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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended February 20, 2004

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number: 000-24049

Charles River Associates Incorporated

(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	**04-2372210** (I.R.S. Employer Identification No.)
200 Clarendon Street, T-33, Boston, MA (Address of principal executive offices)	**02116-5092** (Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No o

As of March 30, 2004 CRA had outstanding 10,160,652 shares of common stock.

Charles River Associates Incorporated

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Charles River Associates Incorporated

Consolidated Statements of Income (unaudited)

(In thousands, except per share data)

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Revenues	$ 38,501	$ 34,785
Costs of services	21,960	21,698
Gross profit	16,541	13,087
Selling, general and administrative expenses	11,639	9,261
Income from operations	4,902	3,826
Interest and other income (expense), net	(201)	(6)
Income before provision for income taxes and minority interest	4,701	3,820
Provision for income taxes	(2,021)	(1,572)
Income before minority interest	2,680	2,248
Minority interest	(107)	(41)
Net income	$ 2,573	$ 2,207
Net income per share:		
Basic	$ 0.25	$ 0.24
Diluted	$ 0.24	$ 0.24
Weighted average number of shares outstanding:		
Basic	10,183	9,011
Diluted	10,734	9,165

See accompanying notes.

Charles River Associates Incorporated

Consolidated Balance Sheets

(In thousands, except share data)

	February 20, 2004	November 29, 2003
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 60,843	$ 60,497
Short-term investments	32	32

Accounts receivable, net of allowances of $1,742 in 2004 and $1,606 in 2003 for doubtful accounts	31,040	31,942
Unbilled services	20,814	17,552
Prepaid expenses and other assets	1,903	3,152
Deferred income taxes	5,542	5,510
Total current assets	120,174	118,685
Property and equipment, net	12,861	12,703
Goodwill	24,750	24,750
Intangible assets, net of accumulated amortization of $1,451 in 2004 and $1,366 in 2003	1,072	1,157
Long-term investments	5,047	5,154
Other assets	1,776	1,767
Total assets	$ 165,680	$ 164,216
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 8,624	$ 9,590
Accrued expenses	25,812	27,508
Deferred revenue and other liabilities	1,774	1,597
Current portion of notes payable to former stockholders	1,079	1,038
Total current liabilities	37,289	39,733
Notes payable to former stockholders, net of current portion	1,571	1,571
Deferred rent	2,098	1,839
Deferred income taxes	1,259	1,192
Minority interest	1,957	1,850
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Common stock, no par value; 25,000,000 shares authorized; 10,195,475 shares in 2004 and 10,176,777 in 2003 issued and outstanding	73,111	72,792
Receivable from stockholder	(4,500)	(4,500)
Deferred compensation	(24)	(40)
Retained earnings	51,219	48,646
Foreign currency translation	1,700	1,133
Total stockholders' equity	121,506	118,031
Total liabilities and stockholders' equity	$ 165,680	$ 164,216

See accompanying notes.

Charles River Associates Incorporated

Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Operating activities:		
Net income	$ 2,573	$ 2,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	611	730
Deferred rent	256	740
Deferred income taxes	(4)	—
Minority interest	107	42
Changes in operating assets and liabilities:		
Accounts receivable	1,326	(3,151)
Unbilled services	(3,068)	793
Prepaid expenses and other assets	1,343	382
Accounts payable, accrued expenses, and other liabilities	(2,852)	3,891

Net cash provided by operating activities	292	5,634
Investing activities:		
Purchase of property and equipment	(268)	(1,169)
Sale of investments, net	107	831
Net cash used in investing activities	(161)	(338)
Financing activities:		
Payments on notes payable, net	—	(666)
Issuance of common stock upon exercise of stock options	238	—
Net cash provided by (used in) financing activities	238	(666)
Effect of foreign exchange rates on cash and cash equivalents	(23)	80
Net increase in cash and cash equivalents	346	4,710
Cash and cash equivalents at beginning of period	60,497	18,846
Cash and cash equivalents at end of period	$ 60,843	$ 23,556
Supplemental cash flow information:		
Cash paid for income taxes	$ 611	$ 359

See accompanying notes.

Charles River Associates Incorporated

Notes to Consolidated Financial Statements

(Unaudited)

1. Description of Business

Charles River Associates Incorporated ("CRA") is an economic, financial, and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers two types of services: legal and regulatory consulting and business consulting. CRA operates in only one business segment, which is consulting services.

2. Unaudited Interim Consolidated Financial Statements and Estimates

The consolidated statements of income for the twelve weeks ended February 20, 2004 and February 21, 2003, the consolidated balance sheet as of February 20, 2004, and the consolidated statements of cash flows for the twelve weeks ended February 20, 2004 and February 21, 2003, are unaudited. The November 29, 2003 balance sheet is derived from CRA's audited financial statements included in its Annual Report on Form 10-K as of that date. In the opinion of management, these statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Principles of Consolidation

The consolidated financial statements include the accounts of CRA, its wholly owned subsidiaries, and NeuCo, Inc. ("NeuCo"), a company founded by CRA and an affiliate of Commonwealth Energy Systems in June 1997. As of February 20, 2004, CRA's interest in NeuCo is 59.3 percent. In March 2003, NeuCo repurchased and cancelled shares from a minority interest stockholder, which increased CRA's interest in NeuCo to 59.7 percent from 49.7 percent. This transaction has been recorded as an adjustment of capital. The portion of the results of operations of NeuCo allocable to its other owners is shown as "minority interest" on CRA's statement of income, and that amount, along with the capital contributions to NeuCo of its other owners, is shown as "minority interest" on CRA's balance sheet. All significant intercompany accounts have been eliminated.

4. Fiscal Year

CRA's fiscal year ends on the last Saturday in November, and accordingly, its fiscal year will periodically contain 53 weeks rather than 52 weeks. Both fiscal 2004 and 2003 are 52-week years. In a 52-week year, each of CRA's first, second, and fourth quarters includes twelve weeks, and its third quarter includes sixteen weeks. In a 53-week year, the fourth quarter includes thirteen weeks.

5. Revenue Recognition

Revenues from most engagements are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as a computer services fee based upon hours worked. Some revenues are derived from fixed-price engagements, for which revenue is recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are

labor-related, to the total estimated project costs. Losses are provided for at the earliest date by which they are identified. Revenues also include reimbursements, or expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. These reimbursable expenses included in revenues are as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Reimbursable expenses billed to clients	$ 5,049	$ 5,167

An allowance is provided for any amounts considered uncollectible.

Unbilled services represent revenue recognized by CRA for services performed but not yet billed to the client.

6. Cash Equivalents and Investments

Cash equivalents consist principally of money market funds, commercial paper, bankers' acceptances, and certificates of deposit with maturities when purchased of 90 days or less. Short-term investments generally consist of government bonds with maturities when purchased of more than 90 days but less than one year. Long-term investments, which are intended to be held to maturity, generally consist of government bonds with maturities when purchased of more than one year but less than two years. Held-to-maturity securities are stated at amortized cost, which approximates fair value.

7. Goodwill and Other Intangible Assets

Goodwill represents the cost in excess of fair market value of net assets of acquired businesses. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), which revised the accounting for goodwill and other intangible assets. Specifically, goodwill and intangible assets with indefinite lives are no longer be subject to amortization, but are monitored annually for impairment, or more frequently if there are indicators of impairment. Any impairment would be measured based upon the fair value of the related asset based on the provisions of SFAS No. 142. If CRA determines through the impairment review process that goodwill has been impaired, it would record the impairment charge in its statement of income. There were no impairment losses related to goodwill due to the application of SFAS No. 142 in fiscal 2003, nor were there any indications of impairment in the twelve weeks ended February 20, 2004.

Intangible assets consist principally of costs allocated to non-compete agreements, which are amortized on a straight-line basis over the related terms of the agreements (seven to ten years), and customer relationships, which are amortized on a straight-line basis over five years.

8. Impairment of Long-Lived Assets

CRA reviews the carrying value of its long-lived assets (primarily property and equipment and intangible assets) to assess the recoverability of these assets whenever events indicate that impairment may have occurred. As part of this assessment, CRA reviews the future undiscounted operating cash flows expected to be generated by those assets. If impairment is indicated through this review, the carrying amount of the asset would be reduced to its estimated fair value.

9. Property and Equipment

Property and equipment are recorded at cost. CRA provides for depreciation of equipment using the straight-line method over its estimated useful life, generally three to ten years. Amortization of leasehold improvements is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Expenses for renewals and betterments are capitalized.

10. Net Income per Share

Basic net income per share represents net income divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents outstanding during the period. Weighted average shares used in diluted earnings per share include common stock equivalents arising from stock options using the treasury stock method. Reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Basic weighted average shares outstanding	10,183	9,011
Weighted average equivalent shares	551	154
Diluted weighted average shares outstanding	10,734	9,165

11. Stock-Based Compensation

CRA has elected to follow Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock-based compensation plans rather than the alternative fair value accounting method provided for under SFAS No. 123, "Accounting for Stock-Based Compensation"

(SFAS No. 123), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" (collectively, SFAS No. 148).

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' respective vesting periods. CRA's pro forma information is as follows (in thousands, except for net income per share information):

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Net income—as reported	$ 2,573	$ 2,207
Less stock-based compensation expense determined under fair value method for all stock options, net of related income tax benefit	$ (330)	$ (479)
Net income—pro forma	$ 2,243	$ 1,728
Basic net income per share—as reported	$ 0.25	$ 0.24
Basic net income per share—pro forma	$ 0.22	$ 0.19
Diluted net income per share—as reported	$ 0.24	$ 0.24
Diluted net income per share—pro forma	$ 0.21	$ 0.19

The effect on pro forma net income and net income per share of expensing the fair value of stock options is not necessarily representative of the effects on reported results for future years.

12. Comprehensive Income

Comprehensive income represents net income reported by CRA in the accompanying consolidated statements of income adjusted for changes in CRA's foreign currency translation account. A reconciliation is as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Net income	$ 2,573	$ 2,207
Change in foreign currency translation	567	314
Comprehensive income	$ 3,140	$ 2,521

13. Foreign Currency Translation

In accordance with SFAS No. 52, "Foreign Currency Translation," balance sheet accounts of CRA's foreign subsidiaries are translated into United States dollars at period-end exchange rates. Operating accounts are translated at average exchange rates for each reporting period. The net gain or loss resulting from the changes in exchange rates during the twelve weeks ended February 20, 2004 and February 21, 2003 have been reported in comprehensive income. Transaction gains and losses are recorded in interest and other income, net, in the consolidated statements of income.

14. Business Acquisition

On March 18, 2004, CRA announced that it has agreed to acquire privately held InteCap, Inc., a leading intellectual property consulting firm in the United States that specializes in economic, financial, and strategic issues related to intellectual property and complex commercial disputes. Under the terms

of the agreement, CRA will purchase InteCap from InteCap's institutional investor, GTCR Golder Rauner, LLC, members of InteCap's management, and other shareholders for approximately $81.7 million, including an assumed $3.0 million liability. CRA plans to fund the purchase price from existing cash resources and borrowings under its $40.0 million line of credit. The acquisition has been approved by the boards of directors of both companies. The acquisition is expected to close in the second quarter of fiscal 2004, but remains subject to various closing conditions.

15. Accounting Pronouncement

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (as later amended in December 2003, FIN No. 46). FIN No. 46 is an interpretation of ARB No. 51 and addresses consolidation by business enterprises of variable interest entities, or VIEs. This interpretation is based on the theory that an enterprise controlling another entity through interests other than voting interests should consolidate the controlled entity. Business enterprises are required under the provisions of this interpretation to identify VIEs, based on specified characteristics, and then determine whether they should be

consolidated. An enterprise that holds a majority of the variable interests is considered the primary beneficiary and is the enterprise that should consolidate the VIE. The primary beneficiary of a VIE is also required to include various disclosures in its interim and annual financial statements. Additionally, an enterprise that holds a significant variable interest in a VIE, but that is not the primary beneficiary, is also required to make certain disclosures. This interpretation, as amended, is effective for all enterprises with a variable interest in VIEs created after January 31, 2003. For variable interests in a VIE created before February 1, 2003 CRA would be required to apply the provisions of this interpretation to that entity by the end of the first interim or annual reporting period that ends after March 15, 2004. As of February 20, 2004, CRA had no interests in any VIE. CRA does not believe that the adoption of this interpretation will have a material impact on its consolidated financial statements.

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

Forward-Looking Statements

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

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

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

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosure of contingent assets and liabilities. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if our assumptions based on past experience or our other assumptions do not turn out to be substantially accurate.

A summary of the accounting policies that we believe are most critical to understanding and evaluating our financial results is set forth below. This summary should be read in conjunction with our consolidated financial statements and the related notes included in Item 1 of this quarterly report, as well as in our most recently filed annual report on Form 10-K.

Revenue Recognition and Allowance for Doubtful Accounts. We derive substantially all of our revenues from the performance of professional services. The contracts that we enter into and operate under specify whether the engagement will be billed on a time-and-materials or fixed-price basis. Typically, these engagements are of a short, predetermined time frame and generally last three to six months, although some of our engagements can be much longer in duration. Each contract must be approved by one of our vice presidents.

We recognize substantially all of our revenues under written service contracts with our clients. Revenues from time-and-materials service contracts are recognized as the services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as a computer services fee based upon hours worked. Revenues from fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. Project costs are based on the direct salary and associated fringe

benefits of the consultants on the engagement plus all direct expenses incurred to complete the engagement that are not reimbursed by the client. The proportional performance method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and terms set forth in the contract, and are indicative of the level of benefit provided to our clients. Our fixed-price contracts generally include a termination provision that reduces the agreement to a time-and-materials contract in the event of termination of the contract. There are no costs that are deferred and amortized over the contract term. Our financial management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, financial management is updated on the budgeted costs and resources required to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, we have occasionally been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated income or losses on those contracts. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

Revenues also include reimbursements, or expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. These reimbursable expenses included in revenues are as follows (in thousands):

	Twelve Weeks Ended	
	February 20, 2004	February 21, 2003
Reimbursable expenses billed to clients	$ 5,049	$ 5,167

We recognize revenues for services only in those situations where collection from the client is reasonably assured. Our normal payment terms are 30 days from invoice date. For the twelve weeks ended February 20, 2004 and February 21, 2003, our average days sales outstanding for billed and unbilled accounts receivable were 108 days and 103 days, respectively. We calculate DSOs by dividing the sum of our accounts receivable and unbilled services balance, net of deferred revenue, at the end of the quarter by daily revenues. Daily revenues are calculated by dividing quarter revenues by the number of days in a quarter. Our project managers and finance personnel monitor payments from our clients and assess any collection issues. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We base our estimates on our historical collection experience, current trends, credit policy, and relationship of our accounts receivable and revenues. In determining these estimates, we examine historical write-offs of our receivables and review client accounts to identify any specific customer collection issues. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required. Our failure to estimate accurately the losses for doubtful accounts and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, and results of operations. As of February 20, 2004 and November 29, 2003, $1.7 million and $1.6 million, respectively, were provided for doubtful accounts.

Goodwill and Other Intangible Assets. We account for our acquisitions of consolidated companies under the purchase method of accounting pursuant to Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" (SFAS No. 142). Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their expected useful lives. Intangible assets consist principally of non-competition agreements and customer relationships and are generally amortized over five to ten years. Goodwill represents the excess of cost over net assets, including all identifiable intangible assets, of acquired businesses that are consolidated.

In accordance with SFAS No. 142, which we adopted in fiscal 2002, we ceased amortizing goodwill arising from acquisitions. In lieu of amortization, we perform an impairment review of our goodwill

annually, or more frequently if there are indicators of impairment. There were no impairment losses related to goodwill due to the application of SFAS No. 142 in fiscal 2003, nor were there any indications of impairment in the twelve weeks ended February 20, 2004. If we determine through the impairment review process that goodwill has been impaired, we would record the impairment charge in our statement of income. The net amount of goodwill was approximately $24.8 million as of February 20, 2004.

We assess the impairment of amortizable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- a significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant negative industry or economic trend; and
- our market capitalization relative to net book value.

As part of this assessment, we review the expected future undiscounted cash flows to be generated by the assets. When we determine that the carrying value of intangible assets may not be recoverable, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. The net amount of intangible assets was approximately $1.1 million as of February 20, 2004.

Accounting for Income Taxes. We record income taxes using the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. Our financial statements contain certain deferred tax assets and liabilities that result from temporary differences between book and tax accounting, as well as net operating loss carryforwards. SFAS No. 109, "Accounting for Income Taxes," requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. As a result of operating losses incurred in certain of our foreign subsidiaries, anticipated additional operating losses in the future, and uncertainty as to the extent and timing of profitability in future periods, we recorded valuation allowances in certain of these foreign subsidiaries based on the facts and circumstances affecting each subsidiary. Had we not recorded these allowances, we would have reported a lower effective tax rate than that recognized in our statements of income in fiscal 2003. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination was made. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is at least reasonably possible that changes in these estimates in the near term could materially affect our financial condition and results of operations. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, changes to the valuation allowance, changes to federal, state, or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction, and as a result of acquisitions.

Results of Operations—Twelve weeks Ended February 20, 2004 Compared to Twelve weeks Ended February 21, 2003

Revenues. Revenues increased $3.7 million, or 10.7%, to $38.5 million for the first quarter of fiscal 2004 from $34.8 million for the first quarter of fiscal 2003. We experienced revenue increases during the first quarter of fiscal 2004 primarily in our finance and competition practice areas, as well as an increase in NeuCo revenue. These increases were partially offset by a revenue decrease in our materials and manufacturing and chemicals and petroleum practice areas. The increase in revenues was effected by an increase in utilization and increased billing rates for our employee consultants. The total number of employee consultants increased to 350 at the end of the first quarter of fiscal 2004 from 348 at the end of the first quarter of fiscal 2003. Utilization was 74% for the first quarter of

fiscal 2004 as compared with 71% for the first quarter of fiscal 2003. Revenues derived from fixed-price engagements decreased to 9.3% of total revenues for the first quarter of fiscal 2004 from 25.9% for the first quarter of fiscal 2003.

Costs of Services. Costs of services increased by $0.3 million, or 1.2%, to $22.0 million in the first quarter of fiscal 2004 from $21.7 million in the first quarter of fiscal 2003. The increase was due primarily to an overall increase in compensation expense for our employee consultants of $0.3 million. Reimbursable expenses decreased $0.1 million, or 2.3%, to $5.1 million from $5.2 million. As a percentage of revenues, costs of services decreased to 57.0% in the first quarter of fiscal 2004 from 62.4% in the first quarter of fiscal 2003. The decrease as a percentage of revenues was due primarily to increased leverage arising from higher utilization of our employee consultants.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $2.4 million, or 25.7%, to $11.6 million in the first quarter of fiscal 2004 from $9.3 million in the first quarter of fiscal 2003. The increase was due to an increase in commission payments to outside experts of $1.0 million, an increase in overall compensation to our administrative staff of $0.4 million, an increase in bad debt expense of $0.3 million, and an increase in other selling, general and administrative expenses of $0.7 million. As a percentage of revenues, selling, general, and administrative expenses increased to 30.2% in the first quarter of fiscal 2004 from 26.6% in the first quarter of fiscal 2003. The primary contributors to the increase as a percentage of revenues were relative increases in commission payments to outside experts, bad debt expense, legal and other professional fees, recruiting fees, and travel expenses. These increases were partially offset by the relative decreases in rent and other costs that are principally fixed in nature, due to an overall increase in revenue at a greater rate than the increases in those selling, general, and administrative expenses.

