AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 26, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CHARLES RIVER ASSOCIATES INCORPORATED
(Exact name of registrant as specified in its charter)

| MASSACHUSETTS | 8748 | 04-2372210 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

200 CLARENDON STREET
BOSTON, MASSACHUSETTS 02116
(617) 425-3000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JAMES C. BURROWS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CHARLES RIVER ASSOCIATES INCORPORATED
200 CLARENDON STREET
BOSTON, MASSACHUSETTS 02116
(617) 425-3000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

PETER M. ROSENBLUM, ESQ.
WILLIAM R. KOLB, ESQ.
FOLEY, HOAG & ELIOT LLP
ONE POST OFFICE SQUARE
BOSTON, MASSACHUSETTS 02109
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60 STATE STREET
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | AMOUNT TO BE REGISTERED (1) | PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2) | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2) | AMOUNT OF REGISTRATION FEE |
|---|---|---|---|---|
| Common Stock, without par value..... | 2,516,200 | $17.00 | $42,775,400 | $12,619 |

(1) Includes 328,200 shares which the Underwriters have the option to purchase solely to cover over-allotments, if any. See "Underwriting."

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 26, 1998

# 2,188,000 SHARES

[LOGO]

# CHARLES RIVER ASSOCIATES INCORPORATED

## COMMON STOCK

Of the 2,188,000 shares of Common Stock offered hereby (the "Offering"), 1,562,500 shares are being sold by Charles River Associates Incorporated ("CRA" or the "Company") and 625,500 shares are being sold by the Selling Stockholders. The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders."

Prior to the Offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price of the Common Stock will be between $15.00 and $17.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company has applied to have the Common Stock approved for quotation on the Nasdaq National Market under the symbol "CRAI."

SEE "RISK FACTORS" COMMENCING ON PAGE 6 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Price to Public | Underwriting Discount(1) | Proceeds to Company(2) | Proceeds to Selling Stockholders |
|---|---|---|---|---|
| Per Share..... | $ | $ | $ | $ |
| Total (3)..... | $ | $ | $ | $ |

(1) See "Underwriting" for information concerning indemnification of the Underwriters and other matters.
(2) Before deducting expenses payable by the Company, estimated at $900,000.
(3) The Company and the Selling Stockholders have granted the Underwriters a 30-day option to purchase up to 328,200 additional shares of Common Stock, solely to cover over-allotments, if any. If the Underwriters exercise this option in full, the Price to Public will total $ , the Underwriting Discount will total $ , the Proceeds to Company will total $ , and the Proceeds to Selling Stockholders will total $ . See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them, and subject to their right to reject any order in whole or in part. It is expected that delivery of the certificates representing such shares will be made against payment therefor at the office of NationsBanc Montgomery Securities LLC on or about , 1998.

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NationsBanc Montgomery Securities LLC

William Blair & Company

, 1998

[INSIDE FRONT COVER ARTWORK TO BE FILED BY AMENDMENT]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SUCH TRANSACTIONS MAY INCLUDE STABILIZING, THE PURCHASE OF COMMON STOCK TO COVER SYNDICATE SHORT POSITIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

Charles River Associates Incorporated, Charles River Associates, CRA and the CRA logo are federally registered trademarks of the Company. All rights are reserved. This Prospectus includes trademarks of companies other than the Company.

## PROSPECTUS SUMMARY

This following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including "Risk Factors" and the Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus. The terms "fiscal 1993," "fiscal 1994," "fiscal 1995" and "fiscal 1997" refer to the 52-week periods ended November 27, 1993, November 26, 1994, November 25, 1995 and November 29, 1997, respectively, and the term "fiscal 1996" refers to the 53-week period ended November 30, 1996. Unless otherwise indicated, all information in this Prospectus (i) reflects the amendment and restatement of the Company's articles of organization, (ii) reflects a 52-for-1 stock split to be effected in the form of a dividend of 51 shares of Common Stock per share of Common Stock outstanding before the closing of the Offering and (iii) assumes no exercise of the Underwriters' over-allotment option. See "Underwriting."

### THE COMPANY

Charles River Associates Incorporated ("CRA" or the "Company") is a leading economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. Through its legal and regulatory consulting practice, CRA provides law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues such as the competitive effects of mergers and acquisitions, damages calculations, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. In addition, the Company uses its expertise in economics, finance and business analysis to offer clients business consulting services for strategic issues such as establishing pricing strategies, estimating market demand, valuing intellectual property and other assets, assessing competitors' actions, and analyzing new sources of supply. To complement its analytical expertise in advanced economic and financial methods, the Company offers its clients in-depth industry expertise in specific vertical markets, including chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation.

The Company's services are provided by its highly credentialed and experienced staff of consultants. As of February 20, 1998, CRA employed 120 full-time professional consultants, including 47 consultants with Ph.D.s and 26 consultants with other advanced degrees, who have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. Since maintaining its reputation is paramount and its engagements are typically complex, the Company is extremely selective in its hiring of consultants, recruiting individuals from leading universities, industry and government. Many of the Company's consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of renowned academic and industry experts ("Outside Experts").

Through its offices in Boston, Massachusetts, Washington, D.C. and Palo Alto, California, CRA has completed more than 2,500 engagements for clients, including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, the Company had over 1,200 engagements for clients that included 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). During that period, the Company's clients included Cravath, Swaine & Moore; Ford Motor Company; Jones, Day, Reavis & Pogue; Procter & Gamble Company Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; and Time Warner Inc. No single client accounted for over 10% of the Company's revenues in fiscal 1997.

The environment in which businesses operate is becoming increasingly complex due to the broader application of technology, the globalization of many industries and increased competition. This increasing complexity and the changing nature of the business environment are also forcing governments to adjust their regulatory strategies, resulting in more frequent and more complex litigation and increased interaction with government agencies. In response to these trends, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. As the need for complex economic and financial analysis becomes more widespread, CRA believes that companies will increasingly turn to outside consultants for access to specialized expertise, experience and prestige that are not available to them internally.

CRA intends to capitalize on these industry trends and enhance its position as a leading economic and business consulting firm by pursuing a multi-pronged growth strategy. Since its consultants are its most important asset, CRA will continue to aggressively recruit and retain high quality consultants. In addition, the Company will continue to expand its expertise by establishing relationships with additional Outside Experts. The Company also intends to expand its current client base by increasing marketing activities and expanding its current service offerings. Finally, the Company plans to pursue strategic acquisitions and alliances in order to gain access to additional consultants, new service offerings, additional industry expertise, a broader client base or an expanded geographic presence.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is broadly held among over 30 officers and directors. In connection with the management buy-out, the Company refocused its efforts on improving profitability and expanding its areas of expertise and its client base. The Company's revenues and income from operations have increased from $31.8 million and $2.5 million in fiscal 1995 to $44.8 million and $4.7 million in fiscal 1997, respectively, representing compound annual growth rates of 18.6% and 37.8%, respectively.

The Company was incorporated in the Commonwealth of Massachusetts on February 19, 1965. The Company's principal executive offices are located at 200 Clarendon Street, Boston, Massachusetts 02116 and its telephone number is (617) 425-3000.

## THE OFFERING

| | |
|---|---|
| Common Stock offered by the Company..... | 1,562,500 shares |
| Common Stock offered by the Selling Stockholders..... | 625,500 shares |
| Common Stock to be outstanding after the Offering..... | 8,081,740 shares (1) |
| Use of proceeds..... | Payment of dividends and general corporate purposes, including working capital and possible acquisitions. See "Use of Proceeds." |
| Proposed Nasdaq National Market symbol..... | CRAI |

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(1) Excludes 970,000 shares of Common Stock reserved for issuance under the 1998 Incentive and Nonqualified Stock Option Plan and 243,000 shares of Common Stock reserved for issuance under the 1998 Employee Stock Purchase Plan. See "Management--Benefit Plans."

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE DATA)

| | FISCAL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | NOVEMBER 27, 1993 | NOVEMBER 26, 1994 | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 (53 WEEKS) | NOVEMBER 29, 1997 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | |
| Revenues | $ 25,937 | $ 26,249 | $ 31,839 | $ 37,367 | $ 44,805 |
| Costs of services | 16,557 | 16,160 | 19,760 | 23,370 | 28,374 |
| Supplemental compensation (1) | -- | -- | 1,212 | 1,200 | 1,233 |
| Gross profit | 9,380 | 10,089 | 10,867 | 12,797 | 15,198 |
| Income from operations | 2,002 | 1,885 | 2,470 | 3,737 | 4,689 |
| Net income (2) | $ 1,848 | $ 1,545 | $ 2,414 | $ 3,588 | $ 4,967 |
| Pro forma net income (3) | | | | | $ 3,134 |
| Pro forma net income per share (3) | | | | | $ 0.49 |
| Weighted average number of common shares outstanding (4) | | | | | 6,355,873 |

| | NOVEMBER 29, 1997 | | |
|---|---|---|---|
| | ACTUAL | PRO FORMA(5) | PRO FORMA AS ADJUSTED(6) |
| CONSOLIDATED BALANCE SHEET DATA: | | | |
| Working capital | $ 7,732 | $ 3,203 | $ 23,674 |
| Total assets | 20,435 | 18,734 | 39,205 |
| Total long-term debt | 781 | 781 | 781 |
| Total stockholders' equity | 8,536 | 4,007 | 24,478 |

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(1) Represents discretionary payments of bonus compensation to officers and certain Outside Experts under a bonus program that will be discontinued upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and Note 7 of Notes to Consolidated Financial Statements.

(2) Since fiscal 1988, the Company has been taxed under subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"). As an S corporation, the Company is not subject to federal and some state income taxes. The Company's S corporation status will terminate on the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status."

(3) Pro forma net income and pro forma net income per share for fiscal 1997 have been computed by adjusting net income, as reported, to record income tax expense that would have been recorded had the Company been a C corporation during that period, assuming an effective tax rate of 43%. See Note 11 of Notes to Consolidated Financial Statements.

(4) See Note 1 of Notes to Consolidated Financial Statements for a description of the computation of the number of shares used in the per share calculation.

(5) Pro forma balance sheet data has been adjusted to reflect (i) an increase in the Company's net deferred income tax liability, which increase would have been approximately $2.8 million as of November 29, 1997, that will be recognized as a result of the termination of the Company's S corporation status and (ii) the declaration and payment of the S Corporation Distribution (as defined below), which would have been approximately $1.7 million as of November 29, 1997. The amounts of the increase in the net deferred income tax liability and the S Corporation Distribution will be revised based upon the results of operations and financial condition of the Company between November 29, 1997 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amounts. See "Use of Proceeds," "S Corporation Distributions and Termination of S Corporation Status" and Note 11 of Notes to Consolidated Financial Statements.

(6) Adjusted to reflect (i) the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share, after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, (ii) the declaration and payment of the Dividend (as defined below) and (iii) the receipt of payments of $521,000 on notes receivable from stockholders. See "Use of Proceeds" and "Capitalization."

## RISK FACTORS

In addition to the other information contained in this Prospectus, the following risk factors should be carefully considered in evaluating the Company and its business before purchasing any of the shares of Common Stock offered hereby. Certain of the statements contained in this section and elsewhere in this Prospectus that are not purely historical, such as statements regarding the Company's expectations, beliefs, intentions, plans and strategies regarding the future, are forward-looking statements that involve risks, uncertainties and assumptions that could cause the Company's actual results to differ materially from those expressed in the forward-looking statements. Important factors that could cause or contribute to these differences include those discussed below, as well as those discussed elsewhere in this Prospectus. All forward-looking statements are based on information available to the Company on the date hereof and the Company assumes no obligation to update any forward-looking statement. The cautionary statements made in this Prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this Prospectus.

### DEPENDENCE UPON KEY EMPLOYEES

The Company's business consists primarily of the delivery of professional services and, accordingly, its future success is highly dependent upon the efforts, abilities, business generation capabilities and project execution of its consultants. The Company's success is also dependent upon the managerial, operational and administrative skills of its officers, particularly James C. Burrows, the Company's President and Chief Executive Officer. Engagements generated primarily through the efforts of the Company's consultants accounted for approximately 79% of the Company's revenues in fiscal 1997, with approximately 33% of revenues generated primarily through the efforts of five of the Company's consultants. The Company has no employment or non-competition agreement with any consultant and, accordingly, each consultant may terminate his or her relationship with the Company at will and without notice and immediately begin to compete with the Company. The loss of the services of any consultant or the failure of the Company's consultants to generate business or otherwise perform at or above historical levels could have a material adverse effect on the Company's business, financial condition and results of operations. The Company intends to permit its key-person life insurance to lapse following the closing of the Offering. See "Business--Human Resources--Consultants" and "Management--Executive Officers and Directors."

### NEED TO ATTRACT QUALIFIED CONSULTANTS

The Company's business involves the delivery of sophisticated economic and other consulting services which only highly qualified, highly educated consultants can provide. In order to meet its growth objectives, the Company will need to hire increasing numbers of highly qualified, highly educated consultants. The Company primarily hires as senior consultants individuals who have obtained a Ph.D. or master's degree in economics or a related discipline from a select group of universities. As a result, the number of potential employees that meet the Company's hiring criteria is relatively small, and the Company faces significant competition for these employees, from not only the Company's direct competitors but also 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 the Company. Moreover, increasing competition for these consultants may also result in significant increases in the Company's labor costs, which could have a material adverse effect on the Company's margins and results of operations. The failure to recruit and retain a significant number of qualified consultants could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business-- Human Resources--Consultants."

### MAINTENANCE OF PROFESSIONAL REPUTATION

The Company's ability to secure new engagements and hire qualified consultants is highly dependent upon the Company's overall reputation as well as the individual reputations of its consultants and principal Outside Experts. Because the Company obtains a majority of its new engagements from existing clients,

including both businesses and law firms, or from referrals by those clients, the dissatisfaction of any such client with the Company's performance on a single matter could have a disproportionately large adverse impact on the Company's ability to secure new engagements. Any factor that diminishes the reputation of the Company or any of its personnel or Outside Experts, including poor performance, could make it substantially more difficult for the Company to compete successfully for both new engagements and qualified consultants and could therefore have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Competitive Strengths."

FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

The Company has experienced, and may continue to experience, significant period-to-period fluctuations in revenues and results of operations. The Company's results of operations in any quarter can fluctuate depending upon, among other things, the number of weeks in the quarter, the number and scope of ongoing client engagements, the commencement, postponement and termination of engagements in the quarter, the mix of revenue, the extent of discounting or cost overruns, employee hiring, the ability to reassign consultants efficiently from one engagement to the next, severe weather conditions and other factors affecting employee productivity. Because the Company generates substantially all of its revenues from consulting services provided on an hourly-fee basis, the Company's revenues in any period are directly related to the number of its consultants, their billing rates and the number of billable hours worked during that period. The Company's ability to increase any of these factors in the short term is limited and, accordingly, the Company may be unable to compensate for periods of underutilization during one part of a fiscal period by augmenting revenues during another part of that period. In addition, the Company intends to hire additional consultants who may not be fully utilized immediately, particularly in the quarter in which the consultants are hired. Moreover, a significant majority of the Company's operating expenses, primarily rent and the base salaries of the Company's consultants, are fixed in the short term, and as a result the failure of revenues to meet the Company's projections in any quarter could have a disproportionate adverse effect on the Company's net income. For these reasons, the Company believes that its historical results of operations should not be relied upon as an indication of future performance. If the Company's revenues or net income in a quarter fall below the expectations of securities analysts or investors, the market price of the Common Stock could be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "--Quarterly Results of Operations."

DEPENDENCE UPON OUTSIDE EXPERTS

The Company's future success depends upon the continuation of the Company's existing relationships with four principal Outside Experts. Engagements generated primarily through the efforts of these four Outside Experts accounted for approximately 18% of the Company's revenues in fiscal 1997. The Company believes that these Outside Experts are highly regarded in their respective fields and that each offers a combination of knowledge, experience and expertise that would be very difficult to replace. The Company's ability to compete successfully for certain engagements in the past has derived in substantial part from its ability to offer the services of these Outside Experts to potential clients. In general, these Outside Experts may limit their relationships with the Company at any time for any reason, including, among other things, affiliations with universities whose policies prohibit accepting certain engagements, the pursuit of other interests and retirement. Each of these Outside Experts is a party to an agreement with the Company that restricts his right to compete with the Company. The limitation or termination of any of their relationships with the Company or competition from any of them following the termination of their respective agreements with the Company could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Human Resources."

In order to meet the Company's growth objectives, the Company believes that it will be necessary to establish ongoing relationships with additional Outside Experts having established reputations as leading experts in their fields. There can be no assurance that the Company will be successful in establishing relationships with any additional Outside Experts or that any such relationship would enable the Company to meet its objectives or generate anticipated revenues or earnings, if any.

MANAGEMENT OF GROWTH

The Company has recently experienced and may continue to experience significant growth in its revenues and employee base. This growth has resulted, and any future growth would continue to result, in new and increased management, consulting and training responsibilities for the Company's consultants as well as increased demands on the Company's internal systems, procedures and controls, and its managerial, administrative, financial, marketing and other resources. These new responsibilities and demands may adversely affect the overall quality of the Company's work. No member of the Company's management team has experience in managing a public company. Moreover, the Company may open offices in new geographic locations, which would entail certain start-up and maintenance costs that could be substantial. The failure of the Company to continue to improve its internal systems, procedures and controls, to attract, train, motivate, supervise and retain additional professional, managerial, administrative, financial, marketing and other personnel, or otherwise to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Growth Strategy."

CONCENTRATION OF REVENUES; DEPENDENCE ON LIMITED NUMBER OF LARGE ENGAGEMENTS

As an economic and business consulting firm, the Company has derived, and expects to continue to derive, a significant portion of its revenues from a limited number of large engagements. The Company estimates that, in each of the last three fiscal years, it has had an average of approximately 260 engagements generating over $10,000 in revenues. The Company's 10 largest engagements accounted for approximately 37%, 28% and 23% of the Company's revenues in fiscal 1995, fiscal 1996 and fiscal 1997, respectively, and the Company's 10 largest clients accounted for approximately 46%, 42% and 29% of the Company's revenues in those years, respectively. One client accounted for approximately 11% of the Company's revenues in fiscal 1995. The volume of work performed for any particular client is likely to vary from year to year and a major client in one year may decide not to use the Company's services in any subsequent year. Accordingly, the failure to obtain anticipated numbers of new large engagements could have a material adverse effect on the Company's business, financial condition and results of operations.

