the first nine months of fiscal year 2012 was \$25.6 million, an increase of \$2.1 million compared to \$23.5 million in the same period of fiscal year 2011. The net increase was due primarily to increases in direct marketing and sales force expenditures of \$2.6 million offset by a decrease in severance expense of \$0.3 million and professional service fees of \$0.2 million.

**General and Administrative Expenses.** General and administrative expense in our third quarter of fiscal year 2012 was 23.2% of revenues, compared with 20.6% for the same quarter in fiscal year 2011. General and administrative expense during our third quarter of fiscal year 2012 was \$7.7 million, an increase of \$0.8 million compared to \$6.9 million in our third quarter of fiscal year 2011. The net increase was due primarily to an increase in severance expense of \$1.0 million offset by decreases in legal fees of \$0.2 million.

General and administrative expense during the first nine months of fiscal year 2012 was \$22.0 million, an increase of \$0.6 million compared to \$21.4 million in the same period of fiscal year 2011. The net increase was due primarily to net increases in severance expense of \$1.4 million, reductions in incentive compensation of \$0.3 million, reductions in stock compensation expense of \$0.2 million and reductions of \$0.3 million across all other expenses.

**Other Income (Expense), Net.** Other income (expense), net consists primarily of interest income and foreign currency transaction gains and losses.

During our third quarter of fiscal year 2012, other income increased \$0.3 million primarily due to unrealized gains in our U.S. Dollar denominated accounts in our foreign subsidiaries.

During our first nine months of fiscal year 2012 other income, net totaled \$0.2 million compared to less than \$0.1 million in the first nine months of fiscal year 2011. This difference was primarily due to a decrease in unrealized losses in our U.S. Dollar denominated accounts in our foreign subsidiaries.

**Income Taxes.** Our income tax provision in our third quarter of fiscal year 2012 was an expense of \$5.0 million compared to a provision of \$0.3 million in our third quarter of fiscal year 2011.

The high income tax provision in fiscal year 2012 is primarily due to the establishment during the current period of a valuation allowance against deferred tax assets in the U.S. Specific management judgment is required in determining whether it has become more likely than not that all or some portion of deferred tax assets, such as net operating losses or foreign tax credit carryforwards, will not be realized. When such a judgment is reached, a valuation allowance must be established for the amount of the deferred tax assets that are not expected to be realized. In reaching this conclusion, management assessed a wide range of both positive and negative evidence, including historical financial performance as well as projected future financial performance.

The income tax provision for the first nine months of fiscal year 2012 reflects a (166.1)% effective tax rate. Our effective tax rate for the fiscal year 2012 full year is estimated at (65.1)% taking into consideration all permanent differences.

The income tax provision for the first nine months of fiscal year 2011 reflected a 31.0% effective tax rate.

**Net (Loss) Income.** Our net loss for our third quarter of fiscal year 2012 was \$6.8 million compared to net income of \$0.6 million for our third quarter of fiscal year 2011.

Our net loss for the first nine months of fiscal year 2012 was \$7.1 million compared to net income of \$1.6 million for our first nine months of fiscal year 2011.

**Effects of Foreign Exchange Rates.** Although our consolidated financial statements are stated in U.S. dollars, all of our subsidiaries outside of the U.S. have functional currencies other than the U.S. dollar. Gains and losses arising from the translation of the balance sheets of our subsidiaries from the functional currencies to U.S. dollars are reported as adjustments to stockholders' equity. Fluctuations in exchange rates may also have an effect on our results of operations. Since both revenues and expenses are generally denominated in our subsidiaries' local currency, changes in exchange rates that have an adverse effect on our foreign revenues are partially offset by a favorable effect on our foreign expenses. The impact of future exchange rates on our results of operations cannot be accurately predicted. To date, we have not sought to hedge the risks associated with fluctuations in exchange rates, and therefore we continue to be subject to such risks. Even if we undertake such hedging transactions in the future, there can be no assurance that any hedging techniques we implement would be successful in eliminating or reducing the effects of currency fluctuations. See Item 1A "Risk Factors" in our 2011 10-K.

### ***FLUCTUATIONS IN QUARTERLY RESULTS***

Our quarterly results are affected by many factors, including the number of weeks during which courses can be conducted in a quarter, the nature and extent of our marketing, the timing of the introduction of new courses, competitive forces within the markets we serve, the mix of our course events between IT and management and customer site or education center venues, and currency fluctuations.