Interest and Other Income (Expense), Net. Net interest and other expense increased by $195,000, to $201,000 in the first quarter of fiscal 2004 from $6,000 in the first quarter of fiscal 2003. This increase resulted primarily from foreign exchange losses. Interest income increased slightly due to the overall increase in cash and investment balances.

Provision for Income Taxes. The provision for income taxes increased by $0.4 million, to $2.0 million in the first quarter of fiscal 2004 from $1.6 million in the first quarter of fiscal 2003. Our effective income tax rate increased to 43.0% in the first quarter of fiscal 2004 from 41.2% in the first quarter of fiscal 2003. The lower rate in the first quarter of fiscal 2003 was due primarily to the expected tax benefits to be realized in fiscal 2003 by utilizing certain foreign net operating losses incurred in prior years. For fiscal 2003 our tax rate was 43.0%.

Minority Interest. Minority interest in the results of operations of NeuCo changed to $107,000 in the first quarter of fiscal 2004 from $41,000 in the first quarter of fiscal 2003 due to an increase in profits in NeuCo.

Net Income. Net income increased by $0.4 million, or 16.6%, to $2.6 million in the first quarter of fiscal 2004 from $2.2 million in the first quarter of fiscal 2003. Diluted net income per share remained unchanged at $0.24 per share. Net income increased at a greater rate than diluted net income per share due to the dilutive impact of the additional shares issued as a result of: the public offering of our common stock completed in August 2003; the exercise of approximately 728,000 stock options during fiscal 2003; and an increase in the number of outstanding in-the-money stock options.

Liquidity and Capital Resources

General. In the first quarter of fiscal 2004, we had a net increase in cash and cash equivalents of $0.3 million. We completed the quarter with cash and cash equivalents of $60.8 million, short-term and long-term investments of $5.1 million, and working capital of $82.9 million.

On March 18, 2004, we announced that we have agreed to acquire InteCap, Inc. Under the terms of the agreement, we will purchase InteCap from InteCap's institutional investor, GTCR Golder Rauner, LLC, members of InteCap's management, and other shareholders for approximately $81.7 million, including an assumed $3.0 million liability. We will pay approximately $78.7 million in cash upon closing of this transaction. We plan to fund the purchase price from existing cash resources and borrowings under our line of credit. We expect to complete the acquisition in the second quarter of fiscal 2004, but completion of the acquisition is subject to various closing conditions. While we have sufficient sources of cash to complete this acquisition, because of the size of the acquisition, we may seek to augment our existing financial resources by pursuing other forms of debt or equity financing, including public and private offerings of our common stock, convertible subordinated debt, or other securities, as well as additional lines of credit. If we decide to pursue any of the foregoing means of raising additional capital, there can be no assurance that we will be able to complete any transaction on terms acceptable to us.

We believe that current cash balances, cash generated from operations, amounts available under our bank line of credit, and other available sources of financing as noted above, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

Sources of Cash in the twelve weeks ended February 20, 2004. During the first quarter of fiscal 2004, we generated cash primarily from two sources: cash provided by our operating activities and proceeds from the exercise of stock options. Our operating activities provided net cash of $0.3 million, resulting primarily from net income of $2.6 million, a decrease in accounts receivable of $1.3 million, and a decrease in prepaid expenses and other assets of $1.3 million. The increase in cash generated from operating activities was offset in part by a decrease in accounts payable, accrued expenses and other liabilities of $2.9 million. During the first quarter of fiscal 2004, we received $238,000 in proceeds from the exercise of stock options.

Additional Cash Resources. On January 14, 2004, we entered into a senior loan agreement with Citizens Bank of Massachusetts for a two-year, $40.0 million revolving line of credit. Subject to the terms of the agreement, we may use borrowings under this line of credit for acquisition financing, working capital, general corporate purposes, letters of credit, and foreign exchanges contracts. As of February 20, 2004, no borrowings were outstanding under this line of credit. We must repay any borrowings under the line of credit no later than January 14, 2006.

Borrowings under our credit facility bear interest, at our option, either at LIBOR plus an applicable margin or at the prime rate. Applicable margins range from 0.75% to 1.50%, depending on the ratio of our consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA, for the preceding four fiscal quarters, subject to various adjustments stated in the senior loan agreement. These margins are adjusted both quarterly and each time we borrow under the credit facility. A commitment fee of 0.18% is payable on the unused portion of the credit facility. Borrowings under the credit facility are secured by 100% of the stock of our U.S. subsidiary

CRA Security Corporation and by 65% of the stock of our foreign subsidiaries, amounting to net assets of approximately $27.5 million as of February 20, 2004.

As part of our business, we regularly evaluate opportunities to acquire other consulting firms, practices or groups or other businesses. In recent years, we have typically paid for acquisitions with cash, and we may continue to do so in the future. To pay for an acquisition, we may use cash on hand, cash generated from our operations or borrowings under our revolving credit facility, or we may pursue other forms of debt or equity financing, including public and private offerings of common stock, convertible subordinated debt securities, or other securities, as well as additional lines of credit. Our ability to secure short-term and long-term debt or equity financing in the future will depend on several factors, including our future profitability, the levels of our debt and equity and the overall credit and equity market environments.

In connection with our acquisition of the consulting business of Dr. Rausser, we loaned Dr. Rausser $4.5 million, which he used to purchase shares of our common stock. In March 2004, Dr. Rausser satisfied $2.5 million of this obligation by selling us 73,531 shares of our common stock and paying us the balance in cash. The remaining $2.0 million is scheduled to be repaid in November 2004 and is collateralized by shares of our common stock.

Uses of Cash in the twelve weeks ended February 20, 2004. During first quarter of fiscal 2004, we used cash primarily for capital expenditures. We spent $0.3 million to purchase property and equipment.

Debt Restrictions. Under our senior credit agreement, we must comply with various financial and non-financial covenants. The financial covenants require us to maintain a minimum consolidated working capital of $25.0 million and require us to comply with a consolidated total debt to EBITDA ratio of not more than 3.5 to 1.0 and a consolidated senior debt to EBITDA ratio of not more than 2.0 to 1.0. Compliance with these financial covenants is tested on a fiscal quarterly basis, commencing with the first quarter of fiscal 2004. Also, the senior credit agreement prohibits us from paying dividends and places restrictions on our ability to incur additional indebtedness, repurchase our securities, make acquisitions and dispositions, and enter into business combinations. Any indebtedness outstanding under the senior credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant.

As of February 20, 2004, we were in compliance with our covenants under the senior credit agreement.

Impact of Inflation. To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

Factors Affecting Future Performance

We depend upon only a few key employees to generate revenue

Our business consists primarily of the delivery of professional services, and accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution capabilities of our employee consultants. In particular, our employee consultants' personal relationships with our clients are a critical element in obtaining and maintaining client engagements. If we lose the services of any employee consultant or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect our revenues and results of operations. We do not have any employment agreements with most of our employee consultants, and they can terminate their relationships with us at will and without notice. The non-competition and non-solicitation agreements that we have with some of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction.

Our failure to manage growth successfully could adversely affect our revenues and results of operations

Any failure on our part to manage growth successfully could adversely affect our revenues and results of operations. Over the last several years, we have continued to open offices in new geographic areas, including foreign locations, and to expand our employee base as a result of internal growth and acquisitions. We expect that this trend will continue over the long term. Opening and managing new offices often requires extensive management supervision and increases our overall selling, general, and administrative expenses. Expansion creates new and increased management, consulting, and training responsibilities for our employee consultants. Expansion also increases the demands on our internal systems, procedures, and controls, and on our managerial, administrative, financial, marketing, and other resources. We depend heavily upon the managerial, operational, and administrative skills of our officers, particularly James C. Burrows, our President and Chief Executive Officer, to manage our expansion. New responsibilities and demands may adversely affect the overall quality of our work.

Our entry into new lines of business could adversely affect our results of operations

If we attempt to develop new practice areas or lines of business outside our core economic and business consulting services, those efforts could harm our results of operations. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience may result in costly decisions that could harm our business. For example, NeuCo, our majority-owned software subsidiary, was not profitable in three of the last five fiscal years, which harmed our results of operations in those years.

Clients can terminate engagements with us at any time

Many of our engagements depend upon disputes, proceedings, or transactions that involve our clients. Our clients may decide at any time to seek to resolve the dispute or proceeding, abandon the transaction, or file for bankruptcy. Our engagements can therefore terminate suddenly and without advance notice to us. If an engagement is terminated unexpectedly, our employee consultants working on the engagement could be underutilized until we assign them to other projects. In addition, because much of our work is project-based rather than recurring in nature, our consultants' utilization depends on our ability to secure additional engagements on a continual basis. Accordingly, the termination or significant reduction in the scope of a single large engagement could reduce our utilization and have an immediate adverse impact on our revenues and results of operations.

We depend on our antitrust and mergers and acquisitions consulting business

We derive a substantial portion of our revenues from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number or size of our engagements in these practice areas could adversely affect our revenues and results of operations. We derived the great majority of these revenues from engagements relating to enforcement of United States antitrust laws. Changes in federal antitrust laws, changes in judicial interpretations of these laws, or less vigorous enforcement of these laws as a result of changes in political appointments or priorities or for other reasons could substantially reduce our revenues from engagements in this area. In addition, adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could adversely affect engagements in which we assist clients in proceedings before the U.S. Department of Justice and the U.S. Federal Trade Commission. The recent economic slowdown may continue to have an adverse effect on mergers and acquisitions activity, which has reduced the number and scope of our engagements in this practice area in recent periods. Any continuation or worsening of the downturn could cause this trend to intensify, which would adversely affect our revenues and results of operations.

We derive our revenues from a limited number of large engagements

We derive a significant portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition, and results of operations could suffer. In general, the volume of work we perform for any particular client varies from year to year, and a major client in one year may not hire us again.

We enter into fixed-price engagements

We derive a significant portion of our revenues from fixed-price contracts. These contracts are more common in our business consulting practice, and would likely grow in number with any expansion of that practice. If we fail to estimate accurately the resources required for a fixed-price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations.

Our business could suffer if we are unable to hire additional qualified consultants as employees

Our business continually requires us to hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants could limit our ability to accept or complete engagements and adversely affect our revenues and results of operations. Relatively few potential employees meet our hiring criteria, and we face significant competition for these employees from our direct competitors, academic institutions, government agencies, research firms, investment banking firms, and other enterprises. Many of these competing employers are able to offer potential employees significantly greater compensation and benefits or more attractive lifestyle choices, career paths, or geographic locations than we can. Competition for these employee consultants has increased our labor costs, and a continuation of this trend could have a material adverse effect on our margins and results of operations.

We depend on our outside experts

We depend on our relationships with our exclusive outside experts. In fiscal 2003 and fiscal 2002, six of our exclusive outside experts generated engagements that accounted for approximately 22% and 21% of our revenues in those years, respectively. We believe that these outside experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we could offer the services of these outside experts. Most of these outside experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, the pursuit of other interests, and retirement.

As of February 20, 2004, we had non-competition agreements with 34 of our outside experts. The limitation or termination of any of their relationships with us, or competition from any of them after these agreements expire, could harm our reputation, reduce our business opportunities and adversely affect our revenues and results of operations.

To meet our long-term growth targets, we need to establish ongoing relationships with additional outside experts who have reputations as leading experts in their fields. We may be unable to establish relationships with any additional outside experts. In addition, any relationship that we do establish may not help us meet our objectives or generate the revenues or earnings that we anticipate.

The acquisition of InteCap is not complete

We have not completed our acquisition of InteCap, and the acquisition is subject to several closing conditions. These closing conditions include, among other matters, the absence of any material adverse effect on InteCap, the execution of employment agreements with a group of InteCap's key managing directors, reasonably satisfactory assurances that the merger does not create more than a specified number of irreconcilable client conflicts, and the execution of general releases by certain InteCap employees, which InteCap has made a condition to the receipt by those employees of certain payments specified in the merger agreement. In addition, the merger agreement may be terminated by either party if the merger is not completed by May 31, 2004. If any of the closing conditions is not satisfied, we may be unwilling or unable to complete the acquisition, which may adversely affect our business and business prospects and may also cause the market price of our common stock to decline.

Acquisitions may disrupt our operations or adversely affect our results

We regularly evaluate opportunities to acquire other businesses. The expenses we incur evaluating and pursuing acquisitions could have a material adverse effect on our results of operations. If we acquire a business, such as the pending acquisition of InteCap, we may be unable to manage it profitably or successfully integrate its operations with our own. Moreover, we may be unable to realize the financial, operational, and other benefits we anticipate from any acquisition. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special financial and business risks, such as:

- charges related to any potential acquisition from which we may withdraw;
- diversion of our management's time, attention, and resources;
- decreased utilization during the integration process;
- loss of key acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems including compliance with the Sarbanes-Oxley Act of 2002;
- dilutive issuances of equity securities;
- the assumption of legal liabilities;
- amortization of acquired intangible assets;
- potential write-offs related to the impairment of goodwill;
- difficulties in integrating diverse corporate cultures; and
- additional conflicts of interests.

Our international operations create special risks

We may continue our international expansion, and our international revenues may account for an increasing portion of our revenues in the future. Our international operations carry special financial and business risks, including:

- greater difficulties in managing and staffing foreign operations;
- cultural differences that result in lower utilization;
- currency fluctuations that adversely affect our financial position and operating results;
- unexpected changes in trading policies, regulatory requirements, tariffs, and other barriers;

- greater difficulties in collecting accounts receivable;
- longer sales cycles;
- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

We conduct a portion of our business in the Middle East. The recent military conflict in the region has significantly interrupted our business operations in that region and has slowed the flow of new opportunities and proposals, which ultimately has adversely affected our revenues and results of operations.

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

Our clients may be unable to pay us for our services

Our clients include some companies that may from time to time encounter financial difficulties. If a client's financial difficulties become severe, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with a substantial receivable could have a material adverse effect on our financial condition and results of operations. A small number of clients who have paid sizable invoices later declared bankruptcy, and a court determination that we were not properly entitled to that payment may require repayment of some or all of the amount we received, which could adversely affect our financial condition and results of operations.

Fluctuations in our quarterly revenues and results of operations could depress the market price of our common stock

We may experience significant fluctuations in our revenues and results of operations from one quarter to the next. If our revenues or net income in a quarter fall below the expectations of securities analysts or investors, the market price of our common stock could fall significantly. Our results of operations in any quarter can fluctuate for many reasons, including:

- the number of weeks in our fiscal quarter;
-

the number, scope, and timing of ongoing client engagements;

- the extent to which we can reassign employee consultants efficiently from one engagement to the next;
- the extent to which our employee consultants take holiday, vacation, and sick time;
- employee hiring;
- the extent of fees discounting or cost overruns;
- fluctuations in revenues and results of operations of our software subsidiary, NeuCo;
- severe weather conditions and other factors affecting employee productivity; and
- collectibility of receivables and unbilled work in process.

Because we generate the majority of our revenues from consulting services that we provide on an hourly fee basis, our revenues in any period are directly related to the number of our employee consultants, their billing rates, and the number of billable hours they work in that period. We have a limited ability to increase any of these factors in the short term. Accordingly, if we underutilize our consultants during one part of a fiscal period, we may be unable to compensate by augmenting revenues during another part of that period. In addition, we are occasionally unable to utilize fully any additional consultants that we hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, if our revenues fail to meet our projections in any quarter, that could have a disproportionate adverse effect on our net income. For these reasons, we believe our historical results of operations are not necessarily indicative of our future performance.

Potential conflicts of interests may preclude us from accepting some engagements

We provide our services primarily in connection with significant or complex transactions, disputes, or other matters that are usually adversarial or that involve sensitive client information. Our engagement by a client may preclude us from accepting engagements with the client's competitors or adversaries because of conflicts between their business interests or positions on disputed issues or other reasons. Accordingly, the nature of our business limits the number of both potential clients and potential engagements. Moreover, in many industries in which we provide consulting services, such as in the telecommunications industry, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of potential clients for our services and increase the chances that we will be unable to continue some of our ongoing engagements or accept new engagements as a result of conflicts of interests.

Maintaining our professional reputation is crucial to our future success

Our ability to secure new engagements and hire qualified consultants as employees depends heavily on our overall reputation as well as the individual reputations of our employee consultants and principal outside experts. Because we obtain a majority of our new engagements from existing clients or from referrals by those clients, any client that is dissatisfied with our performance on a single matter could seriously impair our ability to secure new engagements. Given the frequently high-profile nature of the matters on which we work, any factor that diminishes our reputation or the reputations of any of our employee consultants or outside experts could make it substantially more difficult for us to compete successfully for both new engagements and qualified consultants.

Intense competition from other economic and business consulting firms could hurt our business

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

Our engagements may result in professional liability

Our services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of our engagements involve matters that could have a severe impact on the client's business, cause the client to lose significant amounts of money, or prevent the client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently or otherwise breached our obligations to the client could expose us to significant liabilities and tarnish our reputation.

The price of our common stock may be volatile

Our stock price has been volatile. Over the period from February 22, 2003 to February 20, 2004, the trading price of our common stock ranged from $16.01 to $37.76. Many factors may cause the market price of our common stock to fluctuate significantly, including the following:

- variations in our quarterly results of operations;

- the hiring or departure of key personnel or outside experts;
- changes in our professional reputation;
- the introduction of new services by us or our competitors;
- acquisitions or strategic alliances involving us or our competitors;
- changes in accounting principles;
- changes in the legal and regulatory environment affecting clients;
- changes in estimates of our performance or recommendations by securities analysts;
- future sales of shares of common stock in the public market; and
- market conditions in the industry and the economy as a whole.

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

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

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

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

As of February 20, 2004, we were exposed to market risks, which primarily include changes in U.S. interest rates and foreign currency exchange rates.

We maintain a portion of our investments in financial instruments with purchased maturities of one year or less and a portion of our investments in financial instruments with purchased maturities of two years or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Because these financial instruments are readily marketable, an immediate increase in interest rates would not have a material effect on our financial position.

We are subject to risk from changes in foreign exchange rates for our subsidiaries that use a foreign currency as their functional currency. We do not currently enter into foreign exchange agreements to hedge our exposure, but we may do so in the future.

ITEM 4. Controls and Procedures

Our management has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we record, process, summarize and report the information we must disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and the risk of fraud. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

During the first quarter of fiscal 2004, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to affect, materially our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not a party to any legal proceedings the outcome of which, in the opinion of our management, would have a material adverse effect on our business, financial condition, or results of operations.

ITEM 6. Exhibits and Reports on Form 8-K

(a) *Exhibits*

Item No.	Description
10.1	Loan agreement dated as of January 14, 2004 between CRA and Citizens Bank of Massachusetts
10.2	Stock pledge agreement dated as of January 14, 2004 between CRA and Citizens Bank of Massachusetts
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification

(b) *Reports on Form 8-K*

On January 15, 2004, we filed a current report on Form 8-K, which furnished information under Item 12 regarding our financial results for our fiscal quarter ended November 29, 2003.

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.