TERMINATION OF ENGAGEMENTS

Engagements generally depend upon the initiation and continuation of disputes, proceedings or transactions involving the Company's clients, who may at any time decide to seek to resolve the dispute or proceeding or abandon the transaction. Engagements can therefore terminate suddenly and without prior notice to the Company. Clients typically incur no penalty for terminating an engagement. The unexpected termination of an engagement could result in the underutilization of the consultants working on the engagement until they are assigned to other projects. Accordingly, the termination or significant reduction in the scope of a single large engagement could have a material adverse effect on the Company's business, financial condition and results of operations.

POTENTIAL CONFLICTS OF INTERESTS

The Company provides its services primarily in connection with significant or complex transactions, disputes or other matters that are usually adversarial or that involve sensitive client information. The Company's engagement by a client frequently precludes the Company from accepting engagements with the client's competitors or adversaries because of direct or indirect conflicts between their interests or positions on disputed issues, clients' expectations of loyalty or other reasons. Accordingly, the number of both potential clients and potential engagements is limited. Moreover, in many of the industries in which the Company provides consulting services, and in the telecommunications industry in particular, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of potential clients for the Company's services and increase the likelihood that the Company will be unable to continue certain ongoing engagements or accept certain new engagements as a result of conflicts of interests. Any such result could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Clients" and "--Marketing."

DEPENDENCE UPON ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

In fiscal 1995, fiscal 1996 and fiscal 1997, the Company derived approximately 28%, 36% and 35%, respectively, of its revenues from engagements in the Company's antitrust and mergers and acquisitions practice areas. Substantially all of these revenues are derived from engagements relating to enforcement of United States antitrust laws. Changes in the federal antitrust laws, changes in judicial interpretations of these laws or less vigorous enforcement of these laws by the United States Department of Justice (the "DOJ") and the United States Federal Trade Commission (the "FTC") as a result of changes in political appointments or priorities or for other reasons could substantially reduce the number, duration or size of engagements available to the Company in this area. In addition, adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could also have an impact on engagements in which the Company assists clients in proceedings before the DOJ and the FTC in connection with proposed mergers and acquisitions. Any substantial reduction in the number of the Company's antitrust and mergers and acquisitions consulting engagements could have a material adverse effect on its business, financial condition and results of operations. See "Business--Areas of Practice--Antitrust" and "--Mergers and Acquisitions."

INTENSE COMPETITION

The market for economic and business consulting services is intensely competitive, highly fragmented and subject to rapid change. In general, the barriers to entry into the Company's markets are few and the Company expects to face additional competition from new entrants into the economic and business consulting industries. Many of the Company's competitors have national and international reputations as well as significantly greater personnel, financial, managerial, technical and marketing resources than the Company. Certain of the Company's competitors also have a significantly broader geographic presence than the Company. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors. See "Business--Competition."

RISKS RELATED TO POSSIBLE ACQUISITIONS

An element of the Company's strategy is to expand its operations through the acquisition of complementary businesses or consulting practices. The Company has never acquired another business, and there can be no assurance that the Company will be able to identify, acquire, successfully integrate into the Company or profitably manage any businesses without substantial expense, delay or other operational or financial problems. Moreover, there is competition for acquisition opportunities in the economic and business consulting industries, which could result in an increase in the price of acquisition targets and a decrease in the number of attractive companies available for acquisition. There can be no assurance that the financial, operational and other anticipated benefits of any acquisition will be achieved. Further, acquisitions may involve a number of special risks, including adverse short-term effects on the Company's results of operations, diversion of management's time, attention and resources, failure to retain key acquired personnel, increased costs to improve or coordinate managerial, operational, financial and administrative systems, dilutive issuances of equity securities, the incurrence of debt, legal liabilities, amortization of acquired intangible assets, difficulties in integrating diverse corporate cultures, client dissatisfaction or performance problems at the acquired business, additional conflicts of interests, and unanticipated events or circumstances. The occurrence of any of these events could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not have any binding agreement or other commitment to acquire any business at this time. See "Business--Growth Strategy."

RISKS RELATED TO ENTRY INTO NEW LINES OF BUSINESS

An element of the Company's growth strategy is to continue to develop new practice areas and complementary lines of business. For example, in June 1997, the Company established and purchased a controlling interest in NeuCo LLC ("NeuCo"), which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. To date, NeuCo has not been profitable, and there can be no assurance that it will become profitable. The development

by the Company of new practice areas or lines of business outside its core economic and business consulting services carries inherent risks, including risks associated with inexperience and competition from mature participants in those markets. The Company's inexperience may result in costly decisions that could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company's attempts to develop NeuCo or any other new practice area or line of business will be successful. See "Business--Growth Strategy" and "--New Opportunities."

PROFESSIONAL LIABILITY

The Company's services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of the Company's engagements involve matters that, if not successfully resolved in the client's favor, could have a severe impact on the client's business, cause the client to lose significant sums of money or prevent the client from pursuing desirable business opportunities. Accordingly, the failure of the Company to perform to a client's satisfaction could induce the client to commence or threaten litigation in order to recover damages or to reduce or eliminate its obligation to pay the Company's fees, or both. Litigation against the Company alleging that the Company performed negligently or otherwise breached its obligations to the client could expose the Company to significant liabilities and tarnish its reputation, either of which could have a material adverse effect on the Company's business, financial condition and results of operations.

BROAD MANAGEMENT DISCRETION IN USE OF PROCEEDS

The Company intends to use the net proceeds of the Offering, other than proceeds used to pay the Dividend (as defined below), for working capital and general corporate purposes, including potential acquisitions. Accordingly, the Company will have broad discretion with respect to the use of the net proceeds of the Offering. Purchasers of Common Stock in the Offering will not have the opportunity to evaluate the economic, financial or other information that the Company will use to determine the application of such proceeds. See "Use of Proceeds."

DISTRIBUTIONS TO CURRENT STOCKHOLDERS; TERMINATION OF S CORPORATION STATUS

In connection with the termination of the Company's status as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"), the Company intends to pay a dividend equal to the amount of the Company's aggregate undistributed taxable earnings up to the date of the closing of the Offering (the "S Corporation Distribution"). As of November 29, 1997, the Company's aggregate undistributed taxable earnings were approximately $1.7 million. The Company also intends to pay an additional dividend of $2.4 million (the "Dividend") out of the proceeds of the Offering. Purchasers of Common Stock in the Offering will not receive any portion of the S Corporation Distribution or the Dividend. In addition, as a result of the termination of the Company's status as an S corporation, the Company will recognize an increase in its net deferred income tax liability, which increase would have been approximately $2.8 million as of November 29, 1997, that will reduce the Company's net income in the period in which the Offering is consummated by an amount equal to the increase in the net deferred income tax liability. The amounts of the S Corporation Distribution and the increase in the net deferred income tax liability will be revised based upon the results of operations and financial condition of the Company between November 29, 1997 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amounts. See "Use of Proceeds" and "S Corporation Distributions and Termination of S Corporation Status."

ABSENCE OF PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Common Stock and there can be no assurance that an active trading market will develop or be sustained after the Offering. The initial public offering price of the Common Stock offered hereby will be determined through negotiations among the Company, the Selling Stockholders and the Representatives of the Underwriters and may not be indicative of the market price for the Common Stock after the Offering. For a description of the factors to be considered in determining the initial public offering price, see "Underwriting." Many factors may cause the market price of the Common Stock to fluctuate significantly, including factors such as variations in the Company's quarterly

results of operations, the hiring or departure of key personnel or Outside Experts, changes in the professional reputation of the Company, the introduction of new services of the Company, its competitors or third parties, acquisitions or strategic alliances by the Company, its competitors or third parties, changes in accounting principles, changes in estimates of the performance of the Company or recommendations by securities analysts, and market conditions in the industry and the economy as a whole. In addition, the stock market in general has recently experienced extreme price and volume fluctuations, which are often unrelated to the operating performance of particular companies. These broad market fluctuations may also adversely affect the market price of the Common Stock offered hereby. Following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against the company. Any such litigation against CRA could result in substantial costs and the diversion of the time and attention of management and other resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

SHARES ELIGIBLE FOR FUTURE SALE; POSSIBLE ADVERSE EFFECT ON MARKET PRICE

Sales of a substantial number of shares of Common Stock in the public market could materially adversely affect the market price of the Common Stock and could impair the Company's ability to raise capital through a sale of its equity securities. Following the closing of the Offering, there will be 8,081,740 shares of Common Stock outstanding, of which the 2,188,000 shares of Common Stock offered hereby will generally be freely tradable in the public market. Upon the expiration of "lock-up" agreements between the existing stockholders of the Company and the Representatives of the Underwriters 180 days after the date of this Prospectus (or earlier with the consent of NationsBanc Montgomery Securities LLC in certain cases), approximately 3,024,000 of the remaining shares of outstanding Common Stock will be eligible for immediate sale in the public market under Rule 144(k) and approximately an additional 2,374,000 shares will be eligible for immediate sale subject to the volume and other restrictions of Rule 144. In addition to the foregoing lock-up agreements, each existing stockholder of the Company has agreed that he or she will not sell or otherwise transfer any shares of Common Stock acquired by him or her prior to the Offering without the consent of the Board of Directors for a period of two years after the Offering, except in a public offering, and will transfer only limited portions of such shares in subsequent years. The Board of Directors may release any stockholder from the restrictions imposed by the Company at any time. Immediately after the closing of the Offering, the Company intends to register on Forms S-8 1,213,000 shares of Common Stock reserved for issuance under the Company's stock option and stock purchase plans, which would permit the immediate resale in the public market of any shares of Common Stock issued pursuant to such plans. See "Management--Benefit Plans," "Certain Transactions--Stock Restriction Agreement," "Shares Eligible for Future Sale" and "Underwriting."

ANTI-TAKEOVER EFFECT OF CHARTER PROVISIONS, BY-LAWS AND MASSACHUSETTS LAW

The Company's Amended and Restated Articles of Organization, its Amended and Restated By-Laws and Massachusetts law contain provisions that could be deemed to have anti-takeover effects and that could discourage, delay or prevent a change in control of the Company or an acquisition of the Company at a price which many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of the Company to effect certain corporate actions, including the election of directors. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of Common Stock. See "Description of Capital Stock--Anti-Takeover Effects of the Company's Amended and Restated Articles of Organization and Amended and Restated By-Laws and of Massachusetts Law."

DILUTION

Purchasers in the Offering will experience immediate and substantial dilution in the net tangible book value per share of the Common Stock. See "Dilution."

NO DIVIDENDS

Other than the S Corporation Distribution, the Dividend and the 1997 Distribution (as defined below), the Company does not intend to declare or pay cash dividends on the Common Stock in the foreseeable future. Following the closing of the Offering, the Company intends to retain all earnings for the development of its business. See "Dividend Policy."

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,562,500 shares of Common Stock offered by the Company hereby, after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, are estimated to be approximately $22.4 million (approximately $25.8 million if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of $16.00 per share.

The Company intends to use a portion of its net proceeds from the Offering to pay the Dividend in the amount of $2.4 million. The Company intends to use its remaining net proceeds for general corporate purposes, including working capital and possible acquisitions of and investments in complementary businesses. The Company is not currently involved in negotiations with respect to, and has no agreement or understanding regarding, any such acquisition or investment. Pending these uses, the Company intends to invest its net proceeds from the Offering in investment-grade, short-term, interest-bearing instruments. The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Risk Factors--Broad Management Discretion in Use of Proceeds."

## S CORPORATION DISTRIBUTIONS AND TERMINATION OF S CORPORATION STATUS

Since fiscal 1988, the Company has been treated for federal and certain state income tax purposes as an S corporation under the Code. As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings, whether or not these amounts have been distributed to the Company's stockholders. The Company has made periodic distributions to its stockholders in amounts equal to the stockholders' estimated aggregate tax liabilities associated with the Company's taxable earnings, as well as other dividend distributions. The Company made distributions to its stockholders of approximately $1.5 million and $1.6 million based on the Company's results of operations in fiscal 1995 and fiscal 1996, respectively. The Company has declared a distribution of approximately $1.8 million with respect to the Company's taxable earnings in fiscal 1997 (the "1997 Distribution"), substantially all of which was paid in December 1997. The Company expects that the remainder of the 1997 Distribution will be paid on or before April 15, 1998 and will not be paid from the Company's net proceeds from the Offering. Purchasers of Common Stock in the Offering will not receive any portion of the 1997 Distribution.

The Company has declared the S Corporation Distribution payable to its stockholders of record as of the close of business on the business day immediately preceding the closing date of the Offering in an amount equal to the Company's aggregate undistributed taxable earnings up to the date of the closing of the Offering. This distribution will be paid in full following the closing of the Offering from available cash balances. Purchasers of Common Stock in the Offering will not receive any portion of this distribution.

Following the closing of the Offering, the Company will be subject to corporate income taxation as a C corporation under the Code and will be required to change its method of accounting for tax purposes from the cash method to the accrual method. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the termination of the Company's S corporation status will increase its net deferred income tax liability for financial reporting purposes, which increase would have been approximately $2.8 million as of November 29, 1997. The amount of the increase in the net deferred income tax liability will be revised based upon the results of operations and financial condition of the Company between November 29, 1997 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amount. This increase in the net deferred income tax liability will be in addition to income tax expense otherwise incurred in the quarter in which such termination occurs. See Note 11 of Notes to Consolidated Financial Statements.

## DIVIDEND POLICY

Since fiscal 1988, the Company has made periodic distributions to its stockholders in amounts equal to the stockholders' aggregate tax liabilities associated with the Company's taxable earnings attributable to them, as well as other dividend distributions. Except with respect to the S Corporation Distribution, the Dividend and the remaining portion of the 1997 Distribution, the Company currently intends to retain any future earnings to finance operations and therefore does not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of the Company's bank line of credit places certain restrictions on the Company's ability to pay cash dividends on its Common Stock.

## CAPITALIZATION

The following table sets forth the capitalization of the Company as of November 29, 1997: (i) on an actual basis; (ii) on a pro forma basis, giving effect to the declaration and payment of the estimated S Corporation Distribution and the estimated increase in the Company's net deferred income tax liability resulting from the termination of the Company's S corporation status; and (iii) on a pro forma basis, as adjusted to reflect the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share, the declaration and payment of the Dividend and the receipt of payments of $521,000 on notes receivable from stockholders. See "Use of Proceeds," "S Corporation Distributions and Termination of S Corporation Status" and "Description of Capital Stock." This information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto appearing elsewhere in this Prospectus.

| | NOVEMBER 29, 1997 | | |
|---|---|---|---|
| | ACTUAL | PRO FORMA | PRO FORMA AS ADJUSTED |
| | (IN THOUSANDS, EXCEPT SHARE DATA) | | |
| Current portions of notes payable to former stockholders and capital lease obligations(1) | $ 325 | $ 325 | $ 325 |
| Notes payable to former stockholders and capital lease obligations, net of current portions(1) | $ 781 | $ 781 | $ 781 |
| Stockholders' equity: | | | |
| Preferred Stock, without par value; none authorized or outstanding, actual; 1,000,000 shares authorized and none outstanding, pro forma and pro forma as adjusted | -- | -- | -- |
| Common Stock, without par value; 25,000,000 shares authorized and 6,519,240 shares outstanding, actual and pro forma; 25,000,000 shares authorized and 8,081,740 shares outstanding, pro forma as adjusted(2) | 1,977 | 1,977 | 24,327 |
| Retained earnings | 7,770 | 3,241 | 841 |
| Less: | | | |
| Notes receivable from stockholders(3) | (1,211) | (1,211) | (690) |
| Total stockholders' equity | 8,536 | 4,007 | 24,478 |
| Total capitalization | $ 9,317 | $ 4,788 | $25,259 |

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(1) See Notes 4 and 8 of Notes to Consolidated Financial Statements.

(2) Excludes 970,000 shares of Common Stock reserved for issuance under the 1998 Incentive and Nonqualified Stock Option Plan and 243,000 shares of Common Stock reserved for issuance under the 1998 Employee Stock Purchase Plan. See "Management--Benefit Plans."

(3) See Note 9 of Notes to Consolidated Financial Statements.

## DILUTION

The pro forma net tangible book value of the Company as of November 29, 1997, was $3,944,000, or $0.60 per share of Common Stock. Pro forma net tangible book value per share represents the amount of the Company's total tangible assets less its total liabilities, after giving effect to the declaration and payment of the estimated S Corporation Distribution and the estimated increase in its net deferred income tax liability resulting from the termination of the Company's S corporation status, divided by the total number of shares of Common Stock outstanding. After giving effect to (i) the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share and after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, (ii) the declaration and payment of the Dividend and (iii) the receipt of payments of $521,000 on notes receivable from stockholders, the adjusted pro forma net tangible book value of the Company as of November 29, 1997 would have been $24,415,000, or $3.02 per share of Common Stock. This represents an immediate increase in pro forma net tangible book value of $2.42 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $12.98 per share to purchasers of Common Stock in the Offering. The following table illustrates the dilution in pro forma net tangible book value per share to new investors:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 16.00 |
| Pro forma net tangible book value per share as of November 29, 1997 | $ 0.60 | |
| Increase per share attributable to new investors | 2.42 | |
| Adjusted pro forma net tangible book value per share after the Offering | | 3.02 |
| Dilution per share to new investors | | $ 12.98 |

The following table summarizes, on a pro forma basis as of November 29, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing stockholders and new investors, assuming an initial public offering price of $16.00 per share, before deducting the estimated underwriting discount and estimated offering expenses payable by the Company:

| | SHARES PURCHASED | | TOTAL CONSIDERATION | | AVERAGE PRICE |
|---|---|---|---|---|---|
| | NUMBER | PERCENT | AMOUNT | PERCENT | PER SHARE |
| Existing stockholders | 6,519,240 | 80.7% | $ 1,977,000(1) | 7.3% | $ 0.30 |
| New investors | 1,562,500 | 19.3 | 25,000,000 | 92.7 | $ 16.00 |
| Total | 8,081,740 | 100.0% | $26,977,000 | 100.0% | |

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(1) Includes notes receivable from stockholders in the amount of $1.2 million, of which $521,000 will be paid in connection with the closing of the Offering. See Note 9 of Notes to Consolidated Financial Statements.

The net effect of sales by the Selling Stockholders in the Offering will be to reduce the number of shares held by existing stockholders to 5,893,740 or 72.9% of the total number of shares Common Stock to be outstanding after the Offering (5,799,915 or 69.7% if the Underwriters' over-allotment option is exercised in full) and to increase the number of shares held by new investors to 2,188,000 or 27.1% of the total number of shares of Common Stock to be outstanding after the Offering (2,516,200 or 30.3% if the Underwriters' overallotment option is exercised in full). See "Principal and Selling Stockholders."