### ***LIQUIDITY AND CAPITAL RESOURCES***

Our primary sources of liquidity at June 29, 2012 include cash and cash equivalents on hand of \$31.7 million. During the first nine months of fiscal year 2012, our total cash and cash equivalents decreased by \$8.6 million, primarily as a result of net purchases of available for sale securities of \$6.4 million, repurchases of common stock of \$1.7 million and capital expenditures of \$2.8 million; offset by cash provided by operations of \$2.6 million.

At June 29, 2012 our net working capital (current assets minus current liabilities) was \$12.8 million, a \$3.0 million decrease from our working capital balance at September 30, 2011. Current assets decreased \$3.4 million due primarily to a decrease in accounts receivable of \$3.1 million and a decrease of \$2.4 million in cash and available for sale securities, offset by an increase of \$2.2 million in prepaid expenses and other assets. Current liabilities remained constant from September 30, 2011.

**Cash Flows.** Our cash and cash equivalents decreased \$8.6 million to \$31.7 million at June 29, 2012 from \$40.3 million at September 30, 2011 (table in thousands).

	<u>Nine months ended</u>		<u>Net Change</u>
	<u>June 29, 2012</u>	<u>July 1, 2011</u>	
Cash provided by operating activities	\$ 2,590	\$ 5,628	\$(3,038)
Cash used in investing activities	(9,177)	(5,204)	(3,973)
Cash used in financing activities	(1,768)	(467)	(1,301)
Effects of exchange rate changes on cash and cash equivalents	(207)	690	(897)
Net (decrease) increase in cash and cash equivalents	<u>\$(8,562)</u>	<u>\$ 647</u>	<u>\$(9,209)</u>

Cash provided by operating activities decreased \$3.0 million in the first nine months of fiscal year 2012 primarily due to net losses, decreases in deferred revenues and increases in prepaid expenses and other assets, offset by decreases in accounts receivable and increases in accounts payable and other liabilities. Cash used in investing activities increased by \$4.0 million in the first nine months of fiscal year 2012, due primarily to an increase in net purchases of available for sale securities of \$6.1 million offset by a decrease in the purchases of equipment and other capital assets of \$2.1 million. Cash used in financing activities increased \$1.3 million due to repurchases of our common stock.

**Repurchase of our Common Stock.** On May 8, 2012, we announced that our Board of Directors amended the Company's share repurchase program to authorize an additional \$4,500,000 for the repurchase of the Company's common stock, par value \$0.0001 per share ("Common Stock"). The increase of \$4,500,000 equated to approximately 5.9% of the Company's issued and outstanding shares of Common Stock based upon the \$5.60 closing price of the Common Stock on May 7, 2012. Following the amendment to the program, there was \$4,571,585 available for share repurchase under the program. Under the share repurchase program, the Company may acquire shares of its common stock in the open market or in any private transaction, from time-to-time and in accordance with applicable laws, rules and regulations, but has no commitment to do so.

During the three months and nine months ended June 29, 2012 we repurchased 335,700 shares of our common stock at a total cost of approximately \$1.7 million.

**Liquidity.** We have no outstanding debt or line of credit agreements. We anticipate we will continue to rely primarily on our balance of cash and cash equivalents on hand, available for sale securities and cash flows from operations to finance our operating cash needs. We believe that such funds will be sufficient to satisfy our anticipated cash requirements for the foreseeable future.

**Capital Requirements.** During the nine months ended June 29, 2012, we made capital expenditures of \$2.8 million for the purchase of furniture and computer equipment worldwide. We plan to purchase an additional \$4.7 million in equipment and other capital assets during the remainder of fiscal year 2012. This includes approximately \$3.9 million to upgrade the computer equipment used in our classrooms. Our contractual obligations as of June 29, 2012 are consistent in material respects with our fiscal year-end disclosure in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Requirements" of our 2011 10-K.

We have a number of operating leases for our administrative offices and education center classroom facilities located worldwide. These leases expire at various dates over the next 9 years. In addition to requiring monthly payments for rent, some of the leases contain asset retirement provisions whereby we are required to return the leased facility back to a specified condition at the expiration of the lease.

### ***CRITICAL ACCOUNTING ESTIMATES AND POLICIES***

Management's discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements. The preparation of these financial statements is based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and notes. We believe some of the more critical estimates and policies that affect our financial condition and results of operations are in the areas of revenue recognition, operating leases, asset retirement obligations, stock-based compensation and income taxes. For more information regarding our critical accounting estimates and policies, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Policies" of our 2011 10-K. We have discussed the application of these critical accounting policies and estimates with the Audit Committee of our Board of Directors.