CHARLES RIVER ASSOCIATES INCORPORATED

Date: April 1, 2004 By: /s/ JAMES C. BURROWS

James C. Burrows
President, Chief Executive Officer

Date: April 1, 2004 By: /s/ J. PHILLIP COOPER

J. Phillip Cooper
Executive Vice President,
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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32.1	Section 1350 certification

Exhibit 10.1

CITIZENS BANK OF MASSACHUSETTS
LOAN AGREEMENT

January 14, 2004

THIS LOAN AGREEMENT ("Agreement") is entered into as of January 14, 2004 by and between Charles River Associates Incorporated, a Massachusetts corporation, with its principal place of business at the John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts 02116-5092 (the **"Borrower"**), and Citizens Bank of Massachusetts, a bank with a principal place of business at 28 State Street, Boston, Massachusetts 02109 (the **"Bank"**).

1. **LOANS AND OTHER FINANCIAL ACCOMMODATIONS.**

(a) Subject to the terms and provisions of this Agreement, the Bank hereby establishes a revolving line of credit (the "**Line of Credit**") in Borrower's favor in the amount of the Credit Limit (as defined below), and from time to time during the term of this Agreement Bank shall make such loans and other extensions of credit under the Line of Credit contemplated hereby as the Borrower may request, provided that there has not occurred and is not then continuing an Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default. The Borrower shall use the proceeds of the Line of Credit for working capital, general corporate purposes, acquisitions, letters of credit, and foreign exchange contracts. Subject to the terms and provisions of this Agreement, loans and other extensions of credit under the Line of Credit may be repaid at any time and, once repaid, may be reborrowed.

(b) All loans shall bear interest and at the option of the Bank shall be evidenced by and be repayable in accordance with a revolving note drawn to the order of Bank substantially the form of Exhibit 1 hereto (the **"Note"**), as the same may hereafter be amended, supplemented or restated from time to time and any note or notes issued in substitution therefor, but in the absence of the Note shall be conclusively evidenced by Bank's records of loans and repayments.

Interest, at the Borrower's option as provided herein, will be charged to Borrower at a rate equal to: (i) the **Prime Rate** (as defined below), or (ii) the aggregate of (x) the **Applicable Margin** (as defined below) plus (y) either the **LIBOR Lending Rate** (as defined below)or the **LIBOR Advantage Rate** (as defined below), or (iii) such other rate agreed on from time to time by the parties, upon any balance owing to Bank at the close of each day. Accrued interest shall be payable (i) on the first day of each month in arrears with respect to a **Prime Rate Loan** (as defined below) or on each relevant **Interest Payment Date** (as defined below) for either a **LIBOR Rate Loan** (as defined below) or **LIBOR Advantage Loan** (as defined below); (ii) on termination of this Agreement pursuant to Section 14 hereof; (iii) on acceleration of the time for payment of the Obligations pursuant to Section 11 hereof; and (iv) on the date the Obligations are paid in full. Interest shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days. Interest shall be payable in lawful money of the United States of America to Bank, or to such other person as Bank shall direct, without set-off, deduction or counterclaim.

(c) Borrower hereby authorizes and directs Bank, in Bank's sole discretion (provided, however, Bank shall have no obligation to do so): (i) unless previously paid by Borrower, to pay accrued interest as the same becomes due and payable pursuant to this Agreement or pursuant to any note or other Loan Document (as defined below), and to treat the same as a loan to Borrower, which shall be added to Borrower's loan balance pursuant to this Agreement; or (ii) to charge any of Borrower's accounts under the control of Bank to pay accrued interest as the same becomes due and payable pursuant to

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this Agreement or any other Loan Document. Bank shall promptly notify Borrower of all such charges or applications.

(d) The making of loans, advances, and credits by Bank to the Borrower in excess of the Credit Limit is for the benefit of the Borrower and does not affect the obligations of Borrower hereunder; all such loans constitute Obligations and must be repaid by Borrower in accordance with the terms of this Agreement.

(e) At the request of the Borrower, and upon the execution of letter of credit and foreign exchange documentation reasonably satisfactory to Bank, Bank, within the limits of the Credit Limit as then computed, shall issue letters of credit (or similar guarantees, bonds or undertakings) (collectively **"Letters of Credit"**) and foreign exchange contracts from time to time by Bank for the account of the Borrower. The Letters of Credit shall be on terms reasonably acceptable to Bank, and no Letter of Credit shall have an expiration date later than the sooner to occur of (i) twelve (12) months from the date of issuance of the subject Letter of Credit, or (ii) the Termination Date. A loan in an amount equal to any amount paid by Bank under a Letter of Credit shall be deemed made to Borrower, without request therefor, immediately upon any payment by Bank on such Letter of Credit. In connection with the issuance of any Letter of Credit, Borrower shall pay to Bank a one-time issuance fee for such Letter of Credit equal to one (1%) percent per annum of the face amount of such Letter of Credit, *plus* transaction fees and other normal and customary fees (without duplication of the issuance fee described above) charged by Bank according to the letter of credit fee schedule then generally in effect at Bank. Borrower hereby authorizes and directs Bank, in Bank's sole discretion (provided, however, Bank shall have no obligation to do so) to pay all such fees and costs as the same become due and payable and to treat the same as a loan to Borrower, which shall be added to Borrower's loan balance pursuant to this Agreement. For purposes of computing the availability under the Line of Credit, (i) the undrawn amounts of all outstanding Letters of Credit issued pursuant to this Agreement shall be deemed to be outstanding loans, (ii) foreign exchange contract obligations shall not be deemed to constitute outstanding loans (and shall not accrue interest), and (iii) availability under the Line of Credit will at all times be reduced by $225,000.00, which amount equals fifteen (15%) percent of Borrower's $1,500,000.00 line sublimit with the Bank for foreign exchange contract obligations or such lesser or greater amount based upon such fifteen (15%) percent reserve in the event that the Borrower's line sublimit for foreign exchange contract obligations changes by mutual agreement of the Borrower and the Bank.

(f) Borrower shall pay to Bank the principal amount of all loans as follows:

(i) *Credit Limit Exceeded*. Whenever the aggregate outstanding principal balance of all loans exceeds the Credit Limit, Borrower shall immediately pay to Bank the excess of the aggregate outstanding principal balance of the loans over the Credit Limit.

(ii) *Payment in Full on Termination*. On termination of this Agreement, pursuant to Section 14 or acceleration of the Obligations pursuant to Section 11, Borrower shall pay to Bank the entire outstanding principal balance of all loans and shall deliver to Bank cash collateral in an amount equal to the aggregate of (A) amounts then undrawn on all outstanding Letters of Credit issued pursuant to this Agreement for the account of the Borrower, and (B) the amount of all outstanding acceptances issued pursuant to this Agreement. Bank shall hold such cash collateral in an interest bearing account and,

except to the extent applied to the Borrower's reimbursement or other Obligations with respect to any such Letter of Credit that is drawn upon, shall return such cash collateral (or the relevant portion thereof), together with accrued interest, to the Borrower promptly upon the expiration of such Letter of Credit.

(g) As used in this Agreement, the following terms shall have the following meanings:

"Applicable Margin" shall mean at any time (i) 1.50% per annum if the Total Debt Ratio (as defined in Section 10 hereof) at such time is greater than or equal to 2.0x as of such time, (ii) 1.25% per annum if the Total Debt Ratio at such time is greater than 1.5x but less than 2.0x as of such time, (iii) 1.0% per annum if the Total Debt Ratio at such time is greater than 1.0x but less than or equal to 1.5x as of such time, or (iv) .75% per annum if the Total Debt Ratio at such time is less than or equal to 1.0x as of such time. For purposes of the foregoing, (i) the Total Debt Ratio at any time shall be the Total Debt Ratio as reported in the Compliance Certificate most recently delivered (or updated) by the Borrower to Bank pursuant to Section 8(d) hereof, and (ii) each change in the Applicable Margin pursuant to the foregoing provisions shall take effect from the date of Borrower's delivery of its most recent Compliance Certificate (or update thereof) pursuant to Section 8(d) hereof.

"Borrowing Date" shall mean any day upon which a LIBOR Rate Loan or LIBOR Advantage Loan is made.

"Business Day" shall mean:

(i) any day which is neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in Boston, Massachusetts;

(ii) when such term is used to describe a day on which a borrowing, payment, prepayment, or repayment is to be made in respect of any LIBOR Rate Loan or LIBOR Advantage Loan, any day which is: (A) neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in New York City; and (B) a London Banking Day; and

(iii) when such term is used to describe a day on which an interest rate determination is to be made in respect of any LIBOR Rate Loan or LIBOR Advantage Loan, any day which is a London Banking Day.

"Credit Limit" shall mean an amount equal to Forty Million ($40,000,000.00) Dollars.

"Dollars" or **"$"** shall mean currency of the United States of America.

"Eurodollars" shall mean Dollars acquired by Bank through the purchase or other acquisition of deposits denominated in Dollars and made with any bank or branch of a bank (including any branch of the Bank) located outside the United States of America.

"Hedging Contracts" shall mean interest rate or currency swap agreements, cap agreements and collar agreements, or any other agreements or arrangements entered into between Borrower and Bank designed to protect the Borrower against fluctuations in interest rates or currency exchange rates.

"Hedging Obligations" means, with respect to Borrower, all liabilities of Borrower to Bank under Hedging Contracts.

"Interbank Market" shall mean, with respect to any LIBOR Rate Loan or LIBOR Advantage Loan, any recognized interbank Eurodollar market chosen in good faith by Bank.

"Interest Payment Date" shall mean, relative to any LIBOR Rate Loan or LIBOR Advantage Loan, having an Interest Period of three months or less, the last Business Day of such Interest Period, and as to any LIBOR Rate Loan having an Interest Period longer than three months, each Business Day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period" shall mean: (a) relative to any LIBOR Rate Loans:

(i) initially, the period beginning on (and including) the date on which such LIBOR Rate Loan is made or continued as, or converted into, a LIBOR Rate Loan pursuant to this Agreement

and ending on (but excluding) the day which numerically corresponds to such date one, two, three, or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in each case as the Borrower may select in its notice pursuant to this Agreement; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Rate Loan and ending one, two, three, or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), as selected by the Borrower by irrevocable notice to the Bank not less than two Business Days prior to the last day of the then current Interest Period with respect thereto;

provided, however, that

(i) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than eight (8) different dates;

(ii) Interest Periods commencing on the same date for LIBOR Rate Loans comprising part of the same advance under this Agreement shall be of the same duration;

(iii) Interest Periods for LIBOR Rate Loans in connection with which Borrower has or may incur Hedging Obligations with the Bank shall be of the same duration as the relevant periods set under the applicable Hedging Contracts;

(iv) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day unless such day falls in the next calendar month, in which case such Interest Period shall end on the first preceding Business Day; and

(v) no Interest Period may end later than the Termination Date.

(b) relative to any LIBOR Advantage Loans means each one (1) month period ending on the day of such month that numerically corresponds to the commencement date of a LIBOR Advantage Loan. If an Interest Period is to end in a month for which there is no day which numerically corresponds to the commencement date of a LIBOR Advantage Loan, the Interest Period will end on the last day of such month.

"LIBOR Advantage Loan" shall mean, any loan or advance the rate of interest applicable to which is based upon the LIBOR Advantage Rate.

"LIBOR Advantage Rate" shall mean, relative to any Interest Period for LIBOR Advantage Loans, the offered rate for delivery in two London Banking Days (as defined below) of deposits of U.S. Dollars which the British Bankers' Association fixes as its LIBOR rate and which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the day on which the Interest Period commences, and for a period approximately equal to such Interest Period. If the first day of any Interest Period is not a day which is both a (i) Business Day, and (ii) a day on which US dollar deposits are transacted in the London Interbank Market (a "London Banking Date"), the LIBOR Advantage Rate shall be determined in reference to the next preceding day which is both a Business Day and a London Banking Day. If for any reason the LIBOR Advantage Rate is unavailable and/or the Bank is unable to determine the LIBOR Advantage Rate for any Interest Period, the LIBOR Advantage Rate shall be deemed to be equal to the Prime Rate.

"LIBOR Lending Rate" shall mean, relative to any LIBOR Rate Loan to be made, continued or maintained as, or converted into, a LIBOR Rate Loan for any Interest Period, a rate per annum determined pursuant to the following formula:

$$\text{LIBOR Lending Rate} = \frac{\text{LIBOR Rate}}{\text{(1.00 - LIBOR Reserve Percentage)}}$$

"LIBOR Rate" means relative to any Interest Period for LIBOR Rate Loans, the offered rate for deposits of U.S. Dollars in an amount approximately equal to the amount of the requested LIBOR Rate Loan for a term coextensive with the designated Interest Period which the British Bankers' Association fixes as its LIBOR rate and which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the day which is two London Banking Days prior to the beginning of such Interest Period. If the first day of any Interest Period is not a day which is both a (i) Business Day, and (ii) a day on which US dollar deposits are transacted in the London Interbank Market (a "London Banking Date"), the LIBOR Rate shall be determined in reference to the next preceding day which is both a Business Day and a London Banking Day. If for any reason the LIBOR Rate is unavailable and/or the Bank is unable to determine the LIBOR Rate for any Interest Period, the LIBOR Rate shall be deemed to be equal to the Prime Rate.

"LIBOR Rate Loan" shall mean, any loan or advance the rate of interest applicable to which is based upon the LIBOR Rate.

"LIBOR Reserve Percentage" shall mean, relative to any day of any Interest Period for LIBOR Rate Loans or LIBOR Advantage Loans, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the **"Board"**) or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of "Eurocurrency Liabilities", as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period.

"Loan Documents" shall mean this Agreement, the Note, the Stock Pledge Agreement (as defined in Section 3(a) hereof) and any other note or notes executed by the Borrower in connection with this Agreement and payable to the Bank, any Letters of Credit, any certificates from time to time delivered by the Borrower to the Bank pursuant to this Agreement, any Notices of Borrowing, and any other agreement entered into, now or in the future, by the Borrower and the Bank in connection with this Agreement (excluding any Hedging Contract or foreign exchange contract).

"London Banking Day" shall mean a day on which dealings in US dollar deposits are transacted in the London Interbank Market.

"Material Adverse Effect" shall mean a material adverse effect on (i) the financial condition, business, operations or assets of the Borrower and its subsidiaries taken as a whole or (ii) the validity or enforceability of any of the Loan Documents.

"Obligations" shall mean all debts, liabilities and obligations of Borrower to Bank hereunder or under any other Loan Document of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, whether or not contemplated by the parties at the time of the execution of this Agreement, regardless of how they arise or by what Loan Document they may be evidenced, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money owing by Borrower to Bank under the Loan Documents, including, without limitation, all interest, fees, charges, expenses and overdrafts, and also includes, without limitation, all obligations and liabilities which Bank may incur or become liable

for, on account of, or as a result of, any Letter of Credit, or similar instrument or obligation issued or caused to be issued pursuant to this Agreement

"Prime Rate" shall mean the per annum rate of interest announced from time to time by Bank at its offices in Boston, Massachusetts, as its Prime Rate (or if Bank ceases to announce a rate so designated, any similar successor rate designated by Bank), it being understood that such rate is a reference rate and not

necessarily the lowest rate of interest charged by Bank. The rate of interest payable by Borrower shall be changed effective as of that date in which a change in the Prime Rate becomes effective.

"Prime Rate Loan(s)" shall mean, when used in the singular, any loans on which the interest rate is calculated by reference to the Prime Rate and, when used in the plural, shall mean all such loans.

(h) Bank shall not be required to make a LIBOR Rate Loan, LIBOR Advantage Loan, or a Prime Rate Loan unless Bank shall have received from the Borrower a request for such LIBOR Rate Loan, LIBOR Advantage Loan, or Prime Rate Loan in the form of Exhibit 2 annexed hereto (herein a **"Notice of Borrowing"**). By delivering a borrowing request (i.e., Notice of Borrowing) to the Bank on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably request, (1) on not less than two nor more than five Business Days' notice, that a LIBOR Rate Loan be made in a minimum amount $500,000.00 and integral multiples of $100,000.00 in excess thereof, or that a LIBOR Advantage Loan be made, or (2) on not less than one (1) Business Day's notice that a Prime Rate Loan be made. There shall not be any required minimum amount or multiples for LIBOR Advantage Loans or for Prime Rate Loans. On the terms and subject to the conditions of this Agreement, each LIBOR Rate Loan, LIBOR Advantage Loan, or Prime Rate Loan shall be made available to the Borrower no later than 11:00 a.m. New York time on (1) in the case of a LIBOR Rate Loan or a LIBOR Advantage Loan, the first day of the applicable Interest Period, or (2) in the case of a Prime Rate Loan, on the requested date of such loan, in each case by deposit to the account of the Borrower as shall have been specified in its borrowing request.

(i) After receipt from the Borrower of any Notice of Borrowing or Notice of Continuation/Conversion (as defined below) which requests a LIBOR Rate Loan or LIBOR Advantage Loan, Bank shall determine if it is able to make such LIBOR Rate Loan or LIBOR Advantage Loan (or if it is unable to do so for reasons described in this section only) and will notify the Borrower upon confirmation of its ability to do so. If Bank determines in good faith that, by reason of circumstances affecting the London Interbank Market, adequate and reasonable methods do not exist for ascertaining the LIBOR Rate or LIBOR Advantage Rate which would otherwise be applicable to such LIBOR Rate Loan or LIBOR Advantage Loan, then Bank shall so notify the Borrower on or before 4:00 p.m. on the Business Day prior to the Borrowing Date or continuation/conversion date specified in the Notice of Borrowing or Notice of Continuation /Conversion, and in such event, Bank shall not be obligated to make, continue or convert, as applicable such LIBOR Rate Loan or LIBOR Advantage Loan and the Notice of Borrowing shall be deemed to have been withdrawn by the Borrower with Bank's consent and substituted with a request for a Prime Rate Loan in an amount equal to the requested LIBOR Rate Loan or LIBOR Advantage Loan.

(j) By delivering a request for continuation/conversion in the form of Exhibit 2 annexed hereto (herein a **"Notice of Continuation/Conversion"**) to the Bank on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably elect, on not less than two nor more than five Business Days' notice, that (1) all, or any portion in an aggregate minimum amount of $500,000.00 and integral multiples of $100,000.00 in excess thereof, of any LIBOR Rate Loan or LIBOR Advantage Loan be converted on the last day of an Interest Period into a LIBOR Rate Loan or LIBOR Advantage Loan with a different Interest Period, or continued on the last day of an Interest Period as a LIBOR Rate Loan or LIBOR Advantage Loan with a similar Interest Period, or (2) that all, or any portion in an aggregate minimum amount of $500,000.00 and integral multiples of

$100,000.00 in excess thereof, of any Prime Rate Loan be converted into a LIBOR Rate Loan or LIBOR Advantage Loan with the requested Interest Period; *provided*, *however*, that no portion of the outstanding principal amount of any Prime Rate Loan, LIBOR Rate Loans, or LIBOR Advantage Loans may be converted to, or continued as, LIBOR Rate Loans or LIBOR Advantage Loans when any Event of Default has occurred and is continuing, and no portion of the outstanding principal amount of any LIBOR Rate Loans or LIBOR Advantage Loans may be converted to, LIBOR Rate Loans or LIBOR Advantage Loans of a different duration if such LIBOR Rate Loans or LIBOR Advantage Loans relate to any Hedging Obligations. In the absence of delivery of a Continuation/Conversion Notice with respect to any LIBOR Rate Loan or LIBOR Advantage Loans at least two Business Days before the last day of the then current Interest Period with respect thereto, such LIBOR Rate Loan or LIBOR Advantage Loan shall, on such last day, automatically convert into a Prime Rate Loan.