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of the Company as of November 30, 1996 and November 29, 1997 and for each of the fiscal years in the three-year period ended November 29, 1997 have been derived from the consolidated financial statements of the Company included elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The following selected consolidated financial data of the Company as of November 27, 1993, November 26, 1994 and November 25, 1995 and for the fiscal years ended November 27, 1993 and November 26, 1994 have been derived from consolidated financial statements of the Company not included in this Prospectus, which have also been audited by Ernst & Young LLP. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

| | FISCAL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | NOV. 27, 1993 | NOV. 26, 1994 | NOV. 25, 1995 | NOV. 30, 1996 | NOV. 29, 1997 |
| | | | | (53 WEEKS) | |
| | (IN THOUSANDS, EXCEPT SHARE DATA) | | | | |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | |
| Revenues | $ 25,937 | $ 26,249 | $ 31,839 | $ 37,367 | $ 44,805 |
| Costs of services | 16,557 | 16,160 | 19,760 | 23,370 | 28,374 |
| Supplemental compensation(1) | -- | -- | 1,212 | 1,200 | 1,233 |
| Gross profit | 9,380 | 10,089 | 10,867 | 12,797 | 15,198 |
| General and administrative | 7,378 | 8,204 | 8,397 | 9,060 | 10,509 |
| Income from operations | 2,002 | 1,885 | 2,470 | 3,737 | 4,689 |
| Interest income, net | 16 | 106 | 118 | 124 | 302 |
| Income before provision for income taxes and minority interest | 2,018 | 1,991 | 2,588 | 3,861 | 4,991 |
| Provision for income taxes(2) | (170) | (446) | (174) | (273) | (306) |
| Net income before minority interest | 1,848 | 1,545 | 2,414 | 3,588 | 4,685 |
| Minority interest | -- | -- | -- | -- | 282 |
| Net income(2) | $ 1,848 | $ 1,545 | $ 2,414 | $ 3,588 | $ 4,967 |
| Pro forma net income(3) | | | | | $ 3,134 |
| Pro forma net income per share(3) | | | | | $ 0.49 |
| Weighted average number of common shares outstanding(4) | | | | | 6,355,873 |

| | NOV. 27, 1993 | NOV. 26, 1994 | NOV. 25, 1995 | NOV. 30, 1996 | NOV. 29, 1997 |
|---|---|---|---|---|---|
| | (IN THOUSANDS) | | | | |
| CONSOLIDATED BALANCE SHEETS DATA: | | | | | |
| Working capital | $ 4,673 | $ 2,908 | $ 4,782 | $ 6,554 | $ 7,732 |
| Total assets | 11,601 | 10,057 | 12,307 | 15,468 | 20,435 |
| Total long-term debt | 304 | 222 | 324 | 550 | 781 |
| Total stockholders' equity | 5,138 | 2,697 | 4,282 | 6,202 | 8,536 |

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(1) Represents discretionary payments of bonus compensation to officers and certain Outside Experts under a bonus program that will be discontinued upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and Note 7 of Notes to Consolidated Financial Statements.

(2) Since fiscal 1988, the Company has been taxed under subchapter S of the Code. As an S corporation, the Company is not subject to federal and some state income taxes. The Company's S corporation status will terminate on the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status."

(3) Pro forma net income and pro forma net income per share for fiscal 1997 have been computed by adjusting net income, as reported, to record income tax expense that would have been recorded had the Company been a C corporation during that period, assuming an effective tax rate of 43%. See Note 11 of Notes to Consolidated Financial Statements.

(4) See Note 1 of Notes to Consolidated Financial Statements for a description of the computation of the number of shares used in the per share calculation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

The Company is a leading economic and business consulting firm that applies advanced analytic techniques and indepth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. The Company estimates that it derived approximately two-thirds of its revenues in fiscal 1997 from legal and regulatory consulting and approximately one-third from business consulting.

The Company derives revenues principally from professional services rendered by its consultants. In most instances, clients are charged on a time-and-materials basis and revenues are recognized in the period when services are provided. Consultants' time is charged at hourly rates, which vary from consultant to consultant depending on a consultant's position, experience and expertise, and other factors. Outside Experts typically bill clients directly for their services. As a result, substantially all of the Company's professional services fees are generated from the work of its own full-time consultants. Factors that affect the Company's professional services fees include the number and scope of client engagements, the number of consultants employed by the Company, the consultants' billing rates, and the number of hours worked by the consultants. In addition to professional services fees, a portion of the Company's revenues represents expenses billed to clients, such as travel and other out-of-pocket expenses, charges for support staff and outside contractors, and other reimbursable expenses.

The Company's costs of services include the salaries, bonuses and benefits of the Company's consultants. Consultants are compensated on a salary and bonus basis. The Company currently has two bonus programs. One program awards discretionary bonuses based on the Company's revenues and profitability and individual performance. Amounts paid under this bonus program to consultants are included in costs of services, and the Company expects to continue this bonus program after the Offering. The other bonus program, which began in 1995, consists of discretionary payments to officers and certain Outside Experts based primarily on the Company's cash flows. These bonus payments are shown as "supplemental compensation" in the Company's statements of income, and the Company does not intend to make additional payments under this bonus program after the Offering. Costs of services also include out-of-pocket and other expenses that are billed to clients, and the salaries, bonuses and benefits of certain support staff whose time is billed directly to clients, such as librarians, editors and computer programmers. The Company's gross profit, which equals revenues less costs of services and supplemental compensation, is affected by changes in the mix of revenues. The Company experiences significantly higher gross margins on revenues from professional services fees than revenues from expenses billed to clients. General and administrative expenses include salaries, bonuses and benefits of the Company's administrative and support staff, performance payments to Outside Experts for generating new business, rent, and marketing and certain other costs.

Since fiscal 1988, the Company has been treated for federal and certain state income tax purposes as an S corporation under the Code. As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings. The state income taxes that the Company does pay are shown as "provision for income taxes" in the Company's statements of income. Upon the closing of the Offering, the Company's status an S corporation will cease and, thereafter, it will be subject to corporate taxation as a C corporation under the Code.

The Company will recognize an increase in its net deferred income tax liability resulting from the termination of the Company's S corporation status, which will result in a significant non-cash charge against earnings during the quarter in which the Offering is completed. Based upon the Company's audited results of operations and financial information as of and for the year ended November 29, 1997, the net charge to earnings would have been approximately $2.8 million. The actual net charge to earnings may be larger or

smaller than the foregoing amount, depending on theCompany's results of operations and financial condition from November 29, 1997 through the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status" and Note 11 of Notes to Consolidated Financial Statements.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is widely held among over 30 officers and directors.

In June 1997, the Company invested approximately $650,000 for a majority interest in NeuCo. NeuCo was established by the Company and an affiliate of Commonwealth Energy Systems as a start-up entity to develop and market a family of neural network software tools and complementary applications consulting services for electric utilities. The Company's financial statements are consolidated with the financial statements of NeuCo. For the period from inception (June 19, 1997) to November 29, 1997, NeuCo sustained a net loss after taxes of $564,000. There can be no assurance that NeuCo will become profitable. The portion of this loss allocable to NeuCo's minority owners is shown as "minority interest" in the Company's statement of income for fiscal 1997, and that amount, together with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" in the Company's balance sheet as of November 29, 1997. See "Business--New Opportunities--NeuCo," "Risk Factors--Risks Related to Entry into New Lines of Business," and Note 1 of Notes to Consolidated Financial Statements.

The Company's fiscal year ends on the last Saturday in November and, accordingly, the Company's fiscal year will periodically contain 53 weeks rather than 52 weeks. For example, fiscal 1996 contains 53 weeks. This additional week of operations in the fiscal year will affect the comparability of results of operations of these 53-week fiscal years with other fiscal years. Historically, the Company has managed its business based on a four-week billing cycle to clients and, consequently, has established quarters that are divisible by four-week periods. As a result, the first, second and fourth quarters of each fiscal year are 12-week periods and the third quarter of each fiscal year is a 16-week period. However, the fourth quarter in 53-week fiscal years is 13 weeks long. Accordingly, quarter to quarter comparisons of the Company's results of operations are not necessarily meaningful if the quarters being compared are of different lengths.

RESULTS OF OPERATIONS

The following table sets forth certain operating information as a percentage of revenues for the periods indicated:

| | FISCAL YEAR ENDED | | |
|---|---|---|---|
| | NOV. 25, 1995 | NOV. 30, 1996 (53 WEEKS) | NOV. 29, 1997 |
| Revenues | 100.0% | 100.0% | 100.0% |
| Costs of services | 62.1 | 62.6 | 63.3 |
| Supplemental compensation | 3.8 | 3.2 | 2.8 |
| Gross profit | 34.1 | 34.2 | 33.9 |
| General and administrative | 26.4 | 24.2 | 23.5 |
| Income from operations | 7.7 | 10.0 | 10.4 |
| Interest income, net | 0.4 | 0.3 | 0.7 |
| Income before provision for income taxes and minority interest | 8.1 | 10.3 | 11.1 |
| Provision for income taxes | 0.5 | 0.7 | 0.7 |
| Net income before minority interest | 7.6 | 9.6 | 10.4 |
| Minority interest | -- | -- | 0.6 |
| Net income | 7.6% | 9.6% | 11.0% |

FISCAL 1997 COMPARED TO FISCAL 1996

Revenues. Revenues increased by $7.4 million, or 19.9%, from $37.4 million for fiscal 1996 to $44.8 million for fiscal 1997. The increase in revenues was due primarily to increased consulting services performed for new and existing clients during the period. In fiscal 1997, the Company experienced revenue increases in both its legal and regulatory consulting services and its business consulting services, and in particular generated significant revenue increases in its mergers and acquisitions, finance, and auctions practices. During fiscal 1997, the Company increased the number of its consultants from 112 to 121. The increase in revenues during fiscal 1997 was also due in part to increased billing rates of the Company's consultants.

Costs of Services. Costs of services increased by $5.0 million, or 21.4%, from $23.4 million in fiscal 1996 to $28.4 million in fiscal 1997. As a percentage of revenues, costs of services increased from 62.6% in fiscal 1996 to 63.3% in fiscal 1997. The increase as a percentage of revenues was due primarily to slightly lower utilization rates for the Company's consultants during fiscal 1997, which resulted in part from certain consultants of the Company spending time developing new practice areas that are complementary to the Company's core practice areas.

Supplemental Compensation. Supplemental compensation was $1.2 million for each of fiscal 1996 and fiscal 1997. As a percentage of revenues, supplemental compensation decreased from 3.2% in fiscal 1996 to 2.8% in fiscal 1997. The Company has paid supplemental compensation of $1.2 million in each of its last three fiscal years and intends to discontinue these payments after the Offering.

General and Administrative. General and administrative expenses increased by $1.4 million, or 16.0%, from $9.1 million in fiscal 1996 to $10.5 million in fiscal 1997. As a percentage of revenues, general and administrative expenses decreased from 24.2% in fiscal 1996 to 23.5% in fiscal 1997. General and administrative expenses decreased as a percentage of revenues primarily because the Company increased its administrative and support staff at a lower rate than the rate of increase of its consultants.

Interest Income, Net. Net interest income increased from $124,000 for fiscal 1996 to $302,000 for fiscal 1997. This increase was due primarily to the Company generating more cash from operations during fiscal 1997, which resulted in the Company maintaining higher cash balances during the year.

Minority Interest. Minority interest was $282,000 for fiscal 1997, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

FISCAL 1996 COMPARED TO FISCAL 1995

Revenues. Revenues increased by $5.5 million, or 17.4%, from $31.8 million for fiscal 1995 to $37.4 million for fiscal 1996. The increase in revenues was due primarily to increased consulting services performed for new and existing clients during the period. In fiscal 1996, the Company experienced revenue increases in both its legal and regulatory consulting services and its business consulting services, and in particular, generated increased revenues in its antitrust and mergers and acquisitions practices. As part of its growth strategy following the management buy-out, and to service additional client engagements, the Company increased the number of its consultants from 90 at the end of fiscal 1995 to 112 at the end of fiscal 1996. Increases in consultants' billing rates during fiscal 1996 also contributed to increased revenues for the period.

Costs of Services. Costs of services increased by $3.6 million, or 18.3%, from $19.8 million for fiscal 1995 to $23.4 million for fiscal 1996. As a percentage of revenues, costs of services increased slightly from 62.1% in fiscal 1995 to 62.6% in fiscal 1996. The increase as a percentage of revenues was due primarily to a higher percentage of reimbursable expenses in fiscal 1996 as compared to fiscal 1995, which have lower gross margins than professional services fees.

Supplemental Compensation. Supplemental compensation was $1.2 million in each of fiscal 1996 and fiscal 1995. As a percentage of revenues, supplemental compensation decreased from 3.8% in fiscal 1995 to 3.2% in fiscal 1996.

General and Administrative. General and administrative expenses increased by $663,000, or 7.9%, from $8.4 million in fiscal 1995 to $9.1 million in fiscal 1996. As a percentage of revenues, general and administrative expenses decreased from 26.4% for fiscal 1995 to 24.2% for fiscal 1996. The decrease as a percentage of revenues was primarily a result of the Company's strategy after the management buy-out to improve the productivity and efficiency of its administrative and support staff, which resulted in the Company reducing its hiring of administrative and support staff during fiscal 1996.

Interest Income, Net. Net interest income was $124,000 in fiscal 1996 as compared to $118,000 in fiscal 1995.

UNAUDITED QUARTERLY RESULTS

The following table presents certain unaudited quarterly statements of income information for each of the quarters in fiscal 1996 and fiscal 1997. This information is derived from and is qualified by reference to the audited consolidated financial statements included elsewhere in this Prospectus and, in the opinion of management of the Company, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of that information. The first, second and fourth quarters of each fiscal year are 12-week periods and the third quarter of each fiscal year is a 16-week period. However, the fourth quarter in 53-week fiscal years is 13 weeks long. Accordingly, quarter to quarter comparisons of the Company's results of operations are not necessarily meaningful if the quarters being compared are of different lengths. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

| | QUARTER ENDED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FEB. 16, 1996 | MAY 10, 1996 | AUG. 30, 1996 | NOV. 30, 1996 | FEB. 21, 1997 | MAY 16, 1997 | SEPT. 5, 1997 | NOV. 29, 1997 |
| | | | (16 WEEKS) | (13 WEEKS) | | | (16 WEEKS) | |
| | (IN THOUSANDS) | | | | | | | |
| Revenues | $6,990 | $8,334 | $ 11,356 | $ 10,687 | $9,648 | $9,171 | $ 14,498 | $11,488 |
| Costs of services | 4,386 | 5,021 | 6,888 | 7,075 | 6,106 | 5,912 | 9,135 | 7,221 |
| Supplemental compensation | 280 | 280 | 373 | 267 | 280 | 280 | 373 | 300 |
| Gross profit | 2,324 | 3,033 | 4,095 | 3,345 | 3,262 | 2,979 | 4,990 | 3,967 |
| General and administrative | 1,811 | 2,087 | 2,890 | 2,272 | 2,134 | 2,162 | 3,361 | 2,852 |
| Income from operations | 513 | 946 | 1,205 | 1,073 | 1,128 | 817 | 1,629 | 1,115 |
| Interest income, net | 19 | 34 | 21 | 50 | 9 | 84 | 41 | 168 |
| Income before provision for income taxes and minority interest | 532 | 980 | 1,226 | 1,123 | 1,137 | 901 | 1,670 | 1,283 |
| Provision for income taxes | 37 | 69 | 86 | 81 | 76 | 60 | 112 | 58 |
| Net income before minority interest | 495 | 911 | 1,140 | 1,042 | 1,061 | 841 | 1,558 | 1,225 |
| Minority interest | -- | -- | -- | -- | -- | -- | 198 | 84 |
| Net income | $ 495 | $ 911 | $ 1,140 | $ 1,042 | $1,061 | $ 841 | $ 1,756 | $ 1,309 |

The Company has experienced, and may continue to experience, significant period-to-period fluctuations in revenues and results of operations. The Company's results of operations in any quarter can fluctuate depending upon, among other things, the number of weeks in the quarter, the number and scope of ongoing client engagements, the commencement, postponement and termination of engagements in the quarter, the mix of revenue, the extent of discounting or cost overruns, employee hiring, the ability to reassign consultants efficiently from one engagement to the next, severe weather conditions, and other factors affecting employee productivity. Because the Company generates substantially all of its revenues from consulting services provided on an hourly-fee basis, the Company's revenues in any period are directly related to the number of its consultants, their billing rates and the number of billable hours worked during that period. The Company's ability to increase any of these factors in the short term is limited and, accordingly, the Company may be unable to compensate for periods of underutilization during one part of a fiscal period by augmenting revenues during another part of that period. In addition, the Company intends to hire additional consultants who may not be fully utilized immediately, particularly in the quarter in which such consultants are hired. Moreover, a

significant majority of the Company's operating expenses, primarily rent and the base salaries of the Company's consultants, are fixed in the short term, and as a result the failure of revenues to meet the Company' s projections in any quarter could have a disproportionate adverse effect on the Company's net income.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities provided cash of $1.4 million, $2.2 million and $3.6 million in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. In each of these years, the cash from operating activities was generated primarily from net income earned for the period, which increased from $2.4 million in fiscal 1995 to $3.6 million in fiscal 1996 to $4.9 million in fiscal 1997. Cash generated from operating activities was partially offset by increases in unbilled services and accounts receivable, reflecting increased services performed by the Company in each of fiscal 1995, fiscal 1996 and fiscal 1997.

Cash used in investing activities during fiscal 1995, fiscal 1996 and fiscal 1997 was $698,000, $476,000 and $2.3 million, respectively, and was primarily attributable to purchases by the Company of property and equipment and leasehold improvements. The increased use of cash for investing activities in fiscal 1997 was due primarily to the Company's expansion of its three offices during that year.

The Company's financing activities used cash of $251,000, $1.3 million and $708,000 in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. A principal use of cash for financing activities in each year was payment of dividends, which totaled $245,000, $1.5 million and $1.6 million in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. In fiscal 1997, the Company's use of cash for financing activities was partially offset by collection of notes receivable from stockholders, the sale of Common Stock to management of the Company and the investment in NeuCo by minority interest owners.