### ***FUTURE OUTLOOK***

As we stated in our second quarter Form 10-Q, we began taking initial steps intended to identify and test opportunities to produce revenue growth.

We expect for the next several quarters:

- To make significant investments in direct marketing and sales force productivity in order to attempt to achieve growth in the number of our attendees.
- To focus our course development efforts on the greatest needs of our customers.
- To adjust our course scheduling to better match demand.
- To invest in our infrastructure and course equipment to enhance the already high level of course quality we provide to our attendees.

We have already begun to increase our expenditures on direct marketing in order to increase the penetration of the thousands of corporate and government clients we already serve, and to gain business from new clients through a combination of direct mail and electronic marketing. We also intend to invest in systems, personnel and training to increase the productivity of our sales force.

In focusing on our course development process, we intend to develop those courses most in demand by our customers rather than to develop a fixed number of courses per quarter or per year.

Due to the lead times in our business, we would only expect to begin to see positive impacts on revenue growth after several more quarters.

We believe that we have enjoyed the benefits of long-term customer loyalty as a direct result of the extraordinarily high levels of customer satisfaction with every aspect of our service: from the interactions with our sales and customer service staff before a course, to the training itself, to our post-course follow-up. We intend to further enhance the quality of our customer services by investing in new hands-on equipment for use by our course participants and by making further improvements to our course development, maintenance and support processes.

Because we expect that any revenue growth from these changes may take time to appear, we anticipate that these investments will result in operating losses for the Company for several quarters.

**Effect of Exchange Rates.** Approximately half of our business annually is conducted in currencies other than U.S. dollars and fluctuations in exchange rates will affect future revenues and expenses when translated into U.S. dollars. If the exchange rates of July 23, 2012 remain constant for the remainder of our fourth quarter we would expect changes in foreign exchange rates to reduce revenues by about 2.4% in our fourth quarter of fiscal year 2012 compared to our same quarter of fiscal year 2011.

**Fourth Quarter Revenues.** We currently expect revenues for our fourth quarter of fiscal year 2012 of between \$30.5 million and \$32.0 million, compared to revenues of \$34.3 million in our fourth quarter of fiscal year 2011.

**Fourth Quarter Gross Profit.** We expect a gross profit percentage in our fourth quarter of fiscal year 2012 of between 48.0% and 49.5% compared to 55.9% in our fourth quarter of fiscal year 2011.

**Fourth Quarter Operating Expenses.** We expect overall operating expenses for our fourth quarter of fiscal year 2012 to be between \$20.0 million and \$20.5 million, compared to \$16.2 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 \$4.2 million and \$5.9 million compared with operating income of \$2.9 million in our fourth quarter of fiscal year 2011.

**Fourth Quarter Interest Income.** We expect fourth quarter interest income 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 year 2012 of between \$4.1 million and \$5.8 million, compared with pre-tax income of \$3.0 million in our fourth quarter of fiscal year 2011.

**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 establishment of a valuation allowance.

**Capital Expenditures.** We plan to purchase an additional \$4.7 million in equipment and other capital assets during the remainder of fiscal year 2012. This includes approximately \$3.9 million to upgrade the computer equipment used in our classrooms.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are exposed to market risk from changes in interest rates and foreign currency exchange rates, which risks are described in our 2011 Annual Report on Form 10-K. As of the date of this report, there have been no material changes to the market risks described in our 2011 Annual Report on Form 10-K. Additionally, we do not anticipate any near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures.

**Item 4. CONTROLS AND PROCEDURES.**

*Disclosure Controls and Procedures*

As of the end of the period covered by this report, management performed an evaluation, with the participation of our Chief Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective.

*Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that we believe have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS.

As of June 29, 2012, other than routine legal proceedings and claims incidental to our business, we are not involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our financial condition or results of operations.