(k) Except as otherwise provided herein, any Notice of Borrowing or Notice of Continuation/Conversion which requests a LIBOR Rate Loan or LIBOR Advantage Loan (or the continuation or conversion thereof or of a Prime Rate Loan) shall be irrevocable and binding upon the Borrower. In the event the Borrower fails to borrow, continue or convert the LIBOR Rate Loan or LIBOR Advantage Loan requested on the Borrowing Date or continuation/conversion date specified in such Notice of Borrowing or Notice of Continuation/Conversion, the Borrower shall indemnify Bank against any and all losses and expenses incurred by Bank by reason of such failure including, without limiting the generality of the foregoing, all losses and expenses incurred by reason of the liquidation, disposition or reemployment of deposits or other funds acquired by Bank to fund such LIBOR Rate Loan or LIBOR Advantage Loan (or the continuation or conversion thereof or of a Prime Rate Loan).

(l) Interest on the outstanding principal amount of each LIBOR Rate Loan shall accrue during the Interest Period applicable thereto at a rate equal to the sum of the LIBOR Lending Rate for such Interest Period plus the Applicable Margin thereto and be payable on each Interest Payment Date for such LIBOR Rate Loan. Interest on the outstanding principal amount of each LIBOR Advantage Loan shall accrue at a rate equal to the LIBOR Advantage Rate plus the Applicable Margin thereto and be payable on each Interest Payment Date for such LIBOR Advantage Loan.

(m) LIBOR Rate Loans or LIBOR Advantage Loans may be prepaid at any time on the terms and conditions set forth herein. For LIBOR Rate Loans or LIBOR Advantage Loans in connection with which the Borrower has or may incur Hedging Obligations, additional obligations may be associated with prepayment in accordance with the terms and conditions of the applicable Hedging Contracts. The Borrower shall give the Bank, no later than 10:00 a.m., New York City time, at least four (4) Business Days notice of any proposed prepayment of any LIBOR Rate Loans, specifying the proposed date of payment of such LIBOR Rate Loans, and the principal amount to be paid. Each partial prepayment of the principal amount of LIBOR Rate Loans or LIBOR Advantage Loans shall be in an integral multiple of $100,000.00 and accompanied by the payment of all charges outstanding on such LIBOR Rate Loans or LIBOR Advantage Loans and of all accrued interest on the principal repaid to the date of payment. Borrower acknowledges that prepayment or acceleration of a LIBOR Rate Loan during an Interest Period may result in the Bank incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, all full or partial prepayments of LIBOR Rate Loans shall be accompanied by, and the Borrower hereby promises to pay, on each date a LIBOR Rate Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise, in addition to all other sums then owing, an amount (**"LIBOR Rate Loan Prepayment Fee"**) determined by the Bank pursuant to the following formula:

(i) the then current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the end of the Interest Period as to which prepayment is made, *subtracted from*

(ii) the applicable LIBOR Lending Rate applicable to the LIBOR Rate Loan being prepaid.

If the result of this calculation is zero or a negative number, then there shall be no LIBOR Rate Loan Prepayment Fee. If the result of this calculation is a positive number, then the resulting percentage shall be multiplied by:

(iii) the amount of the LIBOR Rate Loan being prepaid.

The resulting amount shall be divided by:

(iv) 360

and multiplied by:

(v) the number of days remaining in the Interest Period as to which the prepayment is being made.

Said amount shall be reduced to present value calculated by using the referenced United States Treasury securities rate and the number of days remaining on the Interest Period for the LIBOR Rate Loan being prepaid.

The resulting amount of these calculations shall be the LIBOR Rate Loan Prepayment Fee.

(n) If the Bank shall determine (which determination shall, upon notice thereof to the Borrower be conclusive and binding on the Borrower) that the introduction of or any change in or in the interpretation of any law, rule, regulation or guideline (whether or not having the force of law), makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for the Bank to make, continue or maintain any LIBOR Rate Loan or LIBOR Advantage Loan as, or to convert any loan into, a LIBOR Rate Loan or LIBOR Advantage Loan of a certain duration, the obligations of the Bank to make, continue, maintain or convert into any such LIBOR Rate Loans or LIBOR Advantage Loans shall, upon such determination, forthwith be suspended until the Bank shall notify the Borrower that the circumstances causing such suspension no longer exist, and all LIBOR Rate Loans or LIBOR Advantage Loans of such type shall automatically convert into Prime Rate Loans at the end of the then current Interest Periods with respect thereto or sooner, if required by such law or assertion.

(o) Without duplication of any applicable LIBOR Rate Loan Prepayment Fee, if due to payments made by the Borrower pursuant to this Agreement or due to the acceleration of the Obligations or due to any other reason, Bank receives payments of principal of any LIBOR Rate Loan prior to the last day of the then current Interest Period for such LIBOR Rate Loan, the Borrower shall, upon demand by Bank, pay to Bank any amounts required to compensate Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss, costs or expenses incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such LIBOR Rate Loans.

(q) If the Bank shall have determined that

(i) US dollar deposits in the relevant amount and for the relevant Interest Period are not available to the Bank in the London Interbank Market,

(ii) by reason of circumstances affecting the Bank in the London Interbank Market, adequate means do not exist for ascertaining the LIBOR Rate applicable hereunder to LIBOR Rate Loans of any duration or the LIBOR Advantage Rate applicable to LIBOR Advantage Loans, or

(iii) the LIBOR Rate no longer adequately reflects the Bank's cost of funding LIBOR Rate Loans,

then, upon notice from the Bank to the Borrower, the obligations of the Bank to make or continue any loans as, or to convert any loans into, LIBOR Rate Loans or LIBOR Advantage Loans of such duration shall forthwith be suspended until the Bank shall notify the Borrower that the circumstances causing such suspension no longer exist.

(q) Without duplication of any LIBOR Rate Loan Prepayment Fee or any amount payable under clause (k) above or clause (o) above, the Borrower agrees to reimburse the Bank for any increase in the cost to the Bank, or reduction in the amount of any sum receivable by the Bank, in respect, or as a result, of:

(i) any conversion or repayment or prepayment of the principal amount of any LIBOR Rate Loans on a date other than the scheduled last day of the Interest Period applicable thereto;

(ii) any loans not being made as LIBOR Rate Loans in accordance with the borrowing request thereof;

(iii) any LIBOR Rate Loans not being continued as, or converted into, LIBOR Rate Loans in accordance with the continuation/conversion notice thereof; or

(iv) any costs associated with marking to market any Hedging Obligations that (in the reasonable determination of the Bank) are required to be terminated as a result of any conversion, repayment or prepayment of the principal amount of any LIBOR Rate Loan on a date other than the scheduled last day of the Interest Period applicable thereto.

The Bank shall promptly notify the Borrower in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate the Bank for such increased cost or reduced amount. Such additional amounts shall be payable by the Borrower to the Bank within five days of its receipt of such notice, and such notice shall, in the absence of manifest or demonstrable error, be conclusive and binding on the Borrower. The Borrower understands, agrees and acknowledges the following: (a) the Bank does not have any obligation to purchase, sell and/or match funds in connection with the use of the LIBOR Rate as a basis for calculating the rate of interest on a LIBOR Rate Loan, (b) the LIBOR Rate may be used merely as a reference in determining such rate, and (c) the Borrower has accepted the LIBOR Rate as a reasonable and fair basis for calculating such rate, the LIBOR Rate Prepayment Fee, and other

funding losses incurred by the Bank. Borrower further agrees to pay the LIBOR Rate Prepayment Fee and other funding losses, if any, whether or not the Bank elects to purchase, sell and/or match funds.

(r) If on or after the date hereof the adoption of any applicable law, rule or regulation or guideline (whether or not having the force of law), or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject the Bank to any tax, duty or other charge with respect to its LIBOR Rate Loans or LIBOR Advantage Loans or its obligation to make LIBOR Rate Loans or LIBOR Advantage Loans, or shall change the basis of taxation of payments to the Bank of the principal of or interest on its LIBOR Rate Loans or LIBOR Advantage Loans or any other amounts due under this Agreement in respect of its LIBOR Rate Loans or LIBOR Advantage Loans or its obligation to make LIBOR Rate Loans or LIBOR Advantage Loans (except for the application or introduction of, or change in the rate of, any Excluded Withholding Tax (as defined in Section 1(s) below), imposed by the jurisdiction (or any political subdivision or taxing authority thereof) under the laws of which the Bank is organized or in which the Bank's principal executive office is located, or to whose taxing authority the Bank is subject); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System of the United States) against assets of, deposits with or for the account of, or credit extended by, the Bank or shall impose on the Bank or on the London Interbank Market any other condition affecting its LIBOR Rate Loans or LIBOR Advantage Loans or its obligation to make LIBOR Rate Loans or LIBOR Advantage Loans;

and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining any LIBOR Rate Loan or LIBOR Advantage Loan, or to reduce the amount of any sum received or receivable by the Bank under this Agreement with respect thereto, by an amount deemed by the Bank to be material, then, within fifteen (15) days after Borrower's receipt of written notice by the Bank (such notice to state, in reasonable detail, the relevant additional amount or amounts and the reasons therefor), the Borrower shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(s) All payments by the Borrower of principal of, and interest on, the LIBOR Rate Loans or LIBOR Advantage Loans and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise or stamp taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any jurisdiction or taxing authority thereof (such items being called **"Withholding Taxes"**), unless the deduction or withholding is required by law. In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Withholding Taxes pursuant to any applicable law, rule or regulation, then the Borrower will

(i) pay directly to the relevant authority the full amount of Withholding Taxes required to be so withheld or deducted;

(ii) promptly forward to the Bank documentation reasonably satisfactory to the Bank evidencing such payment to such authority; and

(iii) in the case of Withholding Taxes other than (i) franchise taxes, (ii) taxes imposed on or measured by the Bank's net income or receipts, or profits or gains, (iii) taxes imposed on or measured by the Bank's net worth or capital, and (iv) taxes creditable by the Bank against its liability for taxes described in clause (i), (ii) or (iii) above (such other taxes being referred to as

"Excluded Withholding Taxes"), pay to the Bank such additional amount or amounts as may be necessary to ensure that the net amount actually received by the Bank will equal the full amount the Bank would have received had no such withholding or deduction been required.

Moreover, if any Withholding Taxes other than Excluded Withholding Taxes are directly asserted against the Bank with respect to any payment received by the Bank hereunder, the Bank may pay such Withholding Taxes and the Borrower will promptly pay such additional amount (including any penalties, interest or expenses) as is necessary in order that the net amount received by the Bank after the payment of such Withholding Taxes (including any Withholding Taxes on such additional amount) shall equal the amount the Bank would have received had not such Withholding Taxes been asserted.

If the Borrower fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Bank the required receipts or other required documentary evidence, the Borrower shall indemnify the Bank for any incremental Withholding Taxes, interest or penalties that may become payable by the Bank as a result of any such failure.

(t) Notwithstanding anything to the contrary contained herein, Bank and Borrower agree that after the occurrence of an Event of Default which is continuing, Borrower shall not request and Bank will not make LIBOR Rate Loans or LIBOR Advantage Loans.

(u) In addition to all other sums payable hereunder, the Borrower shall pay the Lender a fee equal to eighteen one-hundredths of one percent (0.18%) of the difference between: (i) the Credit Limit (as it may be reduced under clause (w) below) and (ii) the average daily balance of (x) the aggregate outstanding principal amount of loans and other extensions of credit hereunder plus (without duplication) (y) the undrawn amounts and other obligations under outstanding Letters of Credit, for each quarterly period this Agreement is in effect. Such fee shall be payable quarterly in arrears and, unless previously paid by the Borrower, shall be treated as a loan to Borrower, which shall be added to Borrower's loan balance pursuant to this Agreement.

(v) Upon the initial advance hereunder (excluding any foreign exchange contract obligation), the Borrower shall pay the Bank a one time usage fee of Forty Thousand ($40,000.00) Dollars and, if not already paid to the Bank, upon receipt of an invoice from the Bank, a commitment fee of Ten Thousand ($10,000.00) Dollars.

(w) The Borrower may terminate the Line of Credit at any time, or reduce the Credit Limit under the Line of Credit in part from time to time, prior to the Termination Date without premium or penalty, except as provided in the next sentence, on five (5) Business Days prior written notice to Bank. In addition to any

other fees required hereunder, the Borrower shall pay the Bank a prepayment fee of one-eighth of one percent (.125%) of the Credit Limit if the Line of Credit is terminated prior to the Termination Date and replaced by debt financing with another financial institution, payable on the date of such termination. The Bank shall not impose this prepayment fee if the Borrower repays, refinances or replaces the Line of Credit, directly or indirectly, as a result of or through the issuance of new debt convertible into capital stock or other equity interests of the Borrower (which convertible debt need not equal or exceed the Credit Limit in aggregate amount).

2. **BANK'S REPORTS.** After the end of each month, Bank will render to Borrower a statement of Borrower's loan account with Bank hereunder, showing all applicable credits and debits. Each statement shall be considered correct and to have been accepted by Borrower and shall be conclusively binding upon Borrower (in the absence of demonstrable or manifest error) in respect of all charges, debits and credits of whatsoever nature contained therein under or pursuant to this Agreement, and the closing balance shown therein, unless Borrower notifies Bank in writing of any discrepancy within thirty (30) days after receipt by Borrower of such monthly statement.

3. **CONDITIONS OF LENDING.**

(a) The obligation of Bank to make the initial extension of credit, whether by making a loan or issuing or causing to be issued a Letter of Credit hereunder shall be subject to the condition precedent that Bank shall have received all of the following:

(i) This Agreement, properly executed on behalf of Borrower.

(ii) The Note drawn to the order of Bank in the face amount of the Credit Limit.

(iii) A Stock Pledge Agreement, properly executed by the Borrower, substantially in the form of Exhibit 3 annexed hereto.

(iv) Current searches of appropriate filing offices showing that (A) no state or federal tax liens have been filed and remain in effect against Borrower, and (B) no financing statements have been filed and remain in effect against Borrower, except those financing statements relating to liens set forth on Schedule "B", the liens of any secured lender to be paid with the proceeds of the initial loan and those financing statements filed by the Bank.

(v) A certificate of the Clerk/Secretary or an Assistant Clerk/Secretary of the Borrower, certifying as to (A) the resolutions of the directors and, if required, the shareholders of Borrower, authorizing the execution, delivery and performance of this Agreement and related documents, (B) the Articles of Organization and By-Laws of Borrower, and (C) the signatures of the officers or agents of Borrower authorized to execute and deliver this Agreement and other instruments, agreements and certificates, including loan requests, on behalf of Borrower.

(vi) A current certificate issued by the Secretary of State of the Commonwealth of Massachusetts, certifying that Borrower validly exists and is in good standing as a corporation under the laws of Massachusetts.

(vii) An opinion of counsel to the Borrower, addressed to Bank, substantially in the form of Exhibit 4 annexed hereto.

(viii) Certificates of the insurance required under Section 9(a) hereof.

(ix) Evidence reasonably satisfactory to the Bank that no material adverse change in the financial condition, business, operations or assets of the Borrower and its subsidiaries taken as a whole shall have occurred since September 5, 2003.

(b) The obligation of Bank to make each extension of credit, whether by making a loan or issuing or causing to be issued a Letter of Credit, hereunder shall be subject to the further conditions precedent on such date:

(i) the representations and warranties contained in Sections 4 and 5 hereof are correct on and as of the date of such loan or the issuance of such Letter of Credit, as the case may be, as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date; and

(ii) no event has occurred and is continuing, or would result from such loan or issuance of such Letter of Credit, as the case may be, which constitutes an Event of Default or which, with notice or the passage of time or both, would constitute an Event of Default.

4. **BORROWER'S PLACES OF BUSINESS.** Borrower warrants that, as of the date of this Agreement, Borrower has no places of business other than those shown at the end of this Agreement, unless other places of business are listed on Schedule "A", annexed hereto, in which event Borrower represents that as of the date hereof it has additional places of business at those locations set forth on Schedule "A".

Borrower's principal executive office and the office where Borrower keeps its records concerning its accounts, contract rights and other property, in each case as of the date hereof, is that shown at the end of this Agreement. As of the date hereof, all material Inventory owned by Borrower is stored at the locations set forth on Schedule "A".

Borrower will promptly notify Bank in writing of any change in the location of its headquarters.

5. **BORROWER'S ADDITIONAL REPRESENTATIONS AND WARRANTIES.** Borrower represents and warrants that:

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts and shall hereafter remain in good standing as a corporation in that state, and is duly qualified and in good standing in every other state (other than California) in which the

failure to qualify or become licensed could have a Material Adverse Effect; Borrower is diligently taking such action as is necessary to return it to good standing in California.

(b) Borrower's exact legal name is as set forth in this Agreement.

(c) The organizational identification number of the Borrower is as set forth on Schedule "A" annexed hereto.

(d) The execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within the Borrower's corporate powers, have been duly authorized, are not in contravention of law or the terms of the Borrower's charter, by-laws or other incorporation papers, or of any indenture, agreement or undertaking to which the Borrower is a party or by which it or any of its properties may be bound.

(e) All Articles of Organization and all amendments thereto of Borrower have been duly filed and are in proper order. All capital stock issued by Borrower and outstanding was and is properly issued and all books and records of Borrower, including but not limited to its minute books, by-laws and books of account, are accurate and up to date in all material respects and will be so maintained.

(f) Borrower owns or has valid leasehold interests in all of the assets reflected in the most recent of Borrower's financial statements provided to Bank, except assets sold or otherwise disposed of in the ordinary course of business since the date thereof, and such assets together with any assets acquired since such date, are free and clear of any lien, pledge, security interest, charge, mortgage or encumbrance of any nature whatsoever, except (i) the security interests and other encumbrances (if any) listed on Schedule "B" annexed hereto, (ii) leases of personal property not prohibited by this Agreement, or (iii) those liens permitted pursuant to Section 10(d) of this Agreement. Schedule "D" annexed hereto sets forth, as of the date of this Agreement, each of Borrower's subsidiaries and the percentage equity ownership that Borrower holds in each such subsidiary.

(g) Except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, (i) the Borrower has made or filed all tax returns, reports and declarations relating to any material tax liability required by any jurisdiction to which it is subject; (ii) has paid all taxes shown or determined to be due thereon (giving effect to any applicable extensions), except those being contested in good faith by appropriate proceedings; and (iii) has made adequate provision on the books of the Borrower for the payment of all taxes so contested, so that no lien will encumber any assets of the Borrower (excluding a Permitted Lien described in Section 10(d)(iv)).

(h) Borrower (i) is subject to no charter, corporate or other legal restriction, or any judgment, award, decree, order, governmental rule or regulation or contractual restriction which could have a Material Adverse Effect, and (ii) is in compliance with its charter documents and by-laws, all contractual requirements by which it or any of its properties may be bound and all applicable laws, rules and regulations (including without limitation those relating to environmental protection but excluding those the validity or applicability of which it is contesting in good faith), other than provisions

of any of the foregoing described in this clause, (ii) the failure to comply with which could not reasonably be expected to have a Material Adverse Effect.

(i) There is no action, suit, proceeding or investigation pending or, to Borrower's knowledge, threatened against it or any of its assets before or by any court or other governmental authority as to which there is a reasonable possibility of a determination adverse to Borrower and that, if determined adversely to Borrower, would have a Material Adverse Effect.