As of November 29, 1997, the Company had cash and cash equivalents of $2.1 million and working capital of $7.7 million. The Company presently has available a $2.0 million revolving line of credit with BankBoston Corporation ("BankBoston"), which is secured by the Company's accounts receivable. This line of credit automatically renews each year on June 30 unless earlier terminated by either the Company or BankBoston. No borrowings were outstanding under this line of credit as of November 29, 1997 or as of the date hereof. The Company had outstanding standby letters of credit under this line of credit at November 29, 1997 amounting to $76,000, which expire between March and June 1998.

The Company believes that the net proceeds of the Offering, together with funds generated by operating activities, existing cash balances and credit available under its bank line of credit, will be sufficient to meet the Company's working capital and capital expenditure requirements for at least the next 12 months.

To date, inflation has not had a material impact on the Company's financial results. There can be no assurance, however, that inflation may not adversely affect the Company's financial results in the future.

# BUSINESS

## INTRODUCTION

The Company is a leading economic and business consulting firm that applies advanced analytic techniques and indepth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. Through its legal and regulatory consulting practice, CRA provides law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues such as the competitive effects of mergers and acquisitions, damages calculations, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. In addition, the Company uses its expertise in economics, finance and business analysis to offer clients business consulting services for strategic issues such as establishing pricing strategies, estimating market demand, valuing intellectual property and other assets, assessing competitors' actions, and analyzing new sources of supply. To complement its analytical expertise in advanced economic and financial methods, the Company offers its clients in-depth industry expertise in specific vertical markets, including chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation.

The Company's services are provided by its highly credentialed and experienced staff of consultants. As of February 20, 1998, CRA employed 120 full-time professional consultants, including 47 consultants with Ph.D.s and 26 consultants with other advanced degrees, who have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. Since maintaining its reputation is paramount and its engagements are typically complex, the Company is extremely selective in its hiring of consultants, recruiting individuals from leading universities, industry and government. Many of the Company's consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of Outside Experts.

Through its offices in Boston, Massachusetts, Washington, D.C. and Palo Alto, California, CRA has completed more than 2,500 engagements for clients, including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, the Company had over 1,200 engagements for clients that included 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). During that period, the Company's clients included Cravath, Swaine & Moore; Ford Motor Company; Jones, Day, Reavis & Pogue; Procter & Gamble Company Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; and Time Warner Inc. No single client accounted for over 10% of the Company's revenues in fiscal 1997.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is broadly held among over 30 officers and directors. In connection with the management buy-out, the Company refocused its efforts on improving profitability and expanding its areas of expertise and its client base. The Company's revenues and income from operations have increased from $31.8 million and $2.5 million in fiscal 1995 to $44.8 million and $4.7 million in fiscal 1997, respectively, representing compound annual growth rates of 18.6% and 37.8%, respectively.

INDUSTRY OVERVIEW

The environment in which businesses operate is becoming increasingly complex. Expanding access to powerful computers and software is providing companies with almost instantaneous access to a wide range of internal information, such as supply costs, inventory values, and sales and pricing data, as well as external information such as market demand forecasts and customer buying patterns. At the same time, markets are becoming increasingly global, offering companies the opportunity to expand their presences throughout the world and exposing them to increased competition and the uncertainties of foreign operations. Many industries are rapidly consolidating as companies are pursuing mergers and acquisitions in response to increased competitive pressures and to expand their market opportunities. In addition, companies are relying to a greater extent on technological and business innovations to improve efficiency, thus increasing the importance of strategically analyzing their businesses and developing and protecting new technology. As a result of this increasingly competitive and complex business environment, companies are required to constantly gather, analyze and utilize available information to enhance their business strategies and operational efficiencies.

The increasing complexity and changing nature of the business environment is also forcing governments to adjust their regulatory strategies. For example, certain industries such as healthcare are subject to frequently changing regulations while other industries such as telecommunications and electric power are experiencing trends toward deregulation. These constant changes in the regulatory environment are leading to frequent litigation and interaction with government agencies as companies attempt to interpret and react to the implications of this changing environment. Furthermore, as the general business and regulatory environment becomes more complex, litigation has also become more complicated, protracted, expensive and important to the parties involved.

As business, legal and regulatory environments undergo rapid change and become more complex, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economics and finance provide the tools necessary to analyze a variety of issues confronting businesses, such as interpretation of sales data, effects of price changes, valuation of assets, assessment of competitors' activities, evaluation of new products and analysis of supply limitations. Governments are also relying to an increasing extent on economic and finance theory to measure the effects of anti-competitive activity, evaluate mergers and acquisitions, change regulations, implement auctions to allocate resources, and establish transfer pricing rules. Finally, litigants and law firms are using economic and finance theory to help determine liability and to calculate damages amounts in complex and high-stakes litigation. As this need for complex economic and financial analysis becomes more widespread, CRA believes that companies will increasingly turn to outside consultants for access to specialized expertise, experience and prestige that are not available to them internally.

COMPETITIVE STRENGTHS

Since 1965, the Company has been committed to providing sophisticated consulting services to its clients. The Company believes that the following factors have been critical to its success:

Strong Reputation for High Quality Consulting. For over 30 years, the Company has been a leader in providing sophisticated economic analysis and original, authoritative studies for clients involved in complex litigation and regulatory proceedings. As a result, the Company believes that it has established a strong reputation among leading law firm and business clients as a preferred source of expertise in economics and finance, as evidenced by the Company's high level of repeat business and significant referrals from existing clients. Approximately 60% of the Company's revenues from new engagements in fiscal 1997 were derived from engagements for existing clients. In addition, the Company believes that its significant name recognition, developed as a result of its work on many high profile litigation and regulatory engagements, has enhanced the development of its business consulting practice. While reputation for high quality consulting and name recognition are critical in attracting new clients, CRA believes that these factors are equally important to its ability to recruit and retain both consultants and renowned Outside Experts.

Highly Educated, Experienced and Versatile Consulting Staff. The Company believes that its most important asset is its base of full-time consultants, particularly its senior consultants. Of the Company's

120 consultants as of February 20, 1998, 69 are either officers, principals or senior associates, substantially all of whom have a Ph.D. or a master's degree. Many of these senior consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. In addition to their expertise in a particular field, most of the Company's consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to the Company's ability to apply its resources as needed to meet the demands of its clients. As a result, the Company seeks to hire consultants who not only have strong analytical skills but also are creative, intellectually curious and driven to develop expertise in new practice areas and industries.

Vertical Market Expertise. By maintaining expertise in certain industries, the Company is able to offer clients creative and pragmatic advice tailored to their specific markets. This vertical market expertise, developed by CRA over decades of providing sophisticated consulting services to a diverse group of clients in industries such as chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation, differentiates the Company from many of its competitors. CRA believes that it has developed a strong reputation and substantial name recognition within these specific industries, which leads to repeat business and new engagements from clients in those markets.

Broad Range of Services. By offering clients both legal and regulatory consulting services and business consulting services, CRA is able to satisfy a broad array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables the Company to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in another discipline. The Company emphasizes its diverse capabilities to clients and regularly cross-markets across its service areas. For example, it is not unusual for a client that the Company assists in a litigation matter to later retain the Company for a business consulting matter. In addition, the Company believes that consultants and Outside Experts are attracted by the opportunity to work on a diverse array of matters.

Access to Leading Academic and Industry Experts. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of Outside Experts. Depending on client needs, the Company uses Outside Experts for their specialized expertise, assistance in conceptual problem-solving and expert witness testimony. CRA works regularly with renowned professors at Harvard University, the Massachusetts Institute of Technology, Georgetown University, The University of California, Stanford University, The University of Virginia and other leading universities. Outside Experts also generate business for CRA and provide the Company access to other leading academic and industry experts. By establishing affiliations with prestigious Outside Experts, the Company further enhances its reputation as a leading source of sophisticated economic and financial analysis.

GROWTH STRATEGY

CRA intends to enhance its position as a leading economic and business consulting firm by pursuing the following growth strategy:

Attract and Retain High Quality Consultants. Since its consultants are its most important asset, the Company's ability to attract and retain highly credentialed and experienced consultants both to work on engagements and to generate new business is crucial to the Company's success. In order to attract highly qualified consultants, the Company offers competitive compensation and benefits and has developed a career enhancement program that offers consultants career enrichment opportunities and access to individualized training. While competitive compensation and benefits are important, CRA believes that consultants are attracted to CRA because of its strong reputation, the credentials, experience and reputation of its consultants, the opportunity to work on a diverse array of matters, the opportunity to work with renowned Outside Experts, and the collegial atmosphere of the Company. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among employees and that its status as a public company will further enhance its ability to recruit and retain employees. The Company intends to grant stock options to certain employees as part of its efforts to attract and retain consultants.

Increase Marketing Activities. Historically, the Company has primarily relied on its reputation and client referrals for new business. As a result, the Company believes there is an opportunity to expand significantly its marketing activities in order to attract new clients and increase the overall exposure of its consultants. For example, the Company intends to increase its presence at selected conferences, seminars and public speaking engagements to increase client referrals and lead generation. The Company also intends to increase circulation of its client publications, which highlight emerging trends and noteworthy CRA engagements, as well as to encourage its consultants to publish articles more frequently in the trade press and academic journals.

Expand Services. While the Company currently offers a broad range of services, CRA believes there are opportunities to expand the services and expertise it provides to its clients. For example, applying the expertise of several of its consultants in game theory, the Company recently began offering consulting services in auction design and implementation. Similarly, the Company believes that it can expand into other related areas of business with its existing consultants, most of whom have experience in a wide variety of fields. To encourage the development of new ideas and expertise, the Company fosters an environment that rewards creativity and innovation.

Establish Relationships with Additional Outside Experts. The Company intends to establish relationships with additional leading academic and industry experts. In addition to helping the Company serve its clients better, Outside Experts often provide the Company with new sources of business and expand the Company's network of academic affiliations. Moreover, the Company believes that affiliations with additional, prestigious Outside Experts will further enhance its reputation and aid in its recruiting of consultants. The Company may grant stock options to attract additional Outside Experts.

Pursue Strategic Acquisitions and Alliances. The Company will seek to expand its operations through the acquisition of complementary businesses and by establishing strategic alliances. Given the highly fragmented nature of the consulting industry, CRA believes that there are numerous opportunities to acquire small consulting firms. The Company believes the acquisition of complementary businesses and the establishment of strategic alliances, such as it has done for its auctions consulting practice, will provide it with additional consultants, new service offerings, additional industry expertise, a broader client base or an expanded geographic presence. As of the date of this Prospectus, the Company has no agreement or understanding regarding any acquisitions.

Open New Offices. The Company may expand its geographic presence by opening one or more additional offices, particularly in major metropolitan areas that have leading universities. The Company believes this strategy will help to attract consultants and Outside Experts and provide it with additional marketing opportunities for clients located in those regions.

SERVICES

The Company offers services in two broad areas: legal and regulatory consulting and business consulting. In its legal and regulatory practice, the Company usually works closely with law firms on behalf of one or more companies involved in litigation or regulatory proceedings. Many of the lawsuits and regulatory proceedings in which the Company is involved are high-stakes matters, such as obtaining regulatory approval of a pending merger or analyzing possible damages awards in a securities fraud case, the outcome of which often has significant implications or consequences for the parties involved. In the business consulting practice, CRA typically provides services directly to companies seeking assistance with strategic issues that require expert economic or financial analysis. Many of these matters involve "mission-critical" decisions for the client, such as positioning and pricing a new product or developing a new technological process. Engagements in the Company's two service areas often involve similar areas of expertise and address related issues, and it is common for CRA's consultants to work on engagements in both service areas. The Company estimates that it derived approximately two-thirds of its revenues in fiscal 1997 from legal and regulatory consulting and approximately one-third from business consulting.

LEGAL AND REGULATORY CONSULTING. The ability to formulate and effectively communicate powerful economic and financial arguments to courts and regulatory agencies is often critical to a successful outcome in

litigation and regulatory proceedings. Through its highly educated and experienced consulting staff, the Company applies advanced analytic techniques in economics and finance to complex engagements for a diverse group of clients. The Company offers its clients a wide range of legal and regulatory consulting services, including the following:

Antitrust. CRA has expertise in a variety of issues arising in antitrust litigation, including collusion, price signaling, monopolization, tying, exclusionary conduct, resale price maintenance, predatory pricing and price discrimination. Expert testimony and analysis by economists play an increasingly important role in antitrust litigation. For the past three decades, the Company has provided expert assistance to law firms in a wide variety of antitrust lawsuits, including supporting IBM in landmark antitrust litigation brought by the DOJ and others.

Mergers and Acquisitions. The Company assists clients involved in mergers and acquisitions in their interactions with domestic and foreign antitrust regulatory authorities. By applying economic methods and tools, CRA helps clients simulate the effects of mergers on prices, estimate demand elasticities, design and administer customer and consumer surveys, and study the efficiencies that motivate or result from acquisitions. In addition, the Company regularly assists clients in proceedings before the FTC and DOJ, including helping them obtain termination of the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Finance. The Company offers clients a variety of financial advisory services, including valuations, securities fraud analysis, and risk assessments for options, futures, swaps and other derivatives. For clients involved in litigation and regulatory proceedings, CRA values businesses, products, contracts and securities, and provides expert testimony on a variety of valuation issues. The financial analysis performed by the Company encompasses cash-flow estimates, "but-for" analyses of revenues, complex analytical models and estimates of appropriate discount rates. The Company also assists clients in securities fraud cases by estimating damages computations and analyzing potential liability.

Intellectual Property. The Company provides expert consulting and testimony on a broad array of issues arising from intellectual property rights and valuations of intellectual property, cost-sharing arrangements, royalty rates, and determinations of fair market value of intellectual property transferred between related parties. For example, CRA estimates damages and provides expert testimony in patent, trademark, copyright, trade secret and unfair competition disputes. Its services include estimating lost profits, reasonable royalties, unjust enrichment and prejudgment interest.

Transfer Pricing. CRA provides transfer pricing advice for companies that are establishing foreign operations and for companies with existing foreign operations seeking to improve their tax positions. The Company helps clients to analyze their affiliates' functions and risks, the value of tangible and intangible assets, precedents set by comparable industry transactions, and the specifics of the tax laws in the relevant countries. In addition, CRA assists clients in preparing for Internal Revenue Service and foreign tax authority audits and provides expert testimony and litigation support in lawsuits related to transfer pricing disputes.

Environment. CRA regularly assists clients involved in environmental disputes both in litigation proceedings and before government agencies. For example, the Company helps clients determine responsibility for environmental cleanups, including Superfund sites, and advises clients on damages calculations resulting from oil spills, hazardous waste disposal and other environmental torts. As part of its work in this area, the Company's consultants and Outside Experts have assisted clients in developing innovative techniques for environmental regulatory compliance, such as emissions trading and regulatory cost-benefit analysis and risk assessment.

BUSINESS CONSULTING. The business consulting practice of CRA applies a highly analytical, quantitative approach to help companies analyze and respond to market forces and competitive pressures that affect their businesses. The Company advises its clients in many of the same areas in which it provides legal and regulatory consulting, such as finance and mergers and acquisitions. Applying its in-depth knowledge of specific vertical markets, the Company is able to provide insightful, value-added advice to its clients. CRA offers clients practical and creative advice by challenging conventional approaches and generally avoiding

predetermined solutions or methodologies. Recognizing the importance that clients place in maintaining confidentiality, CRA does not disclose the identity of its clients unless the Company's engagement with the client is already publicly disclosed. CRA's business consulting services can be grouped into three broad areas, as follows:

Business Strategy. CRA offers a broad range of strategy-related consulting services designed to help companies evaluate strategic opportunities and increase shareholder value. For example, CRA helps clients to identify investment opportunities, implement cost reduction programs, execute turnaround strategies, improve risk management, make capital investment decisions, complete due diligence, value intellectual property rights and other assets, and establish pricing strategies. The Company also assists clients with acquisitions by assessing the strategic and financial fit of an acquisition candidate. As it does in its legal and regulatory consulting practice, CRA advises clients on the competitive advantages and efficiencies, if any, resulting from acquisitions, as well as any potential antitrust concerns.

Market Analysis. CRA uses its vertical market expertise and analytical skills to assist its clients in identifying, understanding and reacting to market trends, including measuring market size, estimating supply and demand balances, evaluating growth opportunities, and analyzing procurement strategies. This type of analysis is particularly useful for companies that are launching a new product, repositioning an existing product or operating in an industry undergoing significant change. CRA uses complex computer models to predict the market impact of certain potential actions by the client or third parties. This information is then used to advise the client on product positioning, pricing strategies, competitive threats and probable market reactions. Using its regulatory and legal consulting expertise, CRA assists clients in evaluating the market impact of existing and proposed government policies.

Technology Management. CRA assists clients in managing their industrial technologies, including analyzing the processes used to develop their products and services. The Company helps clients with their technology needs from assessment through implementation. For example, CRA completes competitive analyses for clients by analyzing competitors' technology and processes through statistical comparisons of raw material costs, sales, productivity measurements and other factors. In addition, CRA helps clients to assess commercialization of new technology by quantifying the costs and benefits of obtaining and implementing new technology, including evaluation of engineering and employee training costs. Finally, the Company assists clients in implementing technology, including helping to coordinate the efforts of research and development organizations and conducting pre-feasibility studies.

VERTICAL MARKET EXPERTISE

The Company believes its ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular vertical markets is one of its key competitive strengths. By maintaining expertise in certain industries, the Company provides clients practical advice in both legal and regulatory consulting and business consulting that is tailored to their specific markets. This vertical market expertise, developed by CRA over decades of providing sophisticated consulting services to a diverse group of clients in leading industries, differentiates the Company from many of its competitors. CRA believes that it has developed a strong reputation and substantial name recognition within specific industries, which leads to repeat business and new engagements from clients in those markets. While the Company provides services to clients in a wide variety of industries, it has particular expertise in the following vertical markets:

Chemicals. The Company has a long history of providing consulting services to chemical companies. For example, CRA has assisted leading chemical companies in improving their research and development capabilities, investing in new businesses, assessing acquisition possibilities, and restructuring their facilities. CRA's industry experience enables it to offer advice to clients regarding pricing and profitability relative to supply, demand and competition within the chemicals industry.

Electric Power and Other Energies. CRA is a leading provider of economic testimony and analysis of the competitive impacts of electric utility, natural gas, and petroleum mergers and acquisitions. In addition, the Company offers advice to energy clients about the effects of deregulation in the electric power and natural gas industries. In order to help energy clients address frequent regulatory changes, CRA represents them in

proceedings before the Federal Energy Regulatory Commission, the Interstate Commerce Commission, state public regulatory commissions, and other international, federal and state administrative agencies. The Company has recently published a comprehensive study analyzing trading in electricity futures contracts.