### Item 1A. RISK FACTORS.

We do not believe that there are any material changes from the risk factors set forth in Part I, Item 1A, “Risk Factors,” of our 2011 10-K. Please refer to that section of our 2011 10-K for disclosure regarding the risks and uncertainties related to our business.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The table below shows the repurchases by us of our common stock during the fiscal quarter ended June 29, 2012:

<u>Period</u>	<u>Total Number of Shares Purchased (1)(2)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of shares purchased as part of our share repurchase program (1)(3)</u>	<u>Approximate dollar value of shares that may yet be purchased under our share repurchase program (4)</u>
March 31, 2012 - April 30, 2012	0	\$ —	0	\$ 71,585
May 1, 2012 - May 31, 2012	249,500	\$ 5.17	249,500	\$ 3,281,630
June 1, 2012 - June 29, 2012	86,200	\$ 4.51	86,200	\$ 2,893,282
Total	335,700	\$ 5.00	335,700	\$ 2,893,282

- (1) Information is presented on a fiscal calendar basis, consistent with our quarterly financial reporting.
- (2) This category includes 335,700 shares repurchased pursuant to our share repurchase program, an amendment to which was announced on May 8, 2012. All of these shares were repurchased other than through a publicly announced plan or program, in open-market transactions, pursuant to an authorization from our board of directors.
- (3) This balance represents the number of shares that were repurchased through our share repurchase program.
- (4) Our Company’s stock repurchase program authorizes the purchase and retention of up to \$35 million of our common stock, par value \$0.0001 per share. The share repurchase program has no expiration date and currently is in effect. No determination has been made to terminate the plan or to cease making purchases. We held no shares in treasury as of June 29, 2012.

### Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### Item 4. MINE SAFETY DISCLOSURES.

Not Applicable.

### Item 5. OTHER INFORMATION.

None.

**Item 6. EXHIBITS.**

<u>Exhibit No.</u>	<u>Document Description</u>	<u>Incorporation by Reference</u>
3.1	Restated Certificate of Incorporation, filed October 6, 1995, as amended by Certificate of Amendment filed June 6, 1997, Certificate of Amendment filed January 24, 2002, and Certificate of Amendment filed June 19, 2007.	Incorporated by reference from Registrants's Annual Report on Form 10-K for the fiscal year ended October 2, 2009.
3.4	Bylaws of Registrant, adopted August 29, 1995, as amended through November 8, 2006.	Incorporated by reference from Registrants's Annual Report on Form 10-K for the fiscal year ended September 29, 2006.
4.1	Form of Common Stock Certificate.	Incorporated by reference from Registrants's Annual Report on Form 10-K for the fiscal year ended October 2, 2009.
10.1*	Employment Agreement, dated January 26, 2012, between Registrant and Max Shevitz.	Incorporated by reference from Registrant's Current Report on Form 8-K filed February 1, 2012.
10.2*	Employment Agreement, dated February 1, 2012, between Registrant and David C. Collins.	Incorporated by reference from Registrant's Current Report on Form 8-K filed February 1, 2012.
31.1	Section 302 Certification of Chief Executive Officer.	Filed herewith.
31.2	Section 302 Certification of Principal Financial Officer.	Filed herewith.
32.1	Section 906 Certification of Chief Executive Officer.	Filed herewith.
32.2	Section 906 Certification of Principal Financial Officer.	Filed herewith.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.

\* This exhibit is a management contract, compensatory plan or arrangement.

## 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.

August 7, 2012

LEARNING TREE INTERNATIONAL, INC.

By: /s/ David C. Collins, Ph.D.

David C. Collins, Ph.D.

Chief Executive Officer

By: /s/ Jamie G. Donelan

Jamie G. Donelan

Principal Financial Officer

## EXHIBIT INDEX

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\* This exhibit is a management contract, compensatory plan or arrangement.

**WRITTEN CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, David C. Collins, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Learning Tree International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2012

By: /s/ David C. Collins, Ph.D.

David C. Collins, Ph.D.

Chief Executive Officer

## WRITTEN CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jamie G. Donelan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Learning Tree International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2012

By: /s/ Jamie G. Donelan  
Jamie G. Donelan  
Principal Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David C. Collins, Ph.D., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report of Learning Tree International, Inc. on Form 10-Q for the quarter ended June 29, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Learning Tree International, Inc.

August 7, 2012

By: /s/ David C. Collins, Ph.D.

David C. Collins, Ph.D.

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Learning Tree International, Inc. and will be retained by Learning Tree International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jamie G. Donelan, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the quarterly report of Learning Tree International, Inc. on Form 10-Q for the quarter ended June 29, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Learning Tree International, Inc.

August 7, 2012

By: /s/ Jamie G. Donelan  
Jamie G. Donelan  
Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to Learning Tree International, Inc. and will be retained by Learning Tree International, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.