(j) Borrower is in compliance with ERISA in all material respects; no Reportable Event has occurred and is continuing with respect to any Plan which could reasonably be expected to have a Material Adverse Effect; and it has no unfunded vested liability under any Plan. The word **"Plan"** as used in this Agreement means any employee plan subject to Title IV of the Employee Retirement Income Security Act of 1974 (**"ERISA"**) maintained for employees of Borrower, any subsidiary of Borrower or any other trade or business under common control with Borrower within the meaning of Section 414(c) of the Internal Revenue Code of 1986 or any regulations thereunder.

(k) Neither Borrower nor any of its affiliates is a party to or bound by any agreement, indenture, or other instrument (excluding the Loan Documents) which prohibits the creation, incurrence or allowance to exist of any mortgage, deed of trust, pledge, lien, security interest or other encumbrance or conveyance upon any of such Borrower's property in favor of the Bank.

(l) Borrower will, promptly upon either its chief executive officer or chief financial officer obtaining knowledge thereof, give notice to Bank of (i) any default or Event of Default; (ii) any material casualty, loss, other force majeure event or depreciation to any inventory or other property of Borrower, or any litigation, investigation or other proceeding against or involving Borrower, the result of any of which described in this clause (ii) could reasonably be expected to have a Material Adverse Effect; (iii) any litigation, investigation, other proceeding or dispute affecting Borrower which relates, in whole or in part, to any of the transactions contemplated by any of the Loan Documents, or which could reasonably be expected to have a Material Adverse Effect; (iv) any Reportable Event in respect of any Plan or any other event or change in a Plan which could reasonably be expected to have a Material Adverse Effect; or (v) any release of any hazardous materials or hazardous waste or hazardous or toxic substances at any location owned or leased by any Borrower, which release is in violation of any applicable environmental laws, or any investigation or proceeding by any governmental body alleging or relating to the violation by Borrower of any law or regulation, excluding any such matter described in this clause (v) that could not reasonably be expected to have a Material Adverse Effect. Borrower will furnish to Bank from time to time all information which Bank shall reasonably request with respect to the status of any litigation, investigation, other proceeding or dispute to which Borrower is a party.

6. **CAPITAL ADEQUACY.**

If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by the Bank, or person controlling the Bank, with respect to the loans made by the Bank hereunder and the Bank determines (in its sole and absolute discretion) that the rate of return on its or such controlling person's capital as a consequence of its commitments hereunder or the loans made by the Bank hereunder is reduced to a level below that which the Bank or such controlling person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by the Bank to the Borrower, the Borrower shall immediately pay directly to the Bank additional amounts sufficient to compensate the Bank or such controlling person for such reduction in rate of return. A statement of the Bank as to any such additional amount or amounts (including calculations thereof in reasonable

detail) shall, in the absence of manifest or demonstrable error, be conclusive and binding on the Borrower. In determining such amount, the Bank may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

7. **SET OFF; DEPOSIT ACCOUNTS; EXPENSES.**

(a) Borrower or any guarantor of the Obligations hereby grant to Bank a lien and right of setoff as security for the Obligations, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity in the control of Citizens Financial Group, Inc., or in transit to any of them. At any time after the occurrence and during the continuation of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any Obligation even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

(b) Bank shall be Borrower's main bank of deposit.

(c) Borrower shall pay to Bank on demand any and all reasonable counsel fees and other expenses incurred by Bank in connection with the preparation, interpretation, enforcement, administration or amendment of this Agreement, or of any documents relating thereto, and any and all expenses which may be expended by Bank concerning any matter growing out of or connected with the subject matter of this Agreement, the Obligations or any of Bank's rights or interests therein or thereto, including, without limiting the generality of the foregoing, any counsel fees or expenses incurred in any bankruptcy or insolvency proceedings and all costs and expenses incurred by Bank in connection with the defense, settlement or satisfaction of any action, claim or demand asserted against Bank in connection therewith. At its option, and without limiting any other rights or remedies, Bank may at any time pay or discharge any taxes, liens, security interests or other encumbrances at any time levied against or placed on any of the assets of the Borrower, and may procure and pay any premiums on any insurance required hereunder to be carried by Borrower, and provide for the maintenance and preservation of any of the assets of the Borrower, and otherwise take any action reasonably deemed necessary by Bank to protect its security, and all amounts expended by Bank in connection with any of the foregoing matters, including reasonable attorneys' fees, shall be considered Obligations of Borrower.

8. **BORROWER'S REPORTS.**

(a) Borrower will furnish Bank as soon as available, and in any event within sixty (60) days after the close of each of the first three quarterly periods of its fiscal year (commencing with the quarter ended February 20, 2004), its Quarterly Report on Form 10-Q for such period, as filed with the United States Securities and Exchange Commission (the "**SEC**"), which shall include the financial statements required by Form 10-Q for such period and the comparisons to the figures for prior periods as required by Form 10-Q, all prepared in accordance with generally accepted accounting principles consistently applied (subject to year end adjustments), and including any certifications as to such financial statements by any officers of the Borrower as required by the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the rules and regulations promulgated by the SEC thereunder, as amended.

(b) Borrower will furnish Bank, annually, as soon as available, and in any event within one hundred twenty (120) days after the end of each fiscal year of Borrower (commencing with the year

ended November 29, 2003), its Annual Report of Form 10-K for such year, as filed with the SEC, which shall include the financial statements required by Form 10-K for such year and the comparisons to the figures for prior periods as required by Form 10-K, all prepared in accordance with generally accepted accounting principles consistently applied, accompanied by an unqualified audit report thereon by Ernst & Young LLP or any other independent public accountants of recognized national standing selected by the Borrower.

(c) Borrower will promptly, upon receipt thereof, deliver to Bank, copies of any material reports submitted to the Borrower by Borrower's independent public accountants in connection with the examination of the financial statements of the Borrower made by such accountants (the so-called "Management Letter").

(d) Borrower will deliver to Bank, concurrently with or before its delivery of any Quarterly Report on Form 10-Q under clause (a) above or Annual Report on Form 10-K under clause (b) above, a Compliance Certificate in the form of Exhibit 5 annexed hereto (herein a **"Compliance Certificate"**) with respect to Borrower's compliance with the financial covenants set forth in Sections 10(a) and (b) hereof as of the end of the fiscal period covered by such report and for the period of four consecutive fiscal quarters then ended, as applicable. At the time of each request by the Borrower for a loan or advance hereunder, the Borrower shall update the then-effective Compliance Certificate (or if none has yet been delivered, deliver its first Compliance Certificate) to report (i) its Senior Debt Ratio and Total Debt Ratio at such time and (ii) if such loan or advance will be used to finance all or part of the acquisition cost of a Permitted Acquisition, its consolidated working capital at such time, in each case based on its consolidated senior funded debt and consolidated total funded debt (giving effect to such loan or advance) at such time and, if applicable, giving effect to such acquisition (including for purposes of determining Borrower EBITDA and adjusted acquisition EBITDA (each as defined in Section 10 hereof)).

(e) In addition to the foregoing, the Borrower promptly shall provide Bank with such other and additional information concerning the Borrower, the operation of the Borrower's business, and the Borrower's financial condition, including financial reports and statements, as Bank may from time to time reasonably request from the Borrower. All financial statements provided Bank by the Borrower shall be prepared in accordance with generally accepted accounting principles (except, with respect to interim unaudited financial statements, for the omission of footnotes and subject to year-end audit adjustments) applied consistently in the preparation thereof and with prior periods to fairly reflect the financial conditions of the Borrower at the close of, and its results of operations for, the periods in question.

9. **GENERAL AGREEMENTS OF BORROWER.**

(a) Borrower agrees to keep its assets insured with coverage and in amounts not less than that usually carried by one engaged in a like business.

(b) Bank or its agents have the right, on reasonable prior notice to the Borrower (except when an Event of Default shall have occurred and be continuing, when no prior notice shall be required) and during normal business hours, to inspect the assets of the Borrower and all records pertaining thereto at intervals to be determined by Bank and without hindrance or delay.

(c) Borrower will at all times keep books and records that are accurate and complete in all material respects and Bank, or any of its agents, shall have the right, on reasonable prior notice to the Borrower (except when an Event of Default shall have occurred and is continuing, when no prior notice shall be required) and during normal business hours, to call at Borrower's place or places of business at intervals to be determined by Bank, and without hindrance or delay, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, and correspondence which relate to Borrower's business and the general financial condition of Borrower.

(d) Borrower will maintain a standard and modern system of accounting which enables Borrower to produce financial statements in accordance with generally accepted accounting principles and maintain records pertaining to the assets of the Borrower that contain information as from time to time may be reasonably requested by Bank.

(e) Borrower will maintain its corporate existence in good standing in the jurisdiction of its incorporation and in the other jurisdictions in which it conducts business and comply with all laws and regulations of the United States or of any state or states thereof or of any political subdivision thereof, or of any governmental authority which may be applicable to it or to its business except where any failure to so maintain or comply could not reasonably be expected to have a Material Adverse Effect.

(f) Borrower will pay all real and personal property taxes, assessments and charges and all franchises, income, unemployment, old age benefits, withholding, sales and other taxes assessed against it, or payable by it at such times and in such manner as to prevent any penalty from accruing or any lien or charge from attaching to its property, except where any of the same are being contested in good faith by appropriate proceedings and adequate reserves therefor have been taken in accordance with generally accepted accounting principles.

(g) Borrower will promptly pay when due (giving effect to any applicable extensions) all taxes and assessments upon its assets or for its use or operation thereof or upon this Agreement, or upon any note or notes evidencing the Obligations, and will, at the request of Bank, promptly furnish Bank the receipted bills therefor. At its option, Bank may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on any assets of the Borrower, may pay for insurance as required to be maintained by the Borrower by this Agreement on any such assets of the Borrower and may pay for the maintenance and preservation of any such assets of the Borrower. Borrower agrees to reimburse Bank on demand for any payments made, or any expenses incurred by Bank pursuant to the foregoing authorization, and upon failure of the Borrower so to reimburse Bank, any such sums paid or advanced by Bank shall be deemed part of the Obligations.

(h) Borrower will promptly notify Bank upon receipt of notification of any potential or known release or threat of release, in violation of any applicable environmental laws, of hazardous materials, hazardous waste, hazardous or toxic substance or oil from any site operated by Borrower or of the incurrence of any material expense or loss in connection therewith or with the Borrower's obtaining knowledge of any investigation, action or the incurrence of any material expense or loss by any governmental authority in connection with the assessment, containment or removal of any hazardous material or oil for which expense or loss the Borrower may be liable. As used herein, the terms "hazardous waste," "hazardous or toxic substance," "hazardous material" or "oil" shall have the same meanings as defined and used in any of the following (the "**Acts**"): the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC Sections 9601-9657, as amended by the Superfund Accounts and Reauthorization Act of 1986; the Federal Resource Conservation and Recovery Act, 42 USC Sections 6901 *et seq.*; the Hazardous Materials Transportation Act, 49 USC Sections 1801 *et seq.*; the Toxic Substances Control Act, 15 USC Sections 2601 *et seq.*; the Federal Water Pollution Control Act, 33 USC Sections 1251 *et seq.*; the Clean Air Act, 42 USC Sections 741 *et seq.*; the Clean Water Act, 33 USC Section 701; the Safe Drinking Water Act, 42 USC Sections 300(f)-300(j); M.G.L.A. c. 21E (Massachusetts Oil and Hazardous Material Release Prevention Act); M.G.L.A. c. 21C (Massachusetts Hazardous Waste Management Act); and/or the regulations adopted and publications promulgated pursuant to any of the Acts, as the same may be amended from time to time.

(i) Except for Bank's gross negligence or willful misconduct, Borrower will indemnify and save Bank harmless from all loss, costs, damage, liability or expenses (including, without limitation, court costs and reasonable attorneys' fees) that Bank may sustain or incur by reason of enforcing the Obligations, or in the prosecution or defense of any action or proceeding (other than the unsuccessful

defense of any action or claim by Borrower against Bank or any of its affiliates) concerning any matter growing out of or in connection with this Agreement and/or any other documents now or hereafter executed in connection with this Agreement and/or the Obligations. This indemnity shall survive the repayment of the Obligations and the termination of Bank's agreement to make loans available to Borrower and the termination of this Agreement.

(j) At the reasonable request of Bank, Borrower will furnish to Bank, from time to time, within ten (10) Business Days after the accrual in accordance with applicable law of Borrower's obligation to make deposits for F.I.C.A. and withholding taxes and/or sales taxes, proof reasonably satisfactory to Bank that such deposits have been made as required. Should Borrower fail to furnish such proof to Bank within ten (10) Business Days after a request by Bank, then Bank may, in its reasonable discretion, (a) make any of such deposits or any part thereof, (b) pay such taxes, or any part thereof, or (c) set-up such reserves as Bank, in its reasonable judgment, shall deem necessary to satisfy the liability for such taxes. Each amount so deposited or paid shall constitute an advance under the terms hereof, repayable on demand with interest, as provided herein. Nothing herein shall be deemed to obligate Bank to make any such deposit or payment or set-up such reserve and the making of one or more of such deposits or payments or the setting-up of such reserve shall not constitute (i) an agreement on Bank's part to take any further or similar action, or (ii) a waiver of any default by Borrower under the terms hereof.

(k) The Borrower will deliver to the Bank within thirty (30) days of the date of this Agreement a list of the leases of personal property to which the Borrower is a party.

(l) Borrower will, at its expense, upon the reasonable request of Bank promptly and duly execute and deliver such documents and assurances and take such actions as may be necessary or desirable or as Bank may reasonably request in order to correct any defect, error or omission which may at any time be discovered

or to more effectively carry out the intent and purpose of this Agreement and to establish, perfect and protect Bank's rights and remedies created or intended to be created hereunder.

10. **BORROWER'S NEGATIVE COVENANTS.** Borrower will not at any time:

(a) *(Consolidated Working Capital)* permit its consolidated working capital to be less than Twenty Five Million ($25,000,000.00) Dollars as of the end of any fiscal quarter of the Borrower (commencing with the fiscal quarter ended February 20, 2004);

(b) *(Debt Ratios)* (i) permit the Senior Debt Ratio measured as of the end of each fiscal quarter (commencing with the fiscal quarter ended February 20, 2004) to be more than 2.0x, or (ii) permit the Total Debt Ratio measured as of the end of each fiscal quarter (commencing with the fiscal quarter ended February 20, 2004) to be more than 3.5x;

(c) *(Disposition of Assets)* sell, assign, exchange or otherwise dispose of any of its assets, other than (i) inventory consisting of scrap, waste, defective or damaged goods and the like; (ii) obsolete goods; (iii) inventory or other assets sold in the ordinary course of business; (iv) equipment which is no longer required or deemed necessary for the conduct of Borrower's business, so long as Borrower receives therefor a sum substantially equal to such equipment's fair value or replaces such equipment with other equipment of similar value; (v) the licensing by Borrower of intellectual property rights in the ordinary course of business; (vi) leases or subleases of real property that do not interfere with Borrower's business; (vii) sales or other dispositions of any assets of Borrower (including, but not limited to, the stock or other equity interests of any subsidiary) to any subsidiary of the Borrower that has at least 65% of its stock pledged to the Bank (or at least 65% of the stock of whose direct or indirect parent company has been pledged to the Bank); (viii) the use or transfer of money, cash equivalents or similar investments in a manner that is not prohibited by the terms of this Agreement; and (ix) provided that no Event of Default has occurred and is then continuing, any Permitted Disposition.

As used in this Agreement, a **"Permitted Disposition"** shall mean a disposition of any assets or business of the Borrower or any of its subsidiaries in an aggregate amount for all such dispositions during the term of this Agreement not exceeding $5,000,000.00.

(d) *(Liens)* create, permit to be created or suffer to exist any lien, encumbrance or security interest of any kind (**"Lien"**) upon any of the property of Borrower, now owned or hereafter acquired, except (the following, **"Permitted Liens"**): (i) landlords', carriers', warehousemen's, mechanics' and other similar liens arising by operation of law in the ordinary course of Borrower's business; (ii) arising out of pledges or deposits under worker's compensation, unemployment insurance, old age pension, social security, retirement benefits or other similar legislation; (iii) purchase money Liens arising in the ordinary course of business securing indebtedness of other obligations (including, but not limited to, capital leases) incurred to finance the purchase of equipment or other assets (so long as such Liens extend to no other property); (iv) Liens for unpaid taxes that are either (x) not yet due and payable, or (y) are the subject of permitted protests; (v) Liens which are the subject of permitted protests; (vi) those Liens and encumbrances set forth on Schedule "B" annexed hereto; (vii) the interests of lessors and lessees under leases of equipment or real property (including customary contractual landlords' liens under leases entered into in the ordinary course of business); (viii) the interests of licensors and licensees under licenses of intellectual property rights in the ordinary course of business; (ix) Liens consisting of bankers liens and rights of set-off arising by operation of law; (x) Liens on real or personal property acquired in a Permitted Acquisition or other acquisition not prohibited under clause (h) below, provided that such Liens were not created in contemplation of such acquisition and do not apply to any other property of Borrower and, to the extent they secure any indebtedness, secure only indebtedness permitted under this Agreement; (xi) encroachments, easements, rights-of-way, covenants, zoning restrictions and other title exceptions, encumbrances and restrictions on the use of real property that do not materially interfere with the ordinary conduct of Borrower's business; (xii) deposits securing liabilities to insurance carriers under insurance arrangements; (xiii) pledges and deposits to secure the performance of bid, trade contracts (other than for borrowed money), leases, surety and appeal bonds, performance bonds and other like obligations incurred in the ordinary course of business; and (xiv) in favor of Bank; the term "permitted protests" as used herein means the right of the Borrower to protest any Lien (other than a Lien that secures the Obligations), tax (other than payroll taxes or taxes that are the subject of a federal or state tax lien) or rental payment, provided that (x) an adequate reserve with respect to such liability is established on the books of the Borrower in accordance with generally accepted accounting principles and (y) any such protest is instituted and diligently prosecuted by the Borrower in good faith;

(e) *(Dividends)* pay any dividends on or make any distribution on account of any class of Borrower's capital stock in cash or in property (other than in the form of shares of Borrower's capital stock or other equity interests), or redeem, purchase or otherwise acquire for cash or property (other than shares of Borrower's capital stock or other equity interests), directly or indirectly, any of such stock, excluding repurchases of restricted stock from current or former directors, officers, employees or consultants, or family members of any of the foregoing, or trusts (or other estate planning vehicles) for the benefit of any of the foregoing;

(f) *(Loans)* make any loans or advances to any individual, partnership, trust or other corporation, except (A) loans and advances to officers, employees or consultants, (B) as long as no Event of Default exists, loans and advances to wholly-owned subsidiaries whose stock is pledged to the Bank in accordance with the Stock Pledge Agreement, (C) as long as no Event of Default exists, loans and advances to its NeuCo, Inc. subsidiary, provided that the aggregate outstanding amount of all such loans and advances, together with the aggregate amount of all capital contributions permitted under clause (i)(ii)(C) below, made after the date hereof shall not exceed Two Million ($2,000,000.00) Dollars, (D) advances made in connection with purchases and sales of goods and services in the

ordinary course of business, (E) investments permitted under clause (h) below, and (F) loans and advances listed on Schedule "E" annexed hereto;

(g) *(Guarantees)* assume, guaranty, endorse or otherwise become directly or contingently liable in respect of (including without limitation by way of agreement, contingent or otherwise, to purchase, provide funds to or otherwise invest in a debtor or otherwise to assure a creditor against loss), any indebtedness of any individual, partnership, trust or other corporation, except (i) guarantees by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) guarantees in favor of Bank, (iii) surety bonds, performance bonds and similar obligations incurred in the ordinary course of business, (iv) customary indemnities in connection with sales of assets or services under contracts entered into in the ordinary course of business or in connection with dispositions of assets permitted hereunder, (v) customary indemnities of officers and/or directors (or comparable managers) in connection with their services as such), (vi) guarantees of the obligations of subsidiaries, (vii) reimbursement and similar obligations with respect to the letters of credit listed on Schedule "F"

annexed hereto and any replacements or extensions thereof, and any other obligations listed on Schedule "F" annexed hereto and (viii) any indebtedness permitted under clause (h) below;

(h) (*Indebtedness)* incur any indebtedness for borrowed money (including obligations under capital leases), except (i) indebtedness described on Schedule "G" annexed hereto, and any refinancings or renewals thereof that do not increase the principal amount thereof, (ii) deferred purchase price payment obligations or other indebtedness incurred to current or former directors, officers, employees or consultants, or family members of any of the foregoing, or trusts (or other estate planning vehicles) for the benefit of any of the foregoing, in respect of repurchases by the Borrower of restricted stock from any such persons; (iii) to the extent constituting indebtedness, guarantees and other obligations permitted under clause (g) above and investments permitted under clause (i) below, (iv) trade debt incurred and payable in the ordinary course of business (v) Purchase Money Indebtedness in an aggregate amount outstanding at any time not exceeding One Million ($1,000,000.00) Dollars, (vi) unsecured indebtedness owed to any wholly-owned subsidiary, (vii) subordinated indebtedness, and (viii) up to Five Million ($5,000,000.00) Dollars in aggregate principal amount of other unsecured indebtedness outstanding at any time.