Healthcare. CRA advises hospitals, pharmaceutical and medical product companies, and other healthcare clients by combining its in-depth knowledge of the unique and rapidly changing features of healthcare markets with its expertise in antitrust assessment, merger evaluations, measurement of damages and valuation of intellectual property. The Company assists its clients in responding to current competitive pricing trends and incentives created for vertical and horizontal consolidation. For pharmaceutical and medical product companies, CRA helps develop research, development, marketing and reimbursement strategies that highlight the clinical and economic advantages of their pharmaceuticals and medical technologies.

Materials. Led by a group of consultants with extensive experience and academic backgrounds in the materials and manufactured parts industries, CRA offers advice on a broad array of issues confronting clients selling and using materials such as minerals, metals and polymers. For example, CRA helps companies to analyze potential strategic acquisitions, evaluate capital investment opportunities, define and segment markets, assess new technology, respond to changing regulations, gauge competitors' actions and design business strategies. CRA also has expertise and experience in guiding materials and manufactured parts companies through antidumping proceedings before government agencies.

Media/Telecommunications. By providing a wide range of consulting services to a diverse group of media and telecommunications clients, the Company has developed a strong reputation as a leading source of expert economic and financial advice for media and telecommunications companies. CRA has been retained by clients involved in some of the largest media/telecommunications mergers, including the acquisitions of Turner Broadcasting System Inc. by Time Warner Inc. and Capital Cities/ABC Inc. by Walt Disney Company. Applying its expertise in the media/telecommunications industry, CRA has helped clients address the dramatic developments in their industry resulting from rapid technological change, deregulation and the globalization of their markets.

Transportation. The Company assists transportation industry clients by providing services in travel demand forecasting, market assessment, public policy analysis and business strategy. Through the use of sophisticated models for estimating travel demand developed by the Company, CRA helps transportation clients assess the feasibility of entering new markets and consults with governments considering infrastructure improvements. In addition, the Company has advised airline clients on the effects of deregulation and has consulted with automotive companies on the effects of increased government regulation.

NEW OPPORTUNITIES

An element of the Company's growth strategy is to expand into new practice areas that are complementary to its core practice areas. The Company intends to continue to encourage its consultants to develop expertise in new areas. Two examples of new areas of business that the Company recently developed are described below.

Auction Consulting. Several of CRA's consultants used their expertise in game theory to develop an auctions consulting practice. CRA is collaborating with Market Design, Inc. ("MDI"), a corporation owned and operated by a group of leading academic experts in the field of auction theory, to provide consulting services for the design and implementation of complex auctions, such as simultaneous ascending-bid auctions in which multiple objects are available for bid at the same time. Using jointly developed, sophisticated software, the Company and MDI help businesses and governments formulate rules for auctions, run auctions and track auction results. In addition, CRA and MDI provide bidder support services prior to and during an auction, including competitive evaluations, optimal bidding strategies and assessments of the competition's behavior. CRA typically charges clients a license fee for its auction software (a portion of which is shared with MDI) in addition to charging for its consulting services.

The Company's auction consulting work began in 1995 and was initially focused primarily on auctions of telecommunications spectrum licenses. For example, CRA and MDI were hired by Mexico's Comision

Federal de Telecomunicaciones to design and help implement auctions for paging spectrum, microwave bands and personal communication services. While still focusing on telecommunications auctions, the Company has also provided auction consulting services to electric utilities, and intends to expand its auction consulting work into other industries, such as minerals and chemicals, that are beginning to use auctions more frequently to allocate resources and property rights.

NeuCo. In June 1997, the Company invested approximately $650,000 for a majority interest in NeuCo. NeuCo was established by the Company and an affiliate of Commonwealth Energy Systems as a start-up entity to develop and market a family of neural network software tools and complementary applications consulting services for electric utilities. NeuCo's products and services are designed to help utilities improve their power plants by improving heat rate, reducing emissions, overcoming operating constraints and increasing output capability. NeuCo was established in connection with the Company's consulting engagement with Commonwealth Energy.

While NeuCo is currently operating at a loss, and there can be no assurance that it will become profitable, the Company believes that demand exists for NeuCo's products and services. As of the date of this Prospectus, NeuCo has implemented its software and services solution at one of Commonwealth Energy's electric utility plants, and it is providing consulting services to another client. Although NeuCo's initial products and services are designed for electric utilities, the Company believes that NeuCo's neural network software tools can be adapted and combined with consulting services to form a solutions package to meet the efficiency needs of companies outside the electric power industry, particularly for gas and other combustion companies. The software engine that NeuCo utilizes to build its software applications is licensed by the Company from a third party and sublicensed to NeuCo. In addition to the sublicense, the Company provides NeuCo with general, administrative and other services for agreed-upon fees.

## CLIENTS

The Company has completed more than 2,500 engagements for clients including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, CRA worked with 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). No single client accounted for over 10% of the Company's revenues in fiscal 1997. CRA's policy is to keep the identities of its clients confidential unless the Company's work for the client is already publicly disclosed.

The following are examples of the Company's engagements:

### Legal and Regulatory Consulting

- The Company assisted Procter & Gamble Company Inc. ("P&G") and its counsel in assessing the antitrust implications of P&G's acquisition of Tambrands Inc. The DOJ was concerned that the proposed merger might reduce competition and lead to price increases for feminine protection products. CRA reviewed P&G's and Tambrands' internal planning documents, which indicated that the two companies' products did not compete directly against each other. CRA confirmed this by applying sophisticated econometric techniques to consumer purchase data. CRA presented its findings, together with its extensive supporting data, to the DOJ's investigative staff to demonstrate that the two companies' products were either in distinct markets, or if in the same market, not substitutes for each other. After considering CRA's analysis and data, the DOJ allowed the acquisition to proceed.

- CRA assisted Polaroid Corporation in its instant-camera patent infringement lawsuit against Eastman Kodak Company. Working closely with two Outside Experts, CRA developed estimates of reasonable royalties and the value of lost profits on the basis of lost sales and price erosion resulting from Eastman Kodak's infringement. CRA formulated its damages calculations using a non-linear model of consumer demand for a durable good. This model, developed by two Outside Experts working in conjunction with

CRA consultants, analyzed consumer buying patterns, price movements and other factors in the context of a new product introduction. CRA assisted the Outside Experts with their trial testimony and worked closely with Polaroid's lawyers in preparing witnesses and critiquing the opposing parties' experts. CRA's analysis contributed to Polaroid obtaining a significant damages award.

- Exxon Company, USA retained CRA to assist in preparing for litigation related to the oil spill from the tanker Exxon Valdez. CRA examined a number of theoretical and empirical issues regarding the reliability of measures of natural resource damages. Working with a team of survey researchers, economists, psychologists, and statisticians, CRA developed and conducted a number of experiments after gathering and interpreting data from questionnaires administered to several thousand respondents throughout the United States. The studies specifically addressed the reliability and sensitivity of contingent valuation methods in measuring damages to environmental resources. CRA's study results indicated that slight variations in survey techniques and methodologies could lead to dramatically different results. For example, by isolating the "budget context" bias that arises in one traditional method of measuring natural resource damages, CRA's research demonstrated that the traditional method tended to overstate damages by a factor of almost 300 as compared to a survey method that CRA designed to mitigate the bias. Exxon used CRA's analysis to prepare for settlement negotiations.

- When several major oil companies were accused of conspiring to depress the prices of North Sea or Brent crude oil, they hired CRA to perform a number of sophisticated statistical tests to determine whether Brent prices had been affected by their purchases and sales. CRA's statistical tests demonstrated that there was no pattern of trading by the clients at below-market prices. Rather, the prices of a majority of the clients' trades fell within the range of non-defendants' prices prevailing for the corresponding delivery month and transaction day; the remaining trades were evenly distributed above and below the non-defendants' reported price range. Furthermore, statistical tests revealed no relationship between the relative level of the clients' prices and the direction of change in non-defendants' prices, contrary to what would be expected if the clients' trading activities were designed to drive market prices down. CRA's test also showed that the volume of trading by its clients was not related to movements in market price and that changes in Brent prices did not lead to changes in prices of other crude oils. CRA's analysis was used by the clients to help settle the matter.

Business Consulting

- CRA evaluated the prospects and mechanisms of privatization for a major international oil and gas company. The Company developed a matrix of privatization efforts of companies around the world and determined the factors that contributed to their success or failure. CRA identified and evaluated financial, competitive and shareholder value concerns, and determined key management tradeoffs. In particular, the Company developed recommendations for the preliminary steps necessary for the client to achieve its privatization objectives and assisted with the implementation of the privatization, including the formation of four new operating companies. In addition, CRA advised the client on dividing the enterprise's assets among the four operating companies and establishing transfer prices.

- CRA developed a turnaround strategy for a nonferrous alloy manufacturing division of a large mining company that was losing money and having production problems. The strategy was based on an analysis of its production problems, costs, competitive positioning, product portfolio and customer mix. The Company identified the inherent potential of the division and explained to the client's board of directors the reasons not to divest the business. The client implemented the turnaround strategy developed by CRA, and the division has since become profitable and is growing.

HUMAN RESOURCES

Consultants

On February 20, 1998, the Company had 120 full-time consultants, consisting of 28 officers, 15 principals, 26 senior associates, 36 associates and 15 research assistants, and had over 55 full-time administrative \staff members. Officers and principals generally work closely with clients, supervise junior consultants, provide

expert testimony on occasion and seek to generate business for the Company. Senior associates and associates typically serve as project managers and handle complex research assignments. Research assistants gather and analyze data sets and complete statistical programming and library research.

Most of the Company's revenues are derived directly from the services provided by its full-time consultants. The Company's consultants have backgrounds in many disciplines, including economics, business, corporate finance, materials sciences and engineering. Substantially all of CRA's senior consultants, consisting of officers, principals and senior associates, have either a Ph.D. or a master's degree in addition to substantial management, technical or industry expertise. Of the Company's total senior consulting staff of 69 as of February 20, 1998, 41 have Ph.D.s in economics, six have Ph.D.s in other disciplines and 18 have other advanced degrees. The Company believes that its financial results, reputation and growth are directly related to the number and quality of its consultants.

The Company is highly selective in its hiring of consultants, recruiting primarily from leading universities, industry and government. CRA carefully screens candidates and usually arranges for candidates seeking a senior consulting position to interview in at least two of CRA's offices. Prior to hiring a candidate for a senior consulting position, CRA requires that the candidate make a technical presentation to a group of CRA consultants. The Company believes that consultants choose to work at CRA and that turnover is low because of its strong reputation, the credentials, experience and reputation of its consultants, the opportunity to work on a diverse array of matters, the opportunity to work with renowned Outside Experts, and the collegial atmosphere of the Company. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among employees and that its status as a public company will further enhance its ability to recruit and retain employees.

CRA's training and career development program for its consultants focuses on three areas: supervision, seminars and scheduled courses. This program is designed to complement on-the-job experience and an employee's pursuit of his or her own career development. New consultants participate in a structured program in which they are partnered with an assigned mentor. Through CRA's ongoing seminar program, outside speakers make presentations and conduct discussions with the consultants on various topics. In addition, consultants are expected to present papers, discuss significant cases, or outline new analytical techniques or marketing opportunities periodically at in-house seminars. CRA also provides scheduled courses designed to improve an employee's professional skills, such as presentation and sales and marketing techniques. Consultants are also encouraged to pursue their academic interests by authoring articles for economic and other journals.

Each of CRA's senior consultants has signed a non-solicitation agreement which generally prohibits the employee from soliciting clients of CRA for a period of six months following termination of the person's employment with the Company and from soliciting CRA's employees for a period of two years after termination of the person's employment. Each of the Company's current stockholders, including each of CRA's officers, has entered into an agreement with CRA (the "Stock Restriction Agreement"), pursuant to which each stockholder has agreed, among other things, not to sell or otherwise transfer any shares of Common Stock of the Company owned by the stockholder prior to the Offering without the consent of the Board of Directors of the Company for a period of two years following the closing of the Offering. For more information regarding the Stock Restriction Agreement, see "Certain Transactions--Stock Restriction Agreement."

### Outside Experts

The Company works closely with a select group of Outside Experts from leading universities and industry, who supplement the work of the Company's consultants and generate business for the Company. The Company believes that Outside Experts choose to work with the Company on engagements because of the interesting and challenging nature of the work involved, the opportunity to work with CRA's highly educated consultants and the financially rewarding nature of the work. Four Outside Experts, each of whom is a stockholder of the Company (see "Principal and Selling Stockholders") and a party to the Stock Restriction Agreement, have entered into agreements with the Company that restrict their right to compete with the Company.

MARKETING

The Company relies to a significant extent on the efforts of its consultants, particularly its officers and principals, to market the Company's services. Consultants are encouraged to generate new business from both existing and new clients, and are rewarded with increased compensation and promotions for obtaining new business. In pursuing new business, the Company's consultants emphasize CRA's institutional reputation and experience, while also promoting the expertise of the particular employees who will work on the matter. Many of the Company's consultants have published articles in industry, business, economic, legal and scientific journals and have made speeches and presentations at industry conferences and seminars, which serve as a means of attracting new business and enhancing their reputations. Consultants on occasion work with one or more Outside Experts to market the Company's services.

The personal marketing efforts of the Company's consultants are supplemented by firm-wide initiatives. Historically, the Company has primarily relied on its reputation and client referrals for new business. Since the management buy-out in 1995, the Company has increased its marketing activities and intends to continue to expand its current marketing programs. CRA regularly organizes seminars for existing and potential clients featuring panel members that include the Company's consultants, Outside Experts and leading government officials. The Company has an extensive set of brochures organized around CRA's service areas, which outline the Company's experience and capabilities. In addition, the Company periodically distributes publications to existing and potential clients highlighting emerging trends and noteworthy CRA engagements. Because existing clients are an important source of repeat business and referrals, the Company communicates regularly with its existing clients to keep them informed of developments that affect their markets and industries.

In its legal and regulatory consulting practice, much of the Company's new business is derived from referrals by existing clients. The Company has worked with leading law firms across the country and believes it has developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For its business consulting practice, the Company also relies on referrals from existing clients, but supplements referrals with a significant amount of direct marketing to new clients through conferences, publications, presentations and direct solicitations.

It is important to the Company that it conduct business ethically and in accordance with industry standards and the Company's own rigorous professional standards. The pursuit of specific markets, clients and bids on specific requests for proposals are carefully considered. Before a new client or matter is accepted, the Company determines whether a conflict of interests exists by circulating a client development report among its officers and by checking the Company's internal client database.

COMPETITION

The market for economic and business consulting services is intensely competitive, highly fragmented and subject to rapid change. In general, the barriers to entry into the Company's markets are few, and the Company expects to face additional competition from new entrants into the economic and business consulting industries. In the legal and regulatory consulting market, the Company competes primarily with other economic consulting firms and individual academics. The Company believes that the principal competitive factors in this market are reputation, analytical ability, industry expertise and service. In the business consulting market, the Company competes 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. The Company believes that the principal competitive factors in this market are reputation, industry expertise, analytical ability, service and price. Many of the Company's competitors have national and international reputations as well as significantly greater personnel, financial, managerial, technical and marketing resources than the Company. Certain of the Company's competitors also have a significantly broader geographic presence than the Company. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors.

FACILITIES

The Company's headquarters is located in Boston, Massachusetts in a leased facility consisting of approximately 41,000 square feet, under a 15-year lease that expires in 2008. The Company also occupies leased office space in Washington, D.C. and Palo Alto, California. The Company believes that its existing facilities are adequate to meet its current requirements and that suitable space will be available as needed.

LEGAL PROCEEDINGS

As of the date of this Prospectus, the Company is not a party to any legal proceedings the outcome of which, in the opinion of management of the Company, would have a material adverse effect on the Company's business, financial condition or results of operations.

## MANAGEMENT

### EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

| NAME | AGE | POSITION |
|---|---|---|
| Franklin M. Fisher (1)(2)..... | 63 | Chairman of the Board |
| Rowland T. Moriarty (1)(2)(3)..... | 51 | Vice Chairman of the Board |
| James C. Burrows..... | 54 | President, Chief Executive Officer and Director |
| Laurel E. Morrison..... | 47 | Chief Financial Officer, Vice President, Finance and Administration, and Treasurer |
| Firoze E. Katrak (3)..... | 46 | Vice President, Director |
| William B. Burnett (2)..... | 48 | Vice President, Director |
| Carl Kaysen (1)(3)..... | 77 | Director |

(1) Member of the Compensation Committee
(2) Member of the Governance Committee
(3) Member of the Audit Committee

FRANKLIN M. FISHER has served as an Outside Expert and a director of the Company since 1967. Since April 1997, Dr. Fisher has served as Chairman of the Board of Directors. Dr. Fisher has been a professor of economics at the Massachusetts Institute of Technology since 1965, and the president and sole employee of FMF, Inc., an economic consulting firm, since 1980. Dr. Fisher is also a director of the National Bureau of Economic Research and a member of the Steering Committee of the Institute for Social and Economic Policy in the Middle East at Harvard University's John F. Kennedy School of Government. He received his Ph.D. in economics in 1960 from Harvard University.

ROWLAND T. MORIARTY has served as a director of the Company since 1986 and as Vice Chairman of the Board since December 1992. Dr. Moriarty is also Chairman of the Board of NeuCo. Dr. Moriarty has served as Chairman and Chief Executive Officer of Cubex Inc., an international marketing consulting firm, since 1992. Dr. Moriarty was a professor at the Harvard Business School from 1981 to 1992, where he received his D.B.A. in Marketing in 1980. He is a director of Staples, Inc. and Trammel Crow Corporation.

JAMES C. BURROWS joined the Company in 1967 and has served as its President and Chief Executive Officer since March 1995 and as a director since April 1993. Since December 1992, Dr. Burrows has directed the Company's legal and regulatory consulting practice. From 1971 to March 1995, Dr. Burrows served as a Vice President of the Company and from June 1987 to December 1992 also directed the Company's economic litigation program. Dr. Burrows received his Ph.D. in economics from the Massachusetts Institute of Technology in 1970.

LAUREL E. MORRISON has served as Chief Financial Officer, Vice President of Finance and Administration, and Treasurer of the Company since December 1996. Ms. Morrison served as Controller of the Company from May 1993 until December 1996. Ms. Morrison previously served as Controller of MicroMentor, Inc., a software company, from November 1992 to May 1993. Ms. Morrison is a certified public accountant.