As used in this Agreement, **"Purchase Money Indebtedness"** shall mean indebtedness (including obligations under capital leases) incurred to finance the acquisition cost of any fixed assets, including equipment or other personal property and, if secured, secured solely by such assets.

(i) *(Investments, Acquisitions)* (i) use any loan proceeds to purchase or carry any "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System), (ii) invest in or purchase any stock or securities of any individual, partnership, trust or other corporation except (A) investments in and ownership of capital stock or other ownership interests in subsidiaries whose stock is pledged to the Bank in accordance with the Stock Pledge Agreement, (B) Permitted Acquisitions (as defined below), (C) as long as no Event of Default exists, capital contributions to wholly-owned subsidiaries, (D) as long as no Event of Default exists, capital contributions to its NeuCo, Inc. subsidiary, provided that the aggregate outstanding amount of all such capital contributions, together with the aggregate amount of all loans and advances permitted under clause (f)(C) above, made after the date hereof shall not exceed Two Million ($2,000,000.00) Dollars, (E) investments in cash equivalents, (F) investments in accordance with the Borrower's "Investment Policy" as approved (or revised) by its Board of Directors from time to time (a copy of which Investment Policy as in effect on the date hereof is attached hereto as Exhibit 6; and the Borrower covenants to notify the Bank of any such revision before such revision by the Borrower's Board of Directors), and (G) loans and advances permitted under clause (f) above, or (iii) except for Permitted Acquisitions, make any acquisitions of all or substantially all of the business or assets of any individual, partnership, trust or other corporation.

As used in this Agreement, a **"Permitted Acquisition"** shall mean (i) any acquisition described on Schedule "C" annexed hereto or (ii) any other acquisition, whether by merger, stock purchase, asset purchase or otherwise, (A) that is of a business or assets in a line or lines of business similar to the business of the Borrower; (B) that is acquisition EBITDA accretive on a consolidated historical basis for the period of four (4) consecutive fiscal quarters of the target business most recently ended, determined as of the time of the acquisition and without regard to any financing for such acquisition or the Borrower's outstanding equity securities (or any issuance of or change therein in connection with such acquisition); (C) that on a pro forma basis would not cause Borrower to violate any of its covenants herein; and (D) the due diligence materials and reports received or compiled by the Borrower for which the Bank has reviewed (or had a reasonable opportunity to review).

(i) *(Subsidiaries)* sell, transfer or otherwise dispose of any stock of any subsidiary of Borrower, other than pursuant to a Permitted Disposition or other disposition permitted under Section 10(c) hereof or the liquidation or winding up of any immaterial, non-operating subsidiary;

(j) *(Mergers, Consolidations or Joint Ventures)* except for Permitted Acquisitions and Permitted Dispositions, (i) merge or consolidate with or into any corporation; or (ii) enter into any joint venture or partnership with any person, firm or corporation;

(k) *(Change in Legal Status)* change its type of organization, jurisdiction of organization or other legal structure. If the Borrower does not have an organizational identification number and later obtains one, the Borrower shall promptly notify the Lender of such organizational identification number.

(l) *(Negative Pledge)* directly or indirectly, enter into any agreement, indenture, or other instrument with any person other than the Bank which prohibits the creation, incurrence or allowance to exist of any mortgage, deed of trust, pledge, lien, security interest or other encumbrance or conveyance upon the Borrower's property in favor of the Bank.

For purposes of this section and the other provisions of this Agreement:

"acquisition EBITDA" shall mean, with respect to any Permitted Acquisition, the actual historical EBITDA of the target business in such Permitted Acquisition for the period of the four consecutive fiscal quarters of such target business most recently ended before such acquisition, including any pro forma savings of non-recurring costs or expenses that the Borrower expects to realize from such acquisition and that have been approved by the Bank (such approval not to be unreasonably withheld) at the time of acquisition.

"adjusted acquisition EBITDA" shall mean, with respect to any Permitted Acquisition, acquisition EBITDA for such Permitted Acquisition divided by 12 multiplied by the difference between 12 and the number of completed months between the date of the completion of such Permitted Acquisition and the last day of any period of four consecutive fiscal quarters of the Borrower then being tested under the Senior Debt Ratio and/or the Total Debt Ratio.

"affiliate" shall mean any person or entity (i) which directly or indirectly controls, or is controlled by or is under common control with the Borrower or a subsidiary, (ii) which directly or indirectly beneficially holds or owns ten (10%) percent or more of any class of voting stock of the Borrower or any subsidiary, or (iii) ten (10%) percent or more of the voting stock of which is directly or indirectly beneficially owned or held by the Borrower or a subsidiary;

"Borrower EBITDA" shall mean, for the applicable period, the consolidated net income (or loss) of the Borrower and its subsidiaries for such period before the payment of interest and taxes, *plus* depreciation and amortization, plus expenses, costs and fees (including expenses, costs, commissions and fees of attorneys, consultants, investment banks, brokers, accountants and other advisors) incurred or paid in respect of any acquisition of any business or assets of any person or entity the addition of which herein is approved by the Bank (such approval not to be unreasonably withheld), *plus* (without

duplication) all non-cash write -downs, losses and charges (including impairment of goodwill, write-downs of intangibles, and amortization of stock-based compensation), all determined in accordance with generally accepted accounting principles;

"capital assets" shall mean assets that, in accordance with generally accepted accounting principles, are required or permitted to be depreciated or amortized on the Borrower's balance sheet;

"capital leases" shall mean capital leases, conditional sales contracts and other title retention agreements relating to the purchase or acquisition of capital assets, in each case that are required to be capitalized for financial reporting purposes in accordance with generally accepted accounting principles;

"cash equivalents" shall mean (i) marketable direct obligations issued by the United States or any agency thereof or unconditionally guaranteed by the United States, in each case maturing within 2 years from the date of the acquisition thereof, (ii) marketable direct obligations issued by any state of the United States or any political subdivision or public instrumentality thereof maturing within 2 years from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from S&P or Moody's or Fitch, (iii) commercial paper maturing not more than 270 days from the date of acquisition and having a rating of A-1 or better from S&P or P-1 or better from Moody's or F-1 or better from Fitch, (iv) certificates of deposit and bankers' acceptances maturing not more than 18 months after the date of issue issued by, and money market or demand deposit accounts maintained at, commercial banking institutions organized or licensed under the laws of the United States or any state thereof and having combined capital and surplus and undivided profits of not less than $250,000,000.00, (v) repurchase agreements which are entered into with major money center banks included in the commercial banking institutions described in clause (iv) above and which are secured by readily marketable direct obligations of the government of the United States or any agency thereof, (vi) money market accounts maintained with mutual funds having assets in excess of $250,000,000.00, (vii) tax exempt securities rated A or better by Moody's or A+ or better by S&P or the equivalent rating or better by Fitch, and (viii) foreign currency investments of credit quality substantially similar to the investments described above made in the ordinary course of business;

"consolidated senior funded debt" shall mean the consolidated total funded debt minus all subordinated debt;

"consolidated total funded debt" shall mean the following for the Borrower and its subsidiaries on a consolidated basis: (i) all liabilities for borrowed money, for the deferred purchase price of property or services (other than trade indebtedness incurred in the ordinary course of business), and under leases which are or should be, under generally accepted accounting principles, recorded as capital leases, in respect of which a person or entity is directly or indirectly, absolutely or contingently liable as obligor, guarantor, endorser or otherwise, or in respect of which such person or entity otherwise assures a creditor against loss, and (ii) all liabilities of the type described in (i) above which are secured by (or for which the holder has an existing right, contingent or otherwise, to be secured by) any lien upon property owned by such person or entity, whether or not such person or entity has assumed or become liable for the payment thereof;

"consolidated working capital" shall mean current assets minus current liabilities;

"control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any person or entity, whether through the ownership of voting securities, by contract or otherwise;

"current assets" shall mean the total of all assets of Borrower and its subsidiaries on a consolidated basis which properly may be classified as current in accordance with generally accepted accounting principles;

"current liabilities" shall mean the total of all liabilities of the Borrower and its subsidiaries on a consolidated basis which properly may be classified as current in accordance with generally accepted accounting principles, excluding any such liability in respect of the principal amount of loans and other extensions of credit outstanding under the Loan Documents.

"distributions" shall mean all payments or distributions to shareholders in cash or in property on account of any class of Borrower's capital stock;

"EBITDA" shall mean, for the applicable period, net income (or loss) before the payment of interest and taxes, plus depreciation and amortization.

"interest" shall mean for the applicable period, all interest paid or payable, including, but not limited to, interest paid or payable on indebtedness and on capital leases, determined in accordance with generally accepted accounting principles;

"Senior Debt Ratio" shall mean, at any date, the ratio of (x) consolidated senior funded debt (inclusive of any borrowing requested but not yet funded hereunder but exclusive of subordinated debt) at such date to (y) the sum of Borrower EBITDA for the period of four consecutive fiscal quarters ending on or most recently before such date *plus* adjusted acquisition EBITDA.

"subordinated debt" shall mean (i) any indebtedness of Borrower (A) the principal of which matures in its entirety at least one year after the Termination Date, (B) the principal of which is not redeemable, payable or able to be required to be purchased or otherwise retired or extinguished by the holder or holders thereof or the Borrower before one year after the Termination Date (other than pursuant to any redemption, conversion, exchange, call or similar event solely for equity securities of the Borrower or solely with the proceeds of any issuance of equity securities by the Borrower), (C) interest or premium on which is consistent with market rates for indebtedness of such type and may be payable in cash or other property of the Borrower during the term of this Agreement, and (D) which is otherwise subordinated to the Obligations on terms and conditions reasonably satisfactory to Bank, and (ii) any other indebtedness of the Borrower that is subordinated to the Obligations on terms and conditions satisfactory to the Bank.

"subsidiary" of any person or entity shall mean a corporation, partnership, limited liability company or other entity in which that person or entity directly or indirectly beneficially holds or owns capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions;

"Total Debt Ratio" shall mean, at any date, the ratio of (x) consolidated total funded debt (inclusive of any borrowing requested but not yet funded hereunder and inclusive of subordinated debt) at such date to (y) the sum of Borrower EBITDA for the period of four consecutive fiscal quarters ending on or most recently before such date plus adjusted acquisition EBITDA;

"wholly-owned subsidiary" of any person or entity shall mean a subsidiary of such person or entity all of the capital stock or other ownership interests of which (exclusive of any share holdings by directors, officers or other persons as required by applicable local law) are beneficially held or owned by such person or entity directly or indirectly.

11. **DEFAULT; RIGHTS AND REMEDIES UPON DEFAULT.**

(a) Upon the occurrence and during the continuation of any one or more of the following events (herein, **"Events of Default"**), Bank may decline to make any or all further loans or issue Letters of Credit hereunder or under any other agreements with Borrower, and Bank may declare all Obligations immediately due and payable, at the option of Bank and without notice or demand, namely:

(i) The failure by the Borrower to pay when due any principal (other than principal due on the Termination Date for which there shall be no grace period), interest, fees, costs, expenses or

other Obligations due pursuant to this Agreement or any other Loan Document, and such failure continues for a period of more than five (5) days.

(ii) Default by the Borrower in any material respect in the observance or performance of any of the covenants or agreements of the Borrower contained in Section 9(e) (insofar as such provision requires maintenance of the Borrower's corporate existence) or any provision of Section 10 of this Agreement.

(iii) The failure by the Borrower to promptly, punctually and faithfully perform or observe, in all material respects, any term, covenant or agreement (other than any term, covenant or agreement a default in the performance or observance of which is elsewhere in this Section specifically dealt with) on its part to be performed or observed pursuant to any of the provisions of this Agreement or any other Loan Document which is not remedied within the earlier of fifteen (15) days after notice thereof by Bank to Borrower.

(iv) Any representation or warranty made by the Borrower to Bank in this Agreement or any other Loan Document or any certificate or other document delivered in connection herewith or therewith was not true or accurate in any material respect when given.

(v) The occurrence of any event such that (after giving effect to any applicable grace period) any indebtedness for borrowed money by the Borrower from any lender other than Bank in an outstanding principal amount of $5,000,000 could be accelerated by the lender, notwithstanding that such acceleration has not taken place.

(vi) Any action or proceeding by, against, or relating to the Borrower, or its property or assets, which action or proceeding constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee or similar person, pursuant to court action or otherwise, over all or any material part of the Borrower's property, and, if such action or proceeding is involuntary against the Borrower, such action or proceeding shall continue undismissed for sixty (60) days.

(vii) The granting of any trust mortgage or execution of a general assignment for the benefit of the creditors of the Borrower, or the occurrence of any other voluntary or involuntary liquidation of the Borrower; the failure by the Borrower to generally pay the debts of the Borrower as they mature; adjudication of bankruptcy or insolvency relative to the Borrower; the entry of an order for relief or similar order with respect to the Borrower in any proceeding pursuant to Title 11 of the United States Code entitled "Bankruptcy" (hereinafter the "Bankruptcy Code") or any other federal Bankruptcy law; the filing of any complaint, application, or petition by or against the Borrower initiating any matter in which the Borrower is or may be granted any relief from the debts of the Borrower pursuant to the Bankruptcy Code or any other insolvency statute or procedure; the calling or sufferance, by the Borrower of a general meeting of creditors of the Borrower; the meeting by the Borrower of a formal or informal creditors' committee; the offering by or entering into by the Borrower of any composition, extension or any other arrangement seeking relief or extension for the debts of the Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against or including the Borrower which seeks or intends to accomplish a reorganization or arrangement with creditors; provided, however, that the filing or initiation of any complaint, application, petition, agreement or other action or proceeding described in this clause (vi) against the Borrower that is being diligently contested by the Borrower shall not constitute an Event of Default hereunder until the earlier of: (i) sixty (60) days from the filing or initiation thereof without dismissal thereof or (ii) an order or decree is entered approving or ordering the relief sought with respect thereto.

(viii) The entry of any judgment(s) against Borrower, for the payment of money exceeding $5,000,000.00 in aggregate amount, and such judgment(s) is (or are) not satisfied or appealed from (with execution or similar process stayed) within thirty (30) days of entry.

(ix) The entry of any court order which enjoins, restrains or in any way prevents the Borrower from conducting all or any part of its business affairs in the ordinary course of business for more than thirty (30) days, and such event of circumstance could reasonably be expected to have a Material Adverse Effect.

(x) The service of any process upon Bank seeking to attach by trustee process any funds of the Borrower in excess of Two Million Five Hundred Thousand ($2,500,000.00) Dollars on deposit with Bank, and such attachment has not been removed, discharged or rescinded, or stayed or adequately bonded pending a good faith contest by the Borrower, within fifteen (15) days of service.

(xi) The occurrence of any uninsured loss, theft, damage or destruction to any material asset(s) of the Borrower and such event of circumstance could reasonably be expected to have a Material Adverse Effect.

(xii) Any act by or against, or relating to the Borrower or its assets pursuant to which any creditor of the Borrower seeks to reclaim or repossess or reclaims or repossesses all or a material portion of the Borrower's assets, which action remains unstayed from more than thirty (30) days.

(xiii) The termination of existence, dissolution, or liquidation of the Borrower.

(xiv) This Agreement shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or shall be declared null and void, or the validity or enforceability hereof shall be contested by the Borrower or any guarantor of the Borrower denies it has any further liability or obligation hereunder.

(xv) Any of the following events occur or exist with respect to the Borrower or any ERISA affiliate: (A) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Internal Revenue Code) involving any Plan; (B) any "reportable event" (as defined in Section 4043 of ERISA and the regulations issued under such Section) shall occur with respect to any Plan; (C) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (D) any event or circumstance exists which might constitute grounds entitling the Pension Benefit Guaranty Corporation (PBGC) to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; or (E) partial withdrawal under Section 4201 or 4204 of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan; and in each case above, such event or condition, together with all other such events or conditions, if any, would subject the Borrower to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, or otherwise, in an aggregate amount of $5,000,000.00 or more.

Upon the occurrence and during the continuation of an Event of Default, Bank may declare any obligation Bank may have hereunder to be cancelled, declare all Obligations of Borrower to be due and payable and proceed to enforce payment of the Obligations and to exercise any and all of the rights and remedies afforded to Bank. In addition, upon the occurrence and during the continuation of an Event of Default, if Bank proceeds to enforce payment of the Obligations, Borrower shall be obligated to deliver to Bank cash collateral in an amount equal to the aggregate amounts then undrawn on all outstanding Letters of Credit or acceptances issued or guaranteed by Bank for the account of Borrower, and Bank may proceed to enforce payment of the same and to exercise all rights and remedies afforded to Bank. Upon the occurrence of, and during the continuance of, an Event of Default, the Borrower, as additional compensation to the Bank for its increased credit risk, promises to pay interest on all Obligations constituting principal, whether or not past due, past due interest and any other amounts past due under this Agreement at a per

annum rate of two (2%) percent greater than the rate of interest then specified in Section 1 of this Agreement.

(b) Upon the filing of any complaint, application, or petition by or against the Borrower initiating any matter in which the Borrower is or may be granted any relief from the debts of the Borrower pursuant to the Bankruptcy Code, Bank's obligation hereunder shall be canceled immediately, automatically, and without notice, and all Obligations of the Borrower then outstanding shall become immediately due and payable without presentation, demand, or notice of any kind to the Borrower.

12. **WAIVER OF JURY TRIAL.** BORROWER AND BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE OR HEREAFTER HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. Borrower hereby certifies that neither Bank nor any of its representatives, agents or counsel has represented, expressly or otherwise, that Bank would not, in the event of any such suit, action or proceeding, seek to enforce this waiver of right to trial by jury. Borrower acknowledges that Bank has been induced to enter into this Agreement by, among other things, this waiver. Borrower acknowledges that it has read the provisions of this Agreement and in particular, this section; has consulted legal counsel; understands the right it is granting in this Agreement and is waiving in this section in particular; and makes the above waiver knowingly, voluntarily and intentionally.

13. **CONSENT TO JURISDICTION.** Borrower and Bank agree that any action or proceeding to enforce or arising out of this Agreement may be commenced in any court of the Commonwealth of Massachusetts sitting in the counties of Suffolk or Middlesex, or in the District Court of the United States for the District of Massachusetts, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the Commonwealth of Massachusetts or the United States of America.

14. **TERMINATION.**

(a) Unless renewed in writing, this Agreement shall terminate on January 14, 2006 (the **"Termination Date"**), and all outstanding Obligations shall be due and payable in full without presentation, demand, or further notice of any kind, whether or not all or any part of the Obligations is otherwise due and payable pursuant to the agreement or instrument evidencing same. Bank may terminate this Agreement immediately and without notice upon the occurrence of an Event of Default. Notwithstanding the foregoing or anything in this Agreement or elsewhere to the contrary, the Bank's rights and remedies hereunder and Borrower's obligations and liabilities hereunder shall survive any termination of this Agreement and shall remain in full force and effect until all of the Obligations outstanding, or contracted or committed for (whether or not outstanding), shall be finally and irrevocably paid in full.

(b) In the event that Bank continues to make loans hereunder after the Termination Date without a written extension of such Termination Date or after the occurrence of an Event of Default, all such loans: (i) shall be made in the sole and absolute discretion of Bank; and (ii) shall, together with all other Obligations, be payable thereafter **ON DEMAND**.

15. **MISCELLANEOUS.**

(a) No delay or omission on the part of Bank in exercising any rights shall operate as a waiver of such right or any other right. Waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All Bank's rights and remedies, whether evidenced

hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently.

(b) Bank is authorized to make loans under the terms of this Agreement upon the request, either written or oral, in the name of Borrower or any authorized person whose name appears at the end of this Agreement or of any of the following named person, or persons, from time to time, holding the following offices of Borrower, Chief Executive Officer, President, Chief Financial Officer, Treasurer, Vice President—Finance, Controller and such other officers and authorized

signatories as may from time to time be set forth in separate resolutions. Any request for a loan which is not accompanied by a Notice of Borrowing shall be deemed a request for a Prime Rate Loan.

(c) This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties hereto; *provided*, *however*, that Borrower may not assign this Agreement or any rights or duties hereunder without Bank's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Bank shall release Borrower from its Obligations. Bank may assign this Agreement and its rights and duties hereunder only with Borrower's prior written consent while an Event of Default does not exist, which consent shall not be unreasonably withheld, conditioned, or delayed, and without consent of Borrower while an Event of Default exists. Bank reserves the right to grant participations in all or any part of, or any interest in Bank's rights and benefits hereunder without Borrower's consent. If Bank grants any such participation, Bank shall remain responsible for the performance of its obligations hereunder, and Borrower shall continue to deal solely and directly with Bank in connection with Banks rights and obligations under this Agreement. In connection with any assignment or participation, Bank may disclose all documents and information which Bank now or hereafter may have relating to Borrower or Borrower's business, provided that the assignee or participant shall have agreed in writing with Borrower to maintain the confidentiality of information relating to Borrower and its subsidiaries on terms substantially equivalent to the provisions of Section 16 hereof. To the extent that Bank assigns its rights and obligations hereunder to another party, Bank thereafter shall be released from such assigned obligations to Borrower and such assignment shall effect a novation between Borrower and such other party.

(d) Borrower agrees that any and all loans made by Bank to Borrower or for its account under this Agreement shall be conclusively deemed to have been authorized by Borrower and to have been made pursuant to duly authorized requests therefor on its behalf.

(e) Unless otherwise defined in this Agreement, capitalized words shall have the meanings set forth in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts as of the date of this Agreement.

(f) Paragraph and section headings used in this Agreement are for convenience only, and shall not effect the construction of this Agreement. If one or more provisions of this Agreement (or the application thereof) shall be invalid, illegal or unenforceable in any respect in any jurisdiction, the same shall not, invalidate or render illegal or unenforceable such provision (or its application) in any other jurisdiction or any other provision of this Agreement (or its application). This Agreement is the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior written or verbal communications or instruments relating thereto.

(g) Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other loan document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested),

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overnight courier, or telefacsimile to Borrower or to Bank, as the case may be, at its address set forth below:

If to Bank:	Citizens Bank of Massachusetts 28 State Street Boston, Massachusetts 02109 Attn: Mr. Michael G. McAuliffe Senior Vice President Telephone: (617) 994-7158 Telecopier: (617) 723-9431
With a copy to:	Goulston & Storrs, P.C. 400 Atlantic Avenue Boston, Massachusetts 02110 Attn: James H. Lerner, Esquire Telephone: (617) 574-3525 Telecopier: (617) 574-7607
If to Borrower:	Charles River Associates Incorporated John Hancock Tower 200 Clarendon Street, T-33 Boston, Massachusetts 02119-5092 Attn: Mr. J. Phillip Cooper Executive Vice President, Chief Financial Officer Telephone: (617) 425-3000 Telecopier: (617) 425-3132 and Attn: Mr. James Spelfogel Vice President—Finance Telephone: (617) 425-3000 Telecopier: (617) 425-3148
With a copy to:	Foley Hoag LLP 155 Seaport Boulevard Boston, Massachusetts 02210 Attn: Peter M. Rosenblum, Esquire

Telephone: (617) 832-1151
Telecopier: (617) 832-7000

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demand sent in accordance with this section shall be deemed received on the earlier of the date of actual receipt or three (3) days after the deposit thereof in the mail.

(h) Bank shall have no obligation to maintain any electronic records or any documents, schedules, invoices, agings or any other paper delivered to Bank by Borrower in connection with this Agreement or any other agreement for more than four (4) months after receipt of the same by Bank.

(i) No uncertainty or ambiguity in this Agreement shall be construed or resolved against Bank or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

(j) Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(k) This Agreement, together with the other documents and instruments executed concurrently herewith represent the entire and final understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by evidence of any prior, contemporaneous or subsequent other agreement, oral or written, before the date hereof.

(l) This Agreement can only be amended by a writing signed by both Bank and Borrower.

(m) The laws of Massachusetts shall govern the construction of this Agreement and the rights and duties of the parties hereto. This Agreement shall take effect as a sealed instrument.

16. **CONFIDENTIALITY.** Bank agrees to keep any information delivered or made available by the Borrower or any of its affiliates pursuant to or in connection with this Agreement confidential from anyone other than persons employed or retained by Bank (including legal counsel) who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby; provided that nothing herein shall prevent Bank from disclosing such information (a) upon the order of any court or administrative agency, (b) upon the request or demand of any regulatory agency or authority, (c) which had been publicly disclosed other than as a result of a disclosure by Bank prohibited by this Agreement, (d) in connection with any litigation to which Bank or its subsidiaries or parent may be a party, (e) to the extent necessary in connection with the exercise of any remedy hereunder, (f) to its independent auditors and (g) to any actual or proposed assignee or participant of Bank under Section 15(c) that has agreed in writing with Borrower to maintain the confidentiality of such information on terms substantially equivalent to those contained in this Section.

[Remainder of Page Intentionally Left Blank]

Witnessed by:

/s/ James Spelfogel

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ J. Phillip Cooper

Name: J. Phillip Cooper

Title: EVP, CFO

Address: John Hancock Tower
200 Clarendon Street, T-33
Boston, Massachusetts 02116-5092

CITIZENS BANK OF MASSACHUSETTS

By: /s/ Michael G. McAuliffe

Michael G. McAuliffe, Senior Vice President

Address: 28 State Street
Boston, Massachusetts 02109

Exhibit 10.2

STOCK PLEDGE AGREEMENT

STOCK PLEDGE AGREEMENT dated as of January 14, 2004, by and between CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation, having a place of business at John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts 02116-5092 (the "*Pledgor*"), and Citizens Bank of Massachusetts, a bank, having a place of business at 28 State Street, Boston, Massachusetts 02109, (the "*Pledgee*").

WHEREAS, the Pledgor has entered into a certain Loan Agreement dated as of the date hereof (as the same may be amended, modified or supplemented from time to time, the "*Loan Agreement*") with the Pledgee;

WHEREAS, the Pledgor is the direct legal and beneficial owner of the issued and outstanding shares of Stock (as hereinafter defined) listed opposite the names of each of the entities listed on *Exhibit A* (individually, a "*Scheduled Subsidiary*" and collectively, the "*Scheduled Subsidiaries*");

WHEREAS, the Pledgee is unwilling to enter into the Loan Agreement and to make any loans thereunder unless the Pledgor shall execute and deliver this Pledge Agreement and pledge the Pledged Stock to the Pledgee on the terms and conditions described herein in order to secure the obligations of the Pledgor pursuant to the Loan Agreement; and

NOW, THEREFORE, in order to induce the Pledgee to enter into the Loan Agreement and to make or extend to the Pledgor one or more loans, advances, or other extensions of credit, and in consideration thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. *Definitions*. The following terms shall have the meanings set forth below. Terms not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement or under the Uniform Commercial Code of the Commonwealth of Massachusetts, as applicable, or any other applicable jurisdiction.

"*Agreements*" means the Loan Agreement, the Note and the other Loan Documents, each as amended and in effect from time to time.

"*Cash Collateral*" shall have the meaning set forth in Section 3 hereof.

"*Cash Collateral Account*" shall have the meaning set forth in Section 3 hereof.

"*Default*" means any Event of Default (subject to all applicable notice and grace provisions contained in the Loan Agreement) as defined in the Loan Agreement.

"*Domestic Subsidiary*" means, at any time, each of the direct and indirect Subsidiaries of the Pledgor that is incorporated or organized under the laws of the United States of America, any state thereof or the District of Columbia, excluding NeuCo, Inc..

"*Foreign Subsidiary*" means, at any time, each of the direct or indirect Subsidiaries of the Pledgor that is not a Domestic Subsidiary at such time, excluding Charles River Associates de Mexico, S.A. de C.V.

"*Obligations*" shall have the meaning ascribed to such term in the Loan Agreement.

"*Pledged Stock*" means all Stock at any time pledged or required to be pledged hereunder, including, without limitation, (a) with respect to any Domestic Subsidiary, all of the Stock of each such Domestic Subsidiary of the Pledgor at any time owned by the Pledgor, (b) with respect to any Foreign

Subsidiary, Stock representing 65% (rounded down to the nearest whole number of shares) of the total combined voting power of all classes of capital stock of such Foreign Subsidiary entitled to vote.

"*Stock*" means all of the issued and outstanding shares of capital stock, together with any other investment property and additional securities, of the Scheduled Subsidiaries of the Pledgor at any time owned by the Pledgor.

"*Stock Collateral*" means the Pledged Stock and all proceeds thereof and dividends, distributions or other income relating thereto, including without limitation that included in Cash Collateral, and all other securities, financial assets, investment property and monies owned by the Pledgor and relating to the Pledged Stock received and held by the Pledgee hereunder or in substitution for any of the foregoing, but excluding any dividends, distributions, income, monies, increases or proceeds received or held by the Pledgor to the extent permitted by this Pledge Agreement.

"*Time Deposits*" shall have the meaning set forth in Section 3 hereof.

2. *Pledge; Delivery*.

2.1 As security for the prompt and unconditional payment and performance of the Obligations, the Pledgor hereby pledges and collaterally assigns to the Pledgee, and grants the Pledgee a security interest, in the Pledged Stock owned by the Pledgor on the date hereof as described in *Exhibit A*attached hereto and in the Stock Collateral, whether now owned or hereafter acquired. In furtherance thereof, the Pledgor hereby (a) delivers to the Pledgee certificates (to the extent such shares are certificated) for the Pledged Stock of the Domestic Subsidiary listed on *Exhibit A*, accompanied by undated stock powers duly executed in blank by the Pledgor, (b) agrees to deliver to the Pledgee, within sixty (60) days of the date hereof, certificates (to the extent such shares are certificated) for the Pledged Stock of the Foreign Subsidiaries listed on Exhibit A, which certificates shall be accompanied by undated stock powers (or their equivalent, if any, under applicable local law) duly executed in blank by the Pledgor and (c) upon delivery of each such certificate, hereby collaterally assigns to the Pledgee all of the Pledgor's right, title and interest in and to such certificates to be held by the Pledgee upon the terms and conditions set forth in this Pledge Agreement. In addition, the Pledgor shall, upon the request of the Pledgee, deliver to the Pledgee the stock transfer

books of each Scheduled Subsidiary to be held by the Pledgee for the duration of the pledge hereunder, *provided* that prior to the occurrence and continuance of a Default, the Pledgor shall only be required to deliver copies of such stock transfer books to the Pledgee. Subject to the last sentence of this Section 2.1, if the Pledgor shall acquire by purchase, stock dividend or otherwise any additional shares in the capital stock of a Scheduled Subsidiary or any corporation which is the successor of any Scheduled Subsidiary at any time or from time to time after the date hereof, the Pledgor will forthwith pledge and deposit the same with the Pledgee hereunder and deliver to the Pledgee certificates therefor, accompanied by undated stock powers (or their equivalent, if any, under applicable local law) duly executed in blank by the Pledgor. The Pledgor agrees that the Pledgee may from time to time attach as *Exhibit A* hereto an updated list of the shares of capital stock or securities (and the issuers thereof) at the time pledged with the Pledgee hereunder. Notwithstanding any provision of this Pledge Agreement to the contrary, the Pledgor shall not be required at any time to pledge hereunder (i) any Stock which represents more than 65% (rounded down to the nearest whole number of shares) of the total combined voting power of all classes of capital stock of any Foreign Subsidiary entitled to vote or (ii) any Stock of its subsidiary NeuCo, Inc. or its subsidiary Charles River Associates de Mexico, S.A. de C.V.

2.2 The Pledgor also hereby pledges, collaterally assigns, grants a security interest in and delivers to the Pledgee, for the ratable benefit of the Pledgee, the Cash Collateral Account and all of the Cash Collateral as such terms are defined herein.

2.3 The Pledgee may, in its sole discretion and at any time or times when a Default shall have occurred and be continuing, cause the Pledged Stock and any other securities constituting Stock Collateral to be transferred into its own name or the name or names of its nominee or nominees or successor in interest on the books of the issuer of such securities, and the Pledgor hereby constitutes and appoints the Pledgee, its employees, agents, successors and assigns to be the attorney-in-fact of the Pledgor to effect any such transfer.

2.4 Without limiting the generality of Section 2.2 above, the Pledgee may, in its sole discretion and at any time or times when a Default shall have occurred and be continuing, collect, receive and hold as Cash Collateral for the Obligations (or apply the same to any Obligation) all dividends, distributions and other income on the Pledged Stock and the other Stock Collateral.

3. *Liquidation, Recapitalization, Etc.*

3.1 If a Default shall have occurred and be continuing, any sums or other property paid or distributed upon or with respect to any of the Pledged Stock, whether by dividend or redemption or upon the liquidation or dissolution of the issuer thereof or otherwise, shall be paid over and delivered to the Pledgee to be held by the Pledgee, for the ratable benefit of the Pledgee, as Cash Collateral or other security for the Obligations or applied by the Pledgee to the Obligations. If a Default shall have occurred and be continuing, in case, pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization thereof, any distribution of capital shall be made on or in respect of any of the Pledged Stock or any property shall be distributed upon or with respect to any of the Pledged Stock, the property so distributed shall be delivered to the Pledgee for the ratable benefit of the Pledgee, as Cash Collateral or other security for the Obligations, or applied by the Pledgee to the Obligations. If a Default shall have occurred and be continuing all sums of money and property paid or distributed in respect of the Pledged Stock, whether as a dividend or upon such a liquidation, dissolution, recapitalization or reclassification or otherwise, that are received by the Pledgor shall, until paid or delivered to the Pledgee, be held in trust for the Pledgee for the ratable benefit of the Pledgee, as security for the payment and performance in full of all of the Obligations.

3.2 Unless otherwise applied by the Pledgor to the satisfaction of the Obligations as provided in this Pledge Agreement and the Agreements, all sums of money that are delivered to the Pledgee pursuant to this Section 3 shall be deposited into an interest bearing account with the Pledgee (the "*Cash Collateral Account*"). Some or all of the funds from time to time in the Cash Collateral Account may be invested in time deposits, including, without limitation, certificates of deposit issued by the Pledgee (such certificates of deposit or other time deposits being hereinafter referred to, collectively, as "*Time Deposits*"), that are satisfactory to the Pledgee after consultation with the Pledgor, *provided*, that, in each such case, arrangements satisfactory to the Pledgee are made and are in place to perfect and to ensure the first priority of the Pledgee's security interest therein. Interest earned on the Cash Collateral Account and on the Time Deposits, and the principal of the Time Deposits at maturity that is not invested in new Time Deposits, shall be deposited in the Cash Collateral Account. The Cash Collateral Account, all sums from time to time standing to the credit of the Cash Collateral Account, any and all Time Deposits, any and all instruments or other writings evidencing Time Deposits and any and all proceeds of any thereof are hereinafter referred to as the "*Cash Collateral*."

3.3 Except as otherwise expressly provided in Section 16 hereof, the Pledgor shall have no right to withdraw sums from the Cash Collateral Account, to receive any of the Cash Collateral or to require the Pledgee to part with the Pledgee's possession of any instruments or other writings evidencing any Time Deposits.

4. *Representations and Warranties of the Pledgor*. The Pledgor represents and warrants to the Pledgee as follows:

4.1 The Pledgor has full power, authority and legal right to execute, deliver and perform its obligations under this Pledge Agreement and to pledge and grant a security interest in all of the Stock Collateral pursuant to this Pledge Agreement, and the execution, delivery and performance thereof and the pledge of and granting of a security interest in the Stock Collateral hereunder have been duly authorized by all necessary corporate or other action and do not contravene any law, rule or regulation or any provision of the Pledgor's charter documents or by-laws or of any judgment, decree or order of any tribunal or of any agreement or instrument to which the Pledgor is a party or by which it or any of its property is bound or affected or constitute a default thereunder;

4.2 The Pledgor has good and marketable title to and is the sole legal and beneficial owner of all of the Pledged Stock;

4.3 *Exhibit A* attached hereto accurately sets forth as to each Domestic Subsidiary and each Foreign Subsidiary in which Pledged Stock is pledged hereunder (i) the total number of shares of each class of stock of such Domestic Subsidiary or Foreign Subsidiary issued and outstanding and held by the Pledgor and (ii) the total number of shares of each such class of stock that have been pledged hereunder. With respect to each Foreign Subsidiary whose

capital stock is pledged hereunder, the Pledgor has pledged stock representing 65% (rounded down to the nearest whole number of shares) of the total combined voting power of all classes of capital stock of such Foreign Subsidiary entitled to vote.