FIROZE E. KATRAK has served as Vice President of the Company since 1986 and as a director of the Company since April 1993. Since June 1987, he has served as head of the Company's materials and manufacturing consulting practice. Dr. Katrak received his Ph.D. in materials engineering from the Massachusetts Institute of Technology in 1978 and has been an employee of the Company since that time.

WILLIAM B. BURNETT joined the Company as Vice President in 1988 and has served as a director since June 1994. From 1982 to 1988, Mr. Burnett served as a Vice President of Glassman-Oliver Economic Consultants, Inc., a consulting firm. Prior to joining the Company, Mr. Burnett served in the Bureau of Economics at the FTC from 1976 to 1982. Mr. Burnett received his M.A. in economics from Cornell University in 1975.

CARL KAYSEN has served as a director of the Company since 1986. From December 1992 until April 1997, Dr. Kaysen served as Chairman of the Board of Directors. Since 1990, Dr. Kaysen has been professor emeritus of political economy in the School of Humanities and Social Science at the Massachusetts Institute of Technology. Dr. Kaysen received his Ph.D. in economics from Harvard University in 1954.

The Board of Directors is divided into three classes, one class of which is elected each year at the annual meeting of stockholders to hold office for a term of three years. Dr. Moriarty and Mr. Burnett serve as Class I directors; their terms of office expire in 1999. Drs. Katrak and Kaysen serve as Class II directors; their terms of office expire in 2000. Drs. Fisher and Burrows serve as Class III directors; their terms of office expire in 2001. Each director also continues to serve as a director until his successor is duly elected and qualified. Executive officers of the Company are elected by and serve at the discretion of the Board of Directors.

The Board of Directors has a Compensation Committee, which provides recommendations concerning salaries and incentive compensation for employees of and consultants to the Company. The Board of Directors also has an Audit Committee, which reviews the scope and results of the audit and other services provided by the Company's independent auditors. The Board of Directors also has a Governance Committee, which nominates persons to serve as directors of the Company.

There are no family relationships among the directors and executive officers of the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee currently consists of Drs. Fisher, Kaysen and Moriarty. Dr. Moriarty is Chairman of the Board of Managers and a member of NeuCo, a subsidiary of the Company. For information concerning a stock restriction agreement to which Drs. Fisher, Kaysen and Moriarty are parties as well as certain payments by the Company to Drs. Fisher and Moriarty, see "Certain Transactions."

DIRECTOR COMPENSATION

The Company pays its non-employee directors an annual fee of $13,000 for their services as directors, plus $2,000 for each regular Board meeting attended and $1,000 for each special Board meeting attended. Directors who are also employees of the Company do not receive separate fees for their services as directors. See "Certain Transactions" for information concerning consulting fees paid by the Company to certain directors for their services as Outside Experts to the Company.

Under the 1998 Incentive and Nonqualified Stock Option Plan (the "Option Plan"), each Outside Director (as defined below) who shall be re-elected as a director of the Company or whose term shall continue after the annual meeting of stockholders will on the date of the annual meeting receive a Nonqualified Option (as defined below) to purchase 5,000 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on that date. Each such option will have a term of five years and will vest in full on the first anniversary of the date of grant. Each person who shall be first elected an Outside Director of the Company after the adoption of the Plan will receive on the date of his or her election as a director a Nonqualified Option to purchase 10,000 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on that date. Each such option will have a term of five years and will vest in three equal annual installments, commencing on the first anniversary of the date of grant. Under the terms of the Option Plan, an "Outside Director" is a director who (i) is not an employee of the Company or a member of an "affiliated group" that includes the Company (an "Affiliate"), (ii) is not a former employee of the Company or any Affiliate who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company's or any Affiliate's taxable year and (iii) has not been an officer of the Company or any Affiliate. Currently, the Outside Directors of the Company are Drs. Moriarty and Kaysen.

EXECUTIVE COMPENSATION

Compensation Summary. The following table sets forth certain information concerning the compensation earned by the Company's Chief Executive Officer and other executive officers for services rendered in all capacities to the Company for the fiscal year ended November 29, 1997.

SUMMARY COMPENSATION TABLE

| | ANNUAL COMPENSATION | | | |
|---|---|---|---|---|
| NAME AND PRINCIPAL POSITION | SALARY($) | BONUS($)(1) | OTHER ANNUAL COMPENSATION($)(2) | ALL OTHER COMPENSATION($)(3) |
| James C. Burrows..... President and Chief Executive Officer | $ 285,000 | $ 615,000 | -- | $ 19,976 |
| Laurel E. Morrison..... Chief Financial Officer, Vice President, Finance and Administration, and Treasurer | 100,000 | 55,000 | -- | 19,739 |
| Firoze E. Katrak..... Vice President | 220,000 | 300,000 | -- | 19,976 |
| William B. Burnett..... Vice President | 220,000 | 490,000 | -- | 19,976 |

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(1) Includes supplemental compensation bonuses of $115,000, $5,000, $100,000 and $65,000 for Dr. Burrows, Ms. Morrison, Dr. Katrak and Mr. Burnett, respectively.

(2) Other annual compensation in the form of perquisites and other personal benefits has been omitted because the aggregate amount of such perquisites and other personal benefits was less than $50,000 and constituted less than 10% of the executive officers' respective total annual salary and bonus.

(3) Represents contributions by the Company on behalf of the executive officer to the Company's Savings & Retirement Plan and Trust.

BENEFIT PLANS

1998 Incentive and Nonqualified Stock Option Plan

The Company has adopted the 1998 Incentive and Nonqualified Stock Option Plan. A total of 970,000 shares of Common Stock are reserved for issuance under the Option Plan. The Option Plan authorizes (i) the grant of options to purchase Common Stock intended to qualify as incentive stock options ("Incentive Options"), as defined in Section 422 of the Code and (ii) the grant of options that do not so qualify ("Nonqualified Options"). The exercise price of Incentive Options granted under the Option Plan must be at least equal to the fair market value of the Common Stock of the Company on the date of grant. The exercise price of Incentive Options granted to an optionee who owns stock possessing more than 10% of the voting power of the Company's outstanding capital stock must be at least equal to 110% of the fair market value of the Common Stock on the date of grant. The exercise price of Nonqualified Options granted under the Option Plan must be at least equal to 85% of the fair market value of the Common Stock on the date of grant.

The Option Plan may be administered by the Board of Directors or the Compensation Committee. Except in the case of certain formula grants to Outside Directors described above under "Director Compensation," the Board or the Compensation Committee selects the individuals to whom options will be granted and determines the option exercise price and other terms of each award, subject to the provisions of the Option Plan. Incentive Options may be granted under the Option Plan to employees, including officers and directors who are also employees. Nonqualified Options may be granted under the Option Plan to officers and

other employees and to directors and other individuals providing services to the Company, whether or not they are employees of the Company.

1998 Employee Stock Purchase Plan

The Company has adopted the 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Stock Purchase Plan authorizes the issuance of up to an aggregate of 243,000 shares of Common Stock to participating employees. The Stock Purchase Plan may be administered by the Board of Directors or the Compensation Committee.

Under the terms of the Stock Purchase Plan, all employees of the Company (other than seasonal employees) who have completed one year of employment with the Company and whose customary employment is more than part-time (i.e. more than 20 hours per week and more than five months in the calendar year) are eligible to participate in the Stock Purchase Plan. Employees who own five percent or more of the outstanding Common Stock of the Company and directors who are not employees are not eligible to participate in the Stock Purchase Plan.

The right to purchase Common Stock under the Stock Purchase Plan will be made available through a series of one year offerings (each, an "Offering Period"). On the first day of an Offering Period, the Company will grant to each eligible employee who has elected in writing to participate in the Stock Purchase Plan an option to purchase shares of Common Stock. The employee will be required to authorize an amount (between one and ten percent of the employee's compensation) to be deducted by the Company from the employee's pay during the Offering Period. On the last day of the Offering Period, the employee will be deemed to have exercised the option, at the option exercise price, to the extent of accumulated payroll deductions. Under the terms of the Stock Purchase Plan, the option exercise price is an amount equal to 85% of the fair market value of one share of Common Stock on either the first or last day of the Offering Period, whichever is lower.

No employee may be granted an option that would permit the employee's rights to purchase Common Stock to accrue at a rate in excess of $25,000 of the fair market value of the Common Stock, determined as of the date the option is granted, in any calendar year.

The Company has made no determination as to when the first Offering Period under the Stock Purchase Plan will commence.

Bonus Program

The Company maintains a discretionary bonus program, pursuant to which the Company grants performance-based bonuses to its officers and other employees. The Compensation Committee, in its discretion, determines the bonuses to be granted to the Company's officers, and the Company's Chief Executive Officer, in his discretion, determines the bonuses to be granted to the Company's other employees, based upon recommendations of the various committees of officers supervising the employees' work.

The Charles River Associates Savings & Retirement Plan and Trust

The Company maintains the Charles River Associates Savings & Retirement Plan and Trust (the "Savings & Retirement Plan"), qualified under Section 401(a) of the Code. All employees of the Company who are 21 years of age are eligible to make salary reduction contributions pursuant to the Savings & Retirement Plan, and those who have also completed at least one year of service (consisting of at least 1,000 hours of service) are eligible to receive profit-sharing contributions from the Company. A participant may contribute a maximum of 20% of his or her pre-tax salary, commissions and bonuses through payroll deductions (up to the statutorily prescribed annual limit of $10,000 in 1998) to the Savings & Retirement Plan. The percentage elected by more highly compensated participants may be required to be lower. The Company may make discretionary matching contributions under the Savings & Retirement Plan on behalf of participants whose annual rate of pay does not exceed $44,500 in an amount up to a maximum of 4% of the participant's pre-tax salary, commissions and bonuses. The Company may also make discretionary profit-sharing contributions on behalf of eligible participants who have completed at least 1,000 hours of service

during the fiscal year and are employed by the Company on the last day of the fiscal year. Any profit-sharing contribution is allocated to eligible participants as a percentage of their total compensation (up to the statutorily prescribed maximum of $160,000 in 1998) with a larger percentage allocated to compensation in excess of the Social Security wage base in accordance with rules set forth in the Code. The Company determines the level of the discretionary contributions on an annual basis. In fiscal 1997, the Company made aggregate matching and profit-sharing contributions of approximately $1.2 million.

## CERTAIN TRANSACTIONS

### STOCK RESTRICTION AGREEMENT

Each person who is a stockholder of the Company before the closing of the Offering (a "Pre-Offering Stockholder") is subject to a Stock Restriction Agreement with the Company. The Stock Restriction Agreement prohibits each Pre-Offering Stockholder from selling or otherwise transferring shares of Common Stock held immediately before the Offering (collectively, "Pre-Offering Stock") as follows: (i) in the first two years after the Offering, no Pre-Offering Stockholder may sell any of his or her Pre-Offering Stock except in a public offering; (ii) in the third, fourth and fifth years after the Offering, each Pre-Offering Stockholder will be able to sell up to an aggregate of 50% of his or her Pre-Offering Stock, less any shares previously sold in public offerings; (iii) in the sixth and seventh years after the Offering, each Pre-Offering Stockholder will be able to sell up to an aggregate of an additional 20% of his or her Pre-Offering Stock; and (iv) thereafter, each Pre-Offering Stockholder will be able to sell, in any 12-month period, an amount equal to the greater of (A) 10% of his or her Pre-Offering Stock or (B) one-third of the Pre-Offering Stock held by him or her at the end of the seventh year after the Offering. Upon the death or retirement for disability of any Pre-Offering Stockholder in accordance with the Company's policies, the foregoing restrictions will terminate with respect to his or her Pre-Offering Stock. The Board of Directors will have the discretion to waive any of the restrictions imposed by the Stock Restriction Agreement.

Under the terms of the Stock Restriction Agreement, if any Pre-Offering Stockholder shall leave the Company (other than for death or retirement for disability in accordance with the Company's policies), the Company will have the right until the fifth anniversary of the Offering to repurchase up to 50% of his or her Pre-Offering Stock and, thereafter, will have the right to repurchase all of the Pre-Offering Stock that the Pre-Offering Stockholder shall not have already become entitled to sell. The purchase price will be equal to 70% of the fair market value of the repurchased stock, or, if the Pre-Offering Stockholder shall compete with the Company, 40% of such fair market value. The purchase price will be payable in three equal annual installments. The Stock Restriction Agreement will terminate ten years after the Offering or earlier with the approval of the Board of Directors of the Company.

### PAYMENTS TO AFFILIATED PARTIES

The Company has made payments to Dr. Fisher, a director of the Company, and Steven C. Salop, a former director of the Company, for their services as Outside Experts, including for consulting services to clients and for the generation of engagements for the Company. Each of Drs. Fisher and Salop also holds more than five percent of the Common Stock of the Company outstanding before the Offering. In fiscal 1995, fiscal 1996 and fiscal 1997, the Company paid Dr. Fisher an aggregate of $459,673, $202,107 and $167,357, respectively. In fiscal 1995, fiscal 1996 and fiscal 1997, the Company paid Dr. Salop an aggregate of $545,658, $806,855 and $766,114, respectively. The foregoing amounts include payments made to companies wholly owned by the respective Outside Experts.

In fiscal 1997, the Company paid Dr. Moriarty, a director and five percent stockholder of the Company, an aggregate of $60,000 for consulting services. In addition, the Company has made certain office space and support services available to Dr. Moriarty and Cubex Inc., a company wholly owned by Dr. Moriarty. The portion of the Company's expenses, including rent, labor costs and insurance, allocable to the resources made available to Dr. Moriarty, net of reimbursements, was $32,566, $65,405 and $79,440 in fiscal 1995, fiscal 1996 and fiscal 1997, respectively.

### SALE OF STOCK

In August 1997, the Company sold 26,000 shares of Common Stock to Laurel E. Morrison, the Chief Financial Officer, Vice President, Finance and Administration, and Treasurer of the Company, at a purchase price of approximately $2.71 per share. Ms. Morrison paid $24,000 at the time of purchase and the remainder of the purchase price is payable in five annual installments as set forth in the stock purchase agreement.

REPURCHASE OF STOCK

In May 1995, the Company repurchased 59,800 shares of Common Stock from each of Dr. Fisher and Alan R. Willens, a former director of the Company, in each case for a purchase price equal to the sum of (i) $33,695, payable in three equal annual installments, (ii) an amount, payable in five annual installments, equal to his pro rata portion of 25% of the Company's earnings before bonuses, supplemental compensation and amortization of goodwill for each of fiscal 1995, fiscal 1996, fiscal 1997, fiscal 1998 and fiscal 1999, of which the Company had paid $36,797 as of February 20, 1998, and (iii) $2,020, paid in April 1996.

SUPPLEMENTAL COMPENSATION PROGRAM

Pursuant to the Company's supplemental compensation bonus program, the Company paid each of Drs. Fisher and Salop $100,000 in each of fiscal 1995, fiscal 1996 and fiscal 1997 and paid Dr. Moriarty $50,000 in each of those years.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of February 20, 1998, and as adjusted to reflect the sale by the Company and the Selling Stockholders of the shares of Common Stock offered by this Prospectus by (i) each person known by the Company to be the beneficial owner of more than five percent of the Common Stock, (ii) each of the Company's directors, (iii) each of the Company's executive officers, (iv) all directors and executive officers of the Company as a group and (v) each Selling Stockholder.

| | SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1) | | NUMBER OF SHARES TO BE | SHARES TO BE BENEFICIALLY OWNED AFTER OFFERING(1) | |
|---|---|---|---|---|---|
| NAME | NUMBER | PERCENT(2) | OFFERED | NUMBER | PERCENT(3) |
| 5% STOCKHOLDERS, DIRECTORS AND EXECUTIVE OFFICERS: | | | | | |
| Franklin M. Fisher(4)(5) | 653,588 | 10.0% | 75,170 | 578,418 | 7.2% |
| James C. Burrows(4) | 620,256 | 9.5 | -- | 620,256 | 7.7 |
| Steven C. Salop(4)(6) | 585,000 | 9.0 | 52,000 | 533,000 | 6.6 |
| Firoze E. Katrak(4)(7) | 438,100 | 6.7 | 50,398 | 387,702 | 4.8 |
| Rowland T. Moriarty(4)(8) | 410,800 | 6.3 | 41,080 | 369,720 | 4.6 |
| William B. Burnett(9) | 312,000 | 4.8 | 31,200 | 280,800 | 3.5 |
| Carl Kaysen(10) | 67,600 | 1.0 | 7,782 | 59,818 | * |
| Laurel E. Morrison | 26,000 | * | -- | 26,000 | * |
| All directors and executive officers as a group (7 persons)(11) | 2,528,344 | 38.8% | 205,630 | 2,322,714 | 28.7% |
| OTHER SELLING STOCKHOLDERS(12): | | | | | |
| Richard S. Ruback | 312,000 | 4.8% | 31,200 | 280,800 | 3.5% |
| Jagdish C. Agarwal | 208,000 | 3.2 | 23,928 | 184,072 | 2.3 |
| Thomas R. Overstreet | 208,000 | 3.2 | 23,928 | 184,072 | 2.3 |
| Alan R. Willens | 188,188 | 2.9 | 21,650 | 166,538 | 2.1 |
| Stanley M. Besen | 182,000 | 2.8 | 20,938 | 161,062 | 2.0 |
| Michael A. Kemp | 182,000 | 2.8 | 20,938 | 161,062 | 2.0 |
| Bridger M. Mitchell | 182,000 | 2.8 | 20,938 | 161,062 | 2.0 |
| Deloris R. Wright | 182,000 | 2.8 | 20,938 | 161,062 | 2.0 |
| Raju Patel(13) | 130,000 | 2.0 | 14,958 | 115,042 | 1.4 |
| Daniel Brand | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| Steven R. Brenner | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| George C. Eads | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| W. David Montgomery | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| Gary L. Roberts | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| Louis L. Wilde | 119,600 | 1.8 | 13,762 | 105,838 | 1.3 |
| Stephen H. Kalos | 104,000 | 1.6 | 11,968 | 92,032 | 1.1 |
| C. Christopher Maxwell | 104,000 | 1.6 | 11,968 | 92,032 | 1.1 |
| Robert M. Spann | 104,000 | 1.6 | 11,968 | 92,032 | 1.1 |
| John R. Woodbury | 104,000 | 1.6 | 11,968 | 92,032 | 1.1 |
| Monica G. Noether | 98,800 | 1.5 | 11,370 | 87,430 | 1.1 |
| Robert J. Larner and Anne M. Larner | 89,700 | 1.4 | 10,324 | 79,376 | * |
| Joen E. Greenwood | 88,608 | 1.4 | 10,198 | 78,410 | * |
| William R. Hughes | 78,000 | 1.2 | 8,978 | 69,022 | * |
| Gregory K. Bell | 65,000 | * | 3,900 | 61,100 | * |
| Paul R. Milgrom | 52,000 | * | 5,200 | 46,800 | * |
| Douglas R. Bohi | 26,000 | * | 2,998 | 23,002 | * |

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* Less than one percent.