4.4 All of the shares of the Pledged Stock have been duly and validly issued, are fully paid and nonassessable, and are owned by the Pledgor free of any pledge, mortgage, hypothecation, lien, charge, options, restrictions, encumbrance or security interest in such shares or the proceeds thereof, except for that granted hereunder or permitted under the Loan Agreement;

4.5 Upon delivery of the Pledged Stock and related certificates to the Pledgee or its agent (and the taking of any required actions under applicable local law), accompanied by stock or transfer powers (or their equivalent, if any, under applicable local law) duly executed in blank to the Pledgee and this duly executed Pledge Agreement, this Pledge Agreement shall create a valid first lien upon and perfected security interest in the Pledged Stock and the proceeds thereof, subject to no prior security interest, lien, charge or encumbrance, or to any agreement purporting to grant to any third party a security interest in the property or assets of the Pledgor which would include the Pledged Stock; and

4.6 The pledge effected hereby is effective to vest in the Pledgee the rights of the Pledgee in the Pledged Stock as set forth herein.

5. *Covenants of the Pledgor*. The Pledgor covenants to the Pledgee that the Pledgor will defend the rights of the Pledgee and the security interest of the Pledgee in the Stock set forth in *Exhibit A* hereto against the claims and demands of all other persons whomsoever. The Pledgor further covenants that it will have the like title to and right to pledge and grant a security interest in the Stock Collateral hereafter pledged or in which a security interest is granted to the Pledgee hereunder and will likewise defend the rights, pledge and security interest thereof and therein of the Pledgee.

6. *Dividends; Voting*. Unless a Default shall have occurred and be continuing, the Pledgor shall be entitled to receive all cash dividends paid in respect of the Pledged Stock, to vote and exercise any and all other voting and consensual rights with respect to any and all shares of the Pledged Stock and to give consents, waivers or ratifications in respect thereof, *provided* that no vote shall be cast or consent, waiver or ratification given or action taken which, in the reasonable judgment of the Pledgee, would violate or be inconsistent with any of the terms of this Pledge Agreement or the other

Agreements or would have the effect of impairing the first priority security interests of the Pledgee or the position or interests of the Pledgee or any of the Stock Collateral. The Pledgee shall execute and deliver to the Pledgor all such proxies and other instruments as may be necessary to exercise such rights. Upon the occurrence and during the continuance of a Default, (i) all such rights of the Pledgor to receive cash dividends shall cease and (ii) the Pledgee shall have the right to vote, and to give consents, waivers and ratifications with respect to, the Pledged Stock, *provided* that if the Pledgee elects not to exercise such rights at any time, the Pledgor may continue to exercise such rights, *provided* that the Pledgor shall not take any vote or other action with respect to such Pledged Stock that would have an adverse effect on the first priority security interests of the Pledgee or the interests of the Pledgee, and if so directed in writing, shall vote or take any such action as directed by the Pledgee.

7. *Remedies Upon Default*.

7.1 In case a Default shall have occurred and be continuing, the Pledgee shall be entitled to exercise all of its rights, powers and remedies (whether vested in it by this Pledge Agreement, the other Agreements or by law) for the protection and enforcement of Pledgee's rights in respect of the Stock Collateral, and the Pledgee shall be entitled, without limitation, to exercise the following rights and remedies (in addition to the rights and remedies of a secured party under the Uniform Commercial Code of Massachusetts or any other applicable jurisdiction), which the Pledgor hereby agrees shall be commercially reasonable, all such rights and remedies being cumulative, not exclusive, and enforceable alternatively, successively or concurrently, at such time or times as the Pledgee deems expedient:

(a) to vote all or any part of the Pledged Stock (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Stock Collateral and otherwise act with respect thereto as though it were the outright owner thereof (the Pledgor hereby irrevocably constituting and appointing the Pledgee, its employees, agents, successors and assigns the proxy and attorney-in-fact of the Pledgor, with full power of substitution to do so);

(b) to demand, sue for, collect or make any compromise or settlement the Pledgee deems suitable in respect of any Stock Collateral;

(c) at any time or from time to time to sell, assign and deliver, or grant options to purchase or otherwise dispose of, all or any part of the Stock Collateral, or any interest therein, at any public or private sale without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise, all of which are hereby waived by the Pledgor, for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine, provided that at least fifteen (15) days' prior written notice of the time and place of any such sale shall be given to the Pledgor (which such notice the Pledgor hereby acknowledges and agrees is commercially reasonable);

(d) to cause all or any part of the Stock held by the Pledgee to be transferred into its name or the name of its nominee or nominees; and

(e) to set off or otherwise apply or credit against the Obligations any and all sums deposited with the Pledgee or held by it, including without limitation, any sums standing to the credit of the Cash Collateral Account and any Time Deposits issued by the Pledgee.

7.2 In the event of any disposition of the Stock Collateral as provided in Section 7.1(c) and to the extent any notice thereof is required to be given by law, the Pledgee shall give to the Pledgor at least fifteen (15) days' prior authenticated written notice of the time and place of any public sale of the Stock Collateral or of the time after which any private sale or any other

intended disposition is intended to be made. The Pledgor hereby acknowledges that fifteen (15) days' prior written notice of such sale or sales shall be reasonable notice. The Pledgee may enforce its rights hereunder without any other notice and without compliance with any other condition precedent now or hereafter imposed by statute, rule of law or otherwise (all of which are hereby expressly waived by the Pledgor, to the fullest extent permitted by law).

If any of the Stock Collateral is sold by the Pledgee upon credit or for future delivery, the Pledgee shall not be liable for the failure of the purchaser to pay for the same and in such event the Pledgee may resell such Stock Collateral. The Pledgee may buy any part or all of the Stock Collateral at any public sale and if any part or all of the Stock Collateral is of a type customarily sold in a recognized market or is of the type which is the subject of widely-distributed standard price quotations, the Pledgee may buy at a private sale and may make payment therefor by any means including, without limitation, cancellation of indebtedness secured thereby and payment of any surplus to the Pledgor or such other party as may be required by the provisions of the Uniform Commercial Code of Massachusetts or any other applicable jurisdiction. The Pledgee may apply the cash proceeds actually received from any sale or other disposition to the reasonable expenses of retaking, holding, preparing for sale, selling and the like, to reasonable attorneys' fees, travel and all other expenses which may be reasonably incurred by the Pledgee in attempting to collect the obligations or to enforce this Pledge Agreement or in the prosecution or defense of any action or proceeding related to the subject matter of this Pledge Agreement, and then to the Obligations pursuant to the Loan Agreement. Only after such applications, and after payment to the Pledgee of any amount required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of Massachusetts need the Pledgee account to the Pledgor for any surplus. To the extent that any of the Obligations are to be paid or performed by a person other than the Pledgor, the Pledgor, to the fullest extent permitted by law, waives and agrees not to assert any rights or privileges which it may have under the Uniform Commercial Code of Massachusetts or of any other applicable jurisdiction.

7.3 If the Pledgee shall determine to exercise its right to sell any or all of the Stock pursuant to this Section 7, and if in the opinion of counsel for the Pledgee it is necessary, or if in the reasonable opinion of the Pledgee it is advisable, to have the Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act of 1933, as amended (the "*Securities Act*"), the Pledgor agrees to use its best efforts to cause the issuer or issuers of the Stock contemplated to be sold, to execute and deliver, and cause the directors and officers of such issuer to execute and deliver, all at the Pledgor's expense, all such instruments and documents, and to do or cause to be done all such other acts and things as may be necessary or, in the reasonable opinion of the Pledgee, advisable to register such Stock under the provisions of the Securities Act and to cause the registration statement relating thereto to become effective and to remain effective for a period of nine (9) months from the date such registration statement became effective, and to make all amendments thereto or to the related prospectus or both that, in the reasonable opinion of the Pledgee, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor agrees to use its best efforts to cause such issuer or issuers to comply with the provisions of the securities or "Blue Sky" laws of any jurisdiction which the Pledgee shall designate and to cause such issuer or issuers to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

7.4 The Pledgor recognizes that the Pledgee may be unable to effect a public sale of the Stock by reason of certain prohibitions contained in the Securities Act, federal banking laws or other applicable laws, regulations, or agreements to which such Stock may be subject, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers. The Pledgor agrees that any such private sales may be at prices and other terms less favorable to the

seller than if sold at public sales and that such private sales shall be deemed to have been made in a "commercially reasonable" manner within the meaning of the Uniform Commercial Code of the Commonwealth of Massachusetts, *provided* that the notice specified in Section 7.1 shall have been given to the Pledgor. The Pledgee shall be under no obligation to delay a sale of any of the Stock for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act, or such other federal banking or applicable laws, even if the issuer would agree to do so. Subject to the foregoing, the Pledgee agrees that any sale of the Stock shall be made in a commercially reasonable manner, and the Pledgor agrees to use its best efforts to cause the issuer or issuers of the Stock contemplated to be sold, to execute and deliver, and cause the directors and officers of such issuer to execute and deliver, all at the Pledgor's expense, all such instruments and documents, and to do or cause to be done all such other acts and things as may be necessary or, in the reasonable opinion of the Pledgee, advisable to exempt such Stock from registration under the provisions of the Securities Act, and to make all amendments to such instruments and documents which, in the opinion of the Pledgee, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor further agrees to use its best efforts to cause such issuer or issuers to comply with the provisions of the securities or "Blue Sky" laws of any jurisdiction which the Pledgee shall designate and, if required, to cause such issuer or issuers to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

7.5 The Pledgor further agrees to do or cause to be done all such other acts and things as may be reasonably necessary to make any sales of any portion or all of the Stock pursuant to this Section 7 valid and binding and in compliance with any and all applicable laws (including, without limitation, the Securities Act, the Securities Exchange Act of 1934, as amended, the rules and regulations of the Securities and Exchange Commission applicable thereto and all applicable state securities or "Blue Sky" laws), regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Pledgor's expense. The Pledgor further agrees that a breach of any of the covenants contained in this Section 7 will cause irreparable injury to the Pledgee, that the Pledgee has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 7 shall be specifically enforceable against the Pledgor by the Pledgee and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants.

7.6 At any sale of Stock Collateral, unless prohibited by applicable law, the Pledgee or any holder of the Obligations may bid for and purchase all or any part of the Stock Collateral so sold free from any such right or equity of redemption.

8. *Remedies Cumulative*. Each right, power and remedy of the Pledgee or any holder of the Obligations provided for in this Pledge Agreement, the other Agreements or in any of the other documents, instruments or agreements securing the Obligations or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee or any holder of the Obligations of any one or more of the rights, powers or remedies provided for in this Pledge Agreement, the other Agreements or in any such other document, instrument or agreement now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee or any holder of the Obligations of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee or any holder of the Obligations to exercise any such right, power or remedy shall operate as a waiver thereof.

9. *Marshalling*. The Pledgee shall not be required to marshal any present or future collateral security for (including but not limited to this Pledge Agreement and the Stock Collateral), or other assurances of payment of, the Obligations or any of them, or to resort to such collateral security or other assurances of payment in any particular order. All of the Pledgee's rights hereunder in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Pledgor hereby agrees that it will not invoke any law relating to the marshalling of collateral that might cause delay in or impede the enforcement of the Pledgee's rights under this Pledge Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and to the extent that it lawfully may the Pledgor hereby irrevocably waives the benefits of all such laws.

10. *Application of Moneys by the Pledgee*. All moneys collected upon any sale of the Stock Collateral hereunder, together with all other moneys received by the Pledgee hereunder, shall be applied as set forth in the Loan Agreement.

11. *Transfer by the Pledgor*. Except as is not prohibited by the Loan Agreement, the Pledgor will not sell or otherwise dispose of, grant any option with respect to, or mortgage, pledge (except pursuant to this Pledge Agreement) or otherwise encumber or restrict any of the Stock Collateral, any shares in the capital stock of any Subsidiary, or any interest therein. Except as is not prohibited by the Loan Agreement, the Pledgor will not consent to or approve the issuance of (i) any additional shares of any class of capital stock of any Subsidiary; (ii) any securities convertible voluntarily by the holder thereof or automatically upon the occurrence or nonoccurrence of any event or condition into, or exchangeable for, any such shares; or (iii) any warrants, options, rights, or other commitments entitling any person to purchase or otherwise acquire any such shares.

12. *The Pledgor's Obligations Absolute*. The Obligations of the Pledgor under this Pledge Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by any circumstance or occurrence whatsoever, including, without limitation: (a) any renewal, extension, amendment or modification of or addition or supplement to or deletion from the other Agreements, or any assignment or transfer of the other Agreements; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of the Agreements; (c) any furnishing of any additional security to the Pledgee or its assignee or any acceptance thereof or any release of any security by the Pledgee or its assignee; (d) any limitation on any party's liability or obligations under the Agreements or any invalidity or unenforceablity, in whole or in part, of the same; or (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Pledgor or any Subsidiary or any action taken with respect to this Pledge Agreement by any trustee or receiver or by any court, in any such proceeding; whether or not the Pledgor shall have notice or knowledge of any of the foregoing.

13. *Further Assurances; Authority to File Financing Statements*. The Pledgor at its expense will execute, acknowledge and deliver all such instruments and take all such action as the Pledgee from time to time may reasonably request in order to further effectuate the purposes of this Pledge Agreement and to carry out the terms hereof. The Pledgor hereby irrevocably authorizes the Pledgee at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statement and amendments thereto that (a) indicate the collateral as the Stock Collateral or words of similar effect or as being of equal or lesser scope or in greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the jurisdiction of the filing office for the sufficiency or filing office acceptance of any financing statement or amendment.

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14. *The Pledgee's Exoneration*. Under no circumstances shall the Pledgee be deemed to assume any responsibility for or obligation or duty with respect to any part or all of the Stock Collateral of any nature or kind, or any matter or proceedings arising out of or relating thereto, other than (i) to exercise reasonable care in the safe custody of the Stock Collateral and (ii) after a Default shall have occurred and be continuing, to act in a commercially reasonable manner. The Pledgee shall not be required to take any action of any kind to collect, preserve or protect its or the Pledgor's rights in the Stock Collateral or against other parties thereto. The Pledgee's prior recourse to any part or all of the Stock Collateral shall not constitute a condition of any demand, suit or proceeding for payment or collection of the Obligations.

15. *No Waiver, Etc*. The Pledgee may exercise its rights with respect to the Stock Collateral without resorting or regard to other collateral or sources of reimbursement. The Pledgee shall not be deemed to have waived any of its rights upon or under the Obligations or the Stock Collateral unless such waiver be in writing and signed by the Pledgee. No act, delay or omission on the part of the Pledgee in exercising any right under this Pledge Agreement shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Pledgee on the Obligations or the Stock Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised separately or concurrently. The Pledgor hereby waives presentment, notice of dishonor and protest of all instruments, included in or evidencing any of the Obligations or the Stock Collateral, and any an all other notices and demands whatsoever (except as expressly provided herein or in the Loan Agreement).

16. *Termination*. When all Obligations (other than any continuing indemnity or similar obligations that survive the termination of the Loan Agreement) have been paid, performed and indefeasibly discharged in full and the Loan Agreement is terminated, this Pledge Agreement shall terminate and the Pledgee shall, upon request and at the Pledgor's expense, execute all such documentation necessary to release its security interest hereunder. Without limiting the foregoing, promptly upon such termination, the Pledgee, at the expense of the Pledgor, will duly assign, transfer and deliver to the Pledgor, or its successors or assigns, as the case may be, such of the Stock Collateral (including stock powers and stock certificates) in the possession or control of the Pledgee as has not theretofore been sold or otherwise applied or released pursuant to this Pledge Agreement, together with any moneys and other property at the time held by the Pledgee hereunder.

17. *Overdue Amounts*. Until paid, all amounts due and payable by the Pledgor hereunder shall be a debt secured by the Stock Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Loan Agreement.

18. *Miscellaneous*.

18.1 *Successors and Assigns*. This Pledge Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns whether or not an express assignment of rights hereunder is made, provided that the Pledgor may not assign this Pledge Agreement without the consent of the Pledgee. No other person shall acquire or have any right under or by virtue of this Pledge Agreement.

18.2 *Provisions to Survive*. All representations, warranties, covenants and agreements contained in this Pledge Agreement shall survive the execution and delivery of the Agreements and shall continue until the termination of this Pledge Agreement as provided in Section 16 hereof.

18.3 *Severability*. If any provision of this Pledge Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, that holding shall not invalidate or render unenforceable any other provision hereof.

18.4 *Amendments*. This Pledge Agreement may be amended, modified and supplemented only by written agreement of the parties hereto. No course of dealing or delay or omission on the part of the Pledgee in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto.

18.5 *Execution and Counterparts*. This Pledge Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

18.6 *Captions*. Captions and headings in this Pledge Agreement are for convenience only and in no way define, limit or describe the scope or intent of the provisions hereof.

18.7 *Notices*. All notices, certificates or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when given in the manner prescribed in the Loan Agreement and delivered to a party at its address set forth at the beginning of this Pledge Agreement or to such other address as a party shall furnish by notice to the other parties.

18.8 *Governing Law; Consent to Jurisdiction, Etc*. THIS PLEDGE AGREEMENT AND ALL RIGHTS AND OBLIGATIONS HEREUNDER, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS). The Pledgor agrees that any suit for the enforcement of this Pledge Agreement may be brought in any court of competent jurisdiction in the Commonwealth of Massachusetts, United States of America and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit made upon the Pledgor by mail at the address specified in the preamble of this Pledge Agreement. The Pledgor hereby irrevocably waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

18.9 *Waiver of Jury Trial*. THE PLEDGOR AND THE PLEDGEE MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS PLEDGE AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE PLEDGEE TO ENTER INTO THIS PLEDGE AGREEMENT AND MAKE LOANS AND EXTEND CREDIT TO THE PLEDGOR. Except as prohibited by law, the Pledgor waives any right which it may have to claim or recover in any litigation referred to in the first sentence of this Section 18.9 any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Pledgor (i) certifies that neither the Pledgee, nor any representative, agent or attorney of the Pledgee has represented, expressly or otherwise, that the Pledgee would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that, in entering into the Loan Agreement and the other Loan Documents to which the Pledgee is a party, the Pledgee is relying upon, among other things, the waivers and certifications contained in this Section 18.9.

(Signatures on next page)

IN WITNESS WHEREOF, the parties have caused this Pledge Agreement to be duly executed by their duly authorized officers or representatives, all as of the date first above written.

CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation

By: /s/ J. Phillip Cooper

Name: J. Phillip Cooper

Title: EVP, CFO

CITIZENS BANK OF MASSACHUSETTS

By: /s/ Michael G. McAuliffe

Name: Michael G. McAuliffe

Title: Senior Vice President

Attachments:

Exhibit A (Stock Information)

Exhibit 31.1

CERTIFICATION

I, James C. Burrows, President and Chief Executive Officer of Charles River Associates Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Charles River Associates Incorporated;

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)) 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) [omitted]

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 functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect adversely 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.

Date: April 1, 2004

By: /s/ JAMES C. BURROWS

James C. Burrows
President, Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, J. Phillip Cooper, Executive Vice President and Chief Financial Officer of Charles River Associates Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Charles River Associates Incorporated;

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)) 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) [omitted]

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 functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect adversely 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.

Date: April 1, 2004

By: /s/ J. PHILLIP COOPER

J. Phillip Cooper
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Charles River Associates Incorporated (the "Company") for the quarter ended February 20, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned President and Chief Executive Officer and Executive Vice President and Chief Financial Officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES C. BURROWS

James C. Burrows
President and Chief Executive Officer
Date: April 1, 2004

/s/ J. PHILLIP COOPER

J. Phillip Cooper
Executive Vice President and Chief Financial Officer
Date: April 1, 2004