(1) The persons named in this table have sole voting and investment power with respect to the shares listed, except as otherwise indicated. The inclusion of shares listed as beneficially owned does not constitute an admission of beneficial ownership. The description of shares owned after the Offering assumes none of the listed stockholders will purchase additional shares in the Offering.

(2) The total number of shares of Common Stock outstanding as of February 20, 1998 was 6,519,240.

(3) The number of shares of Common Stock deemed outstanding after the Offering includes the additional 1,562,500 shares being offered by the Company hereby.

(4) The address for Drs. Fisher, Burrows, Katrak and Moriarty is in care of the Company, 200 Clarendon Street, Boston, Massachusetts 02116, and the address for Dr. Salop is in care of the Company, Suite 700, 600 13th Street, N.W., Washington, D.C. 20005.

(5) Dr. Fisher is Chairman of the Board of Directors of the Company.

(6) Dr. Salop is an Outside Expert.

(7) Includes 130,000 shares of Common Stock held by Raju Patel, as to which Ms. Patel has sole investment power and Dr. Katrak has sole voting power. Dr. Katrak is a Vice President and director of the Company. The number of shares to be offered by Dr. Katrak consists of 35,440 shares to be offered by Dr. Katrak and 14,958 shares to be offered by Raju Patel.

(8) Dr. Moriarty is Vice Chairman of the Board of Directors of the Company and Chairman of the Board of Managers and a member of NeuCo.

(9) Mr. Burnett is a Vice President and director of the Company.

(10) Dr. Kaysen is a director of the Company.

(11) See notes 5, 6 and 8 through 12.

(12) With the following exceptions, the persons listed under "Other Selling Stockholders" are employees of the Company: Richard S. Ruback and Paul R. Milgrom are Outside Experts; Alan R. Willens is a former director of the Company; and Raju Patel is not an employee of the Company.

(13) Represents shares of Common Stock as to which Ms. Patel has sole investment power and Dr. Katrak has sole voting power.

## DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 25,000,000 shares of common stock, without par value (the "Common Stock"), and 1,000,000 shares of preferred stock, without par value (the "Preferred Stock"). As of February 20, 1998, there were 6,519,240 shares of Common Stock outstanding and held of record by 36 stockholders, and no shares of Preferred Stock outstanding.

### COMMON STOCK

Holders of Common Stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to the holders of outstanding Preferred Stock, if any, the holders of Common Stock are entitled to receive such lawful dividends as may be declared by the Board of Directors. In the event of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, and subject to the rights of the holders of outstanding Preferred Stock, if any, the holders of Common Stock will be entitled to receive pro rata all of the remaining assets of the Company available for distribution to its stockholders. The Common Stock has no preemptive, redemption, conversion or subscription rights. All outstanding shares of Common Stock are fully paid and non-assessable, except for certain installments not yet due and payable by certain stockholders of the Company. As of November 29, 1997, the aggregate amount of future installments receivable by the Company was $1.2 million. The shares of Common Stock to be issued by the Company in the Offering will be fully paid and non-assessable.

### PREFERRED STOCK

The Board of Directors is authorized, subject to any limitations prescribed by Massachusetts law, to provide for the issuance of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the preferences, voting powers, qualifications, and special or relative rights or privileges thereof. The Board of Directors is authorized to issue Preferred Stock with voting, conversion, and other rights and preferences that could adversely affect the voting power or other rights of the holders of Common Stock. Although the Company has no current plans to issue any Preferred Stock, the issuance of Preferred Stock or of rights to purchase Preferred Stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of the outstanding voting stock of the Company.

### ANTI-TAKEOVER EFFECTS OF PROVISIONS OF THE COMPANY'S AMENDED AND RESTATED ARTICLES OF ORGANIZATION AND AMENDED AND RESTATED BY-LAWS AND OF MASSACHUSETTS LAW

The Company's Amended and Restated Articles of Organization (the "Articles") and Amended and Restated By-Laws (the "By-Laws") and Massachusetts law contain certain provisions that could be deemed to have anti-takeover effects and that could discourage, delay or prevent a change in control of the Company or an acquisition of the Company at a price which many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of the Company to effect certain corporate actions, including the election of directors. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of Common Stock.

#### Articles and By-Laws

The By-Laws provide that nominations for directors may not be made by stockholders at any annual or special meeting thereof unless the stockholder intending to make a nomination notifies the Company of the nomination a specified number of days in advance of the meeting and furnishes to the Company certain information regarding such stockholder and the intended nominee. The By-Laws also require advance notice of any proposal to be brought by a stockholder before any annual or special meeting of stockholders and the provision of certain information to the Company regarding such stockholder and others known to support the proposal and any material interest they may have in the proposal.

The By-Laws require the Company to call a special meeting of stockholders only at the request of stockholders holding at least 40% of the voting power of the Company. The provisions in the By-Laws pertaining to stockholders and directors (including the provisions described above pertaining to nominations and the presentation of business before a meeting of the stockholders) may not be amended and no provision inconsistent therewith may be adopted without the approval of either the Board of Directors or the holders of at least 80% of the voting power of the Company.

The Articles provide that certain transactions, such as the sale, lease or exchange of all or substantially all of the Company's property and assets and the merger or consolidation of the Company into or with any other corporation, may be authorized by the approval of the holders of a majority of the shares of each class of stock entitled to vote thereon, rather than by two-thirds as otherwise provided by statute, provided that the transaction has been authorized by a majority of the members of the Board of Directors and the requirements of any other applicable provisions of the Articles have been met.

The Articles contain a "fair price" provision (the "Fair Price Provision") that provides that certain Business Combinations with any Interested Stockholder (as each such term is defined in the Fair Price Provision) may not be consummated without the approval of the holders of at least 80% of the voting power of the Company, unless approved by at least a majority of the Disinterested Directors (as defined in the Fair Price Provision) or unless certain minimum price and procedural requirements are met. A significant purpose of the Fair Price Provision is to deter a purchaser from using two-tiered pricing and similar unfair or discriminatory tactics in an attempt to acquire control of the Company. The affirmative vote of the holders of 80% of the voting power of the Company is required to amend or repeal the Fair Price Provision or adopt any provision inconsistent with it.

Massachusetts Law

Following the Offering, the Company expects that it will have more than 200 stockholders, as a result of which it will be subject to the provisions of Chapter 110F of the Massachusetts General Laws, an anti-takeover law. In general, this statute prohibits a publicly held Massachusetts corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless either (i) prior to that date, the Board of Directors approved either the business combination or the transaction in which the person became an interested stockholder, (ii) the interested stockholder acquires 90% of the outstanding voting stock of the corporation (excluding shares held by certain affiliates of the corporation) at the time it becomes an interested stockholder or (iii) the business combination is approved by the Board of Directors and by the holders of two-thirds of the outstanding voting stock of the corporation (excluding shares held by the interested stockholder) voting at a meeting. In general, an "interested stockholder" is a person who owns 5% (15% in the case of a person eligible to file a Schedule 13G under the Securities Act with respect to the Common Stock) or more of the outstanding voting stock of the corporation or who is an affiliate or associate of the corporation and was the owner of 5% (15% in the case of a person eligible to file a Schedule 13G under the Securities Act with respect to the Common Stock) or more of the outstanding voting stock within the prior three years. A "business combination" includes mergers, consolidations, stock and asset sales, and other transactions with the interested stockholder resulting in a financial benefit (except proportionately as a stockholder of the corporation) to the interested stockholder. The Company may at any time amend its Articles or By-Laws to elect not to be governed by Chapter 110F by a vote of the holders of a majority of its voting stock. Such an amendment would not be effective for twelve months and would not apply to a business combination with any person who became an interested stockholder prior to the date of the amendment.

Upon the closing of the Offering, the Company will be subject to Section 50A of Chapter 156B of the Massachusetts General Laws, which requires that any publicly held Massachusetts corporation have a classified (staggered) Board of Directors unless the corporation opts out of the statute's coverage. The Company has elected not to opt out of the statute's coverage. Section 50A requires that the classified board consist of three classes as nearly equal in size as possible and provides that directors may be removed only for cause, as defined in the statute. See "Management--Executive Officers and Directors."

The By-Laws include a provision that excludes the Company from the applicability of Chapter 110D of the Massachusetts General Laws, entitled "Regulation of Control Share Acquisitions." In general, this statute provides that any stockholder who acquires 20% or more of the outstanding voting stock of a corporation subject to this statute may not vote that stock unless the disinterested stockholders of the corporation so authorize. In addition, Chapter 110D permits a corporation to provide in its articles of organization or by-laws that the corporation may redeem (for fair value) all of the shares acquired in a control share acquisition if the interested stockholder does not deliver a control share acquisition statement or if the interested stockholder delivers a control share acquisition statement but the stockholders of the corporation do not authorize voting rights for those shares. The Board of Directors may amend the By-Laws at any time to subject the Company to this statute prospectively.

Under Section 43 of Chapter 156B of the Massachusetts General Laws, any action taken by written consent of the stockholders requires the unanimous written consent of the stockholders entitled to vote on the matter.

LIMITATION OF LIABILITY

The Company's Articles provide that no director of the Company shall be personally liable to the Company or to its stockholders for monetary damages for breach of fiduciary duty as a director, except that the limitation shall not eliminate or limit liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 61 or 62 of Chapter 156B of the Massachusetts General Laws, dealing with liability for unauthorized distributions and loans to insiders, respectively, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Articles and By-Laws further provide for the indemnification of the Company's directors and officers to the fullest extent permitted by Section 67 of Chapter 156B of the Massachusetts General Laws, including circumstances in which indemnification is otherwise discretionary.

A principal effect of these provisions is to limit or eliminate the potential liability of the Company's directors for monetary damages arising from breaches of their duty of care, unless the breach involves one of the four exceptions described in (i) through (iv) above. These provisions may also shield directors from liability under federal and state securities laws.

STOCK TRANSFER AGENT

The transfer agent and registrar for the Common Stock is Boston EquiServe L.P.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon the closing of the Offering, the Company will have 8,081,740 shares of Common Stock outstanding. Of these shares, the 2,188,000 shares of Common Stock sold in the Offering will be freely tradeable in the public market without restriction under the Securities Act, unless they are purchased by an "affiliate" of the Company (as that term is defined in Rule 144 under the Securities Act ("Rule 144")), who would generally be able to sell such shares only in accordance with Rule 144. The remaining 5,893,740 shares will be "restricted securities" as defined in Rule 144 (the "Restricted Shares"). Restricted securities generally may be sold in the public market only if they are registered under the Securities Act or sold in compliance with Rule 144. The Restricted Shares are subject to lock-up agreements pursuant to which they may not be sold or transferred without the prior written consent of NationsBanc Montgomery Securities LLC for a period of 180 days after the date of this Prospectus. See "Underwriting." The Restricted Shares are also subject to the Stock Restriction Agreement, which prohibits the sale or other transfer of Restricted Shares without the consent of the Board of Directors for a period of two years after the Offering and imposes other restrictions on sale in subsequent years. See "Certain Transactions--Stock Restriction Agreement."

### SALES OF RESTRICTED SHARES

All of the Restricted Shares are subject to the lock-up agreements described below and, following the expiration of the lock-up period (or earlier with the consent of the Representatives in certain cases), approximately 3,024,000 shares will be eligible for sale under Rule 144(k) and approximately an additional 2,374,000 shares will be eligible for sale subject to the restrictions of Rule 144.

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated), who has beneficially owned Restricted Shares for at least one year is entitled to sell, within any three-month period, a number of Restricted Shares that does not exceed the greater of (i) 1% of the then-outstanding number of shares of Common Stock (approximately 80,800 shares, based on the number of shares to be outstanding after the Offering) or (ii) the average weekly trading volume of the Common Stock in the public market during the four calendar weeks preceding the filing of the seller's Form 144, provided that certain requirements concerning the availability of public information concerning the Company, manner of sale and notice of sale are satisfied. A person who is not an affiliate of the Company, has not been an affiliate within three months prior to the sale and has beneficially owned the Restricted Shares for at least two years is entitled to sell those Restricted Shares under Rule 144(k) without regard to the limitations described above. Rule 144 also provides that affiliates of the Company who are selling shares of Common Stock that are not Restricted Shares must nonetheless comply with the same restrictions applicable to Restricted Shares with the exception of the holding-period requirement. The one-year and two-year holding periods described above do not begin to run until the full purchase price or other consideration is paid by the person acquiring the Restricted Shares from the Company or an affiliate of the Company and, in certain cases, may include the holding period of a prior owner.

Rule 144A under the Securities Act permits current holders of Restricted Shares to sell, subject to certain conditions, all or a portion of their shares to certain "qualified institutional buyers," as defined in Rule 144A.

### OPTIONS

Any employee or director of or consultant to the Company who, prior to the effective date of the registration statement of which this Prospectus forms a part, was granted options to purchase shares of Common Stock pursuant to Rule 701 will be entitled to rely on the resale provision of Rule 701 with respect to shares of Common Stock acquired upon exercise of such options ("Rule 701 Shares"). This resale provision permits non-affiliates to sell Rule 701 Shares without having to comply with the public information, holding-period, volume-limitation or notice requirements of Rule 144 and permits affiliates to sell Rule 701 Shares without having to comply with the holding-period requirement of Rule 144, in each case commencing 90 days after such effective date.

As soon as practicable after the date of this Prospectus, the Company intends to file registration statements on Form S-8 under the Securities Act to register all shares of Common Stock issuable under the Option Plan and the Stock Purchase Plan. See "Management--Benefit Plans." The Company expects that those registration statements will become effective immediately upon filing. Shares covered by either registration statement will be eligible for sale in the public market after the effective date of the applicable registration statement, subject to Rule 144 limitations applicable to affiliates and to the lock-up agreements described below, if applicable.

LOCK-UP AGREEMENTS; STOCK RESTRICTION AGREEMENT

The directors and executive officers of the Company and the holders of the Restricted Shares have agreed that, for a period of 180 days after the date of this Prospectus, they will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock. See "Underwriting." In addition to the foregoing lock-up agreements, each existing stockholder of the Company has agreed that he or she will not sell or otherwise transfer any Restricted Shares without the consent of the Board of Directors for a period of two years after the Offering except in a public offering. In subsequent years, holders of Restricted Shares will be entitled to sell limited portions of their Restricted Shares as described in "Certain Transactions--Stock Restriction Agreement." The Board of Directors may consent to the sale or transfer of any or all of the Restricted Shares at any time, subject to the restrictions of the lock-up agreements.

EFFECT OF SALES OF SHARES

Prior to the Offering, there has been no public market for the Common Stock of the Company. No prediction can be made as to the effect, if any, that sales of shares of Common Stock in the public market, or the perception that such sales could occur, will have on the market price of the Common Stock prevailing from time to time. Sales of substantial numbers of shares of Common Stock in the public market could materially adversely affect the market price of the Common Stock and could impair the Company's ability to raise capital through a sale of its equity securities. See "Risk Factors--Shares Eligible for Future Sale; Possible Adverse Effect on Market Price."

## UNDERWRITING

The Underwriters named below (the "Underwriters"), represented by NationsBanc Montgomery Securities LLC and William Blair & Company, L.L.C. (the "Representatives"), have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase from the Company and the Selling Stockholders the numbers of shares of Common Stock indicated below opposite their respective names at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters are committed to purchase all of the shares of Common Stock if they purchase any.

| UNDERWRITERS | NUMBER OF SHARES |
|---|---|
| NationsBanc Montgomery Securities LLC | |
| William Blair & Company, L.L.C | |
| Total | 2,188,000 |

The Representatives have advised the Company and the Selling Stockholders that the Underwriters propose initially to offer the shares of Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow to selected dealers a concession of not more than $ per share; and the Underwriters may allow, and such dealers may reallow, a concession of not more than $ per share to certain other dealers. After the Offering, the offering price and other selling terms may be changed by the Representatives. The Common Stock is offered subject to receipt and acceptance by the Underwriters and to certain other conditions, including the right to reject orders in whole or in part.

The Company and the Selling Stockholders have granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to a maximum of 328,200 additional shares of Common Stock to cover over-allotments, if any, at the same price per share as the initial shares to be purchased by the Underwriters. To the extent the Underwriters exercise this option, each of the Underwriters will be committed, subject to certain conditions, to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with the Offering.

The Underwriting Agreement provides that the Company and the Selling Stockholders will indemnify the several Underwriters against certain liabilities, including civil liabilities under the Securities Act, or will contribute to payments the Underwriters may be required to make in respect thereof.

At the request of the Company, the Underwriters have reserved for sale to certain employees of the Company and certain other persons, at the initial public offering price, up to 109,400 of the shares of Common Stock offered hereby. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

All of the Company's stockholders have agreed that, for a period of 180 days after the date of this Prospectus, they will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock. In addition, subject to certain exceptions, the Company has agreed that, for a period of 180 days after the date of this Prospectus, it will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock.

The Underwriters are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the

price of the Common Stock. If the Underwriters create a short position in the Common Stock in connection with the Offering, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the Underwriters may reduce that short position by purchasing Common Stock in the open market. The Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

In general, purchases of Common Stock for the purpose of stabilization or to reduce a short position could cause the price of the Common Stock to be higher than it might be in the absence of such purchases. None of the Company, the Selling Stockholders and the Underwriters makes any representation or predictions as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Company, the Selling Stockholders and the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Representatives have informed the Company and the Selling Stockholders that the Underwriters do not expect to make sales of Common Stock offered by this Prospectus to accounts over which they exercise discretionary authority in excess of 5% of the number of shares of Common Stock offered hereby.

Prior to the Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price will be determined by negotiations among the Company, the Selling Stockholders and the Representatives. Among the factors to be considered in such negotiations will be the history of, and the prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present earnings and the trend of such earnings, the prospects for future earnings of the Company, the present state of the Company's business, the general condition of the securities markets at the time of the Offering and the market prices of publicly traded stock of comparable companies in recent periods.

## LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and the Selling Stockholders by Foley, Hoag & Eliot LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by Hale and Dorr LLP, Boston, Massachusetts.

## EXPERTS

The consolidated financial statements of the Company at November 30, 1996 and November 29, 1997, and for each of the fiscal years in the three-year period ended November 29, 1997, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing herein and in the Registration Statement and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

## CHANGE IN INDEPENDENT AUDITORS

On January 29, 1998, the Board of Directors, upon the recommendation of the Audit Committee, authorized the Company to retain Ernst & Young LLP as its independent auditors and dismissed the Company's former independent auditors. The consolidated financial statements of the Company at November 30, 1996 and November 29, 1997, and for each of the fiscal years in the three-year period ended November 29, 1997, appearing elsewhere in this Prospectus, were audited by Ernst & Young LLP and its report is included herein. The report of the Company's former independent auditors on the financial statements of the Company at November 30, 1996 and for each of the fiscal years in the two-year period ended November 30, 1996 contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or application of accounting principles. During the fiscal years in the three-year period ended November 29, 1997 and the subsequent interim period up to and including the date of dismissal, the Company had no disagreements with its former independent auditors on any matter of accounting

principles or practices, financial statement disclosure, or auditing scope or procedure related to the financial statements on which the former independent auditors reported, which, if not resolved to the satisfaction of the former independent auditors, would have caused it to make reference to the subject matter of the disagreement in connection with its report. The Company did not consult with Ernst & Young LLP during fiscal 1996, fiscal 1997 or any subsequent period prior to retaining Ernst & Young LLP regarding the application of accounting principles to any transaction or the type of audit opinion that might be rendered on the Company's financial statements.

## ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (including all amendments thereto, the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock, reference is made to the Registration Statement and the exhibits and schedules filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and, in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or document filed as an exhibit to the Registration Statement. Each such statement is qualified in all respects by reference to the exhibit. The Registration Statement, including the exhibits and schedules thereto, may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Regional Offices of the Commission at Suite 1400, 500 West Madison Street, Chicago, Illinois 60661 and 7 World Trade Center, Thirteenth Floor, New York, New York 10048. Copies may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. The Commission also maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants, such as the Company, that make electronic filings with the Commission.

The Company intends to furnish its stockholders with annual reports containing audited financial statements and a report thereon provided by independent certified public accountants, and to make available to its stockholders quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

CHARLES RIVER ASSOCIATES INCORPORATED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended November 29, 1997,
November 30, 1996 and November 25, 1995

CONTENTS

## REPORT OF INDEPENDENT AUDITORS

Board of Directors
CHARLES RIVER ASSOCIATES INCORPORATED

We have audited the accompanying consolidated balance sheets of Charles River Associates Incorporated (the "Company") as of November 29, 1997 and November 30, 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 29, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Charles River Associates Incorporated as of November 29, 1997 and November 30, 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 29, 1997, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
February 25, 1998

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED BALANCE SHEETS

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | PRO FORMA NOVEMBER 29, 1997 |
|---|---|---|---|
| | (IN THOUSANDS, EXCEPT SHARE DATA) | | (UNAUDITED) |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 1,434 | $ 2,054 | $ 353 |
| Accounts receivable, net of allowances of $578 in 1996 and $394 in 1997 for doubtful accounts | 7,361 | 10,140 | 10,140 |
| Unbilled services | 4,856 | 4,731 | 4,731 |
| Prepaid expenses | 224 | 280 | 280 |
| Total current assets | 13,875 | 17,205 | 15,504 |
| Property and equipment, net | 1,321 | 2,890 | 2,890 |
| Other assets | 272 | 340 | 340 |
| Total assets | $ 15,468 | $ 20,435 | $ 18,734 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | $ 925 | $ 902 | $ 902 |
| Accrued expenses | 4,265 | 5,729 | 5,729 |
| Deferred revenue | 636 | 225 | 225 |
| Current portions of notes payable to former stockholders and capital lease obligations | 262 | 325 | 325 |
| Dividends payable | 800 | 1,764 | 1,764 |
| Deferred income taxes | 433 | 528 | 3,356 |
| Total current liabilities | 7,321 | 9,473 | 12,301 |
| Notes payable to former stockholders, net of current portion | 428 | 707 | 707 |
| Capital lease obligations, net of current portion | 122 | 74 | 74 |
| Deferred rent | 1,395 | 1,302 | 1,302 |
| Minority interest | -- | 343 | 343 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Common Stock (voting); no par value; 25,000,000 shares authorized; 6,228,040 shares in 1996 and 6,519,240 shares in 1997 issued | 902 | 1,977 | 1,977 |
| Retained earnings | 5,989 | 7,770 | 3,241 |
| | 6,891 | 9,747 | 5,218 |
| Notes receivable from stockholders | (660) | (1,211) | (1,211) |
| Treasury stock (15,600 shares in 1996, at cost) | (29) | -- | -- |
| Total stockholders' equity | 6,202 | 8,536 | 4,007 |
| Total liabilities and stockholders' equity | $ 15,468 | $ 20,435 | $ 18,734 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME

| | YEARS ENDED | | |
|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 |
| | (IN THOUSANDS, EXCEPT SHARE DATA) (53 WEEKS) | | |
| Revenues | $ 31,839 | $ 37,367 | $ 44,805 |
| Costs of services | 19,760 | 23,370 | 28,374 |
| Supplemental compensation | 1,212 | 1,200 | 1,233 |
| Gross profit | 10,867 | 12,797 | 15,198 |
| General and administrative | 8,397 | 9,060 | 10,509 |
| Income from operations | 2,470 | 3,737 | 4,689 |
| Interest income, net | 118 | 124 | 302 |
| Income before provision for income taxes and minority interest | 2,588 | 3,861 | 4,991 |
| Provision for income taxes | (174) | (273) | (306) |
| Net income before minority interest | 2,414 | 3,588 | 4,685 |
| Minority interest | -- | -- | 282 |
| Net income | $ 2,414 | $ 3,588 | $ 4,967 |
| Pro forma income data (unaudited): | | | |
| Net income as reported | | | $ 4,967 |
| Pro forma adjustment | | | (1,833) |
| Pro forma net income | | | $ 3,134 |
| Pro forma net income per share | | | $ 0.49 |
| Weighted average number of common shares | | | 6,355,873 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

| | COMMON STOCK | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | CLASS A | | CLASS B | | SINGLE CLASS | | | | |
| | SHARES ISSUED | AMOUNT | SHARES ISSUED | AMOUNT | SHARES ISSUED | AMOUNT | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | NOTES RECEIVABLE |
| BALANCE AT NOVEMBER 26, 1994 | 5,598,840 | $ 325 | 490,360 | $ 46 | -- | -- | $ 82 | $ 2,280 | |
| Net income | | | | | | | | 2,414 | |
| Issuance of Class A Common Stock | 36,400 | 51 | | | | | | | |
| Purchase of treasury stock | | | | | | | | | |
| Sale of treasury stock | | | | | | | (14) | | $ (110) |
| Retirement of treasury stock | | | (128,960) | (12) | | | (24) | | |
| Conversion to single class of common stock | (5,635,240) | (376) | (361,400) | (34) | 5,996,640 | $ 410 | | | |
| Distributions to stockholders | | | | | | | | (778) | |
| Collection on notes receivable | | | | | | | | | 22 |
| BALANCE AT NOVEMBER 25, 1995 | -- | -- | -- | -- | 5,996,640 | 410 | 44 | 3,916 | (88) |
| Net income (53 weeks) | | | | | | | | 3,588 | |
| Issuance of Common Stock | | | | | 257,400 | 495 | | | (254) |
| Purchase of treasury stock | | | | | | | (22) | | |
| Sale of treasury stock | | | | | | | 87 | | (322) |
| Adjustments to purchase price of treasury stock | | | | | | | (93) | (19) | |
| Retirement of treasury stock | | | | | (26,000) | (3) | (16) | | |
| Distributions to stockholders | | | | | | | | (1,496) | |
| Collection on notes receivable | | | | | | | | | 4 |
| BALANCE AT NOVEMBER 30, 1996 | -- | -- | -- | -- | 6,228,040 | 902 | -- | 5,989 | (660) |
| Net income | | | | | | | | 4,967 | |
| Issuance of Common Stock | | | | | 400,400 | 1,085 | | | (715) |
| Distributions to stockholders | | | | | | | | (2,600) | |
| Collection on notes receivable from stockholders | | | | | | | | | 264 |
| Purchase of treasury stock | | | | | | | | | |
| Adjustment to purchase price of treasury stock | | | | | | | | (220) | |
| Sale of treasury stock | | | | | | | | | (58) |
| Retirement of treasury stock | | | | | (109,200) | (10) | | (366) | |
| Accrued interest on notes receivable from stockholders | | | | | | | | | (42) |
| BALANCE AT NOVEMBER 29, 1997 | -- | -- | -- | -- | 6,519,240 | $1,977 | -- | $ 7,770 | $ (1,211) |

| | TREASURY STOCK | | | | | | |
|---|---|---|---|---|---|---|---|
| | CLASS A | | CLASS B | | SINGLE CLASS | | TOTAL STOCKHOLDERS' EQUITY |
| | SHARES | AMOUNT | SHARES | AMOUNT | SHARES | AMOUNT | |
| BALANCE AT NOVEMBER 26, 1994 | | | (128,960) | $ (36) | | | $ 2,697 |
| Net income | | | | | | | 2,414 |
| Issuance of Class A Common Stock | | | | | | | 51 |
| Purchase of treasury stock | (119,600) | $(182) | | | | | (182) |
| Sale of treasury stock | 119,600 | 182 | | | | | 58 |
| Retirement of treasury stock | | | 128,960 | 36 | | | -- |
| Conversion to single class of common stock | | | | | | | -- |
| Distributions to stockholders | | | | | | | (778) |
| Collection on notes receivable | | | | | | | 22 |
| BALANCE AT NOVEMBER 25, 1995 | -- | -- | -- | -- | | | 4,282 |
| Net income (53 weeks) | | | | | | | 3,588 |
| Issuance of Common Stock | | | | | | | 241 |
| Purchase of treasury stock | | | | | (228,800) | (390) | (412) |
| Sale of treasury stock | | | | | 187,200 | 342 | 107 |
| Adjustments to purchase price of treasury stock | | | | | | | (112) |
| Retirement of treasury stock | | | | | 26,000 | 19 | -- |
| Distributions to stockholders | | | | | | | (1,496) |
| Collection on notes receivable | | | | | | | 4 |
| BALANCE AT NOVEMBER 30, 1996 | | | -- | -- | (15,600) | (29) | 6,202 |
| Net income | | | | | | | 4,967 |
| Issuance of Common Stock | | | | | | | 370 |
| Distributions to stockholders | | | | | | | (2,600) |
| Collection on notes receivable from stockholders | | | | | | | 264 |
| Purchase of treasury stock | | | | | (119,600) | (444) | (444) |
| Adjustment to purchase price of | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| treasury stock..... | | | | | | | (220) |
| Sale of treasury stock..... | | | | | 26,000 | 97 | 39 |
| Retirement of treasury stock..... | | | | | 109,200 | 376 | -- |
| Accrued interest on notes receivable from stockholders..... | | | | | | | (42) |
| BALANCE AT NOVEMBER 29, 1997..... | -- | -- | -- | -- | -- | -- | $ 8,536 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | YEARS ENDED | | |
|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 |
| | | (IN THOUSANDS) (53 WEEKS) | |
| Operating activities: | | | |
| Net income | $ 2,414 | $ 3,588 | $ 4,967 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 440 | 486 | 727 |
| Deferred rent | 209 | 7 | (93) |
| Deferred income taxes | 56 | 127 | 95 |
| Stock bonuses | 51 | 68 | -- |
| Minority interest | -- | -- | (282) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (485) | (1,121) | (2,779) |
| Unbilled services | (976) | (1,491) | 125 |
| Prepaid expenses and other | (41) | (122) | (172) |
| Accounts payable and accrued expenses | (229) | 676 | 1,030 |
| Net cash provided by operating activities | 1,439 | 2,218 | 3,618 |
| Investing activities: | | | |
| Purchases of property and equipment | (400) | (774) | (2,290) |
| Sale (purchase) of short-term investments | (298) | 298 | -- |
| Net cash used in investing activities | (698) | (476) | (2,290) |
| Financing activities: | | | |
| Payments on notes payable to former shareholders and capital lease obligations | (86) | (96) | (370) |
| Purchase of treasury stock | -- | (19) | -- |
| Issuance of common stock | -- | 172 | 370 |
| Sale of treasury stock | 58 | 107 | 39 |
| Collection of notes receivable from stockholders | 22 | 4 | 264 |
| Dividends paid | (245) | (1,474) | (1,636) |
| Proceeds from minority interest | -- | -- | 625 |
| Net cash used in financing activities | (251) | (1,306) | (708) |
| Net increase in cash and cash equivalents | 490 | 436 | 620 |
| Cash and cash equivalents at beginning of year | 508 | 998 | 1,434 |
| Cash and cash equivalents at end of year | $ 998 | $ 1,434 | $ 2,054 |
| Supplemental cash flow information: | | | |
| Cash paid for income taxes | $ 29 | $ 120 | $ 275 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Charles River Associates Incorporated (the "Company") is an economic and business consulting firm that applies advanced analytical techniques and in-depth industry knowledge to complex engagements for a broad range of clients. The Company offers two types of services: legal and regulatory consulting and business consulting.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

FISCAL YEAR

The Company's fiscal year ends on the last Saturday in November. The fiscal year ended November 30, 1996 consisted of 53 weeks; the fiscal years ended November 25, 1995 and November 29, 1997 consisted of 52 weeks.

REVENUE RECOGNITION

Revenues from most engagements are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates. The Company's revenues also include expenses billed to clients, which include travel and other out-of-pocket expenses, charges for support staff and outside contractors and other reimbursable expenses. An allowance is provided for any amounts considered uncollectible.

Unbilled services represent balances accrued by the Company for services performed but not yet billed to the client.

CASH EQUIVALENTS AND SHORT-TERM 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 consist of commercial paper and certificates of deposit with maturities when purchased of more than 90 days but less than one year.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. The Company provides for depreciation of equipment using the straight-line method over its estimated useful life, generally three to five 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.

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and NeuCo LLC, a limited liability company founded by the Company and an affiliate of Commonwealth Energy Systems in June 1997. The Company has a 50.1% interest in NeuCo LLC. The portion of the results of operations of NeuCo LLC allocable to its minority owners is shown as "minority interest" in the Company's statement of income for fiscal 1997 and that amount along with the capital contributions to NeuCo LLC of its minority interest owners is shown as "minority interest" on the Company's balance sheet as of November 29, 1997. All significant intercompany accounts have been eliminated.

CONCENTRATION OF CREDIT RISK

The Company's accounts receivable base consists of a broad range of clients in a variety of industries located throughout the United States and in certain other countries The Company performs a credit evaluation of each of its clients to minimize its collectibility risk. Historically, the Company has not experienced significant write-offs. In fiscal 1995, one client accounted for approximately 11% of the Company's revenues.

The Company provides an allowance for doubtful accounts to provide for potentially uncollectible amounts. Activity in the accounts is as follows (in thousands):

| | YEAR ENDED | | |
|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 |
| | | (53 WEEKS) | |
| Balance at beginning of year | $370 | $207 | $578 |
| Charge to cost and expenses | 13 | 412 | -- |
| Amounts written off | (176) | (41) | (184) |
| Balance at end of year | $207 | $578 | $394 |

DEFERRED REVENUE

Deferred revenue represents amounts paid to the Company in advance of services rendered.

INCOME TAXES

Since fiscal 1988, the Company has been treated for federal and state income tax purposes as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings. The Company files its returns using the cash method of accounting. Upon closing of the proposed initial public offering of common stock, the Company's status as an S corporation will terminate and thereafter, it will be subject to corporate taxation as a C corporation under the Code. Concurrently with the termination of the Company's status as an S corporation, the Company will adopt the accrual method of accounting. A pro forma provision for income taxes has been presented as if the Company had been taxed as a C corporation for the fiscal year ended November 29, 1997. For that period, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109) was used to calculate pro forma income taxes and the pro forma effect of the termination of the Company's S corporation status on deferred income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the asset and liability method of Statement 109, the Company must recognize deferred tax assets and liabilities to reflect the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date on which the change in the tax rate occurs.

At the time of the termination of the Company's status as an S corporation, the Company will record a net deferred income tax liability and a one-time additional provision for income taxes. The amounts to be recorded will depend upon differences between the financial reporting and tax bases of the Company's assets and liabilities at the time. If the Company's S corporation status had been terminated as of November 29, 1997, the net deferred income tax liability would have increased by approximately $2.8 million to approximately $3.4 million. (See Note 11)

PRO FORMA NET INCOME PER SHARE

Pro forma net income per share is computed using pro forma net income and the pro forma weighted average number of common stock. In accordance with Staff Accounting Bulletin No. 98, shares of common stock and other potentially dilutive instruments issued for nominal consideration should be included in the calculation as if they had been outstanding for the entire period. The Company does not have any potentially dilutive instruments and has not issued shares of common stock for nominal consideration.

IMPAIRMENT OF LONG-LIVED ASSETS

In the first quarter of 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which establishes criteria for the recognition and measurement of impairment losses associated with long-lived assets. The adoption of this standard had no impact on the Company's consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings Per Share," which simplifies the calculation of earnings per share and creates a standard consistent with the recently issued International Accounting Standard No. 33, "Earnings Per Share." Since early adoption is not permitted, the Company will adopt this standard in the first quarter of fiscal 1998. The Company believes the adoption of this new accounting standard will not have a material impact on the Company's consolidated financial statements.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Both SFAS No. 130 and SFAS No. 131 are effective for fiscal years beginning after December 15, 1997. The Company believes that the adoption of these new accounting standards will not have a material impact on the Company's consolidated financial statements.

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 1997, The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued a Statement of Position (SOP), "Reporting on the Costs of Start-up Activities," which will require companies upon adoption to expense start-up costs, including organization costs, as incurred. In addition, the SOP will require companies upon adoption to write off as a cumulative change in accounting principle any previously recorded start-up or organization costs. The SOP is effective for fiscal years beginning after December 15, 1998. At November 29, 1997, the Company had deferred start-up costs of $63,000. The Company believes that the adoption of this SOP will not have a material impact on the Company's consolidated financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 |
|---|---|---|
| | (IN THOUSANDS) | |
| Furniture and equipment | $3,508 | $4,731 |
| Leasehold improvements | 316 | 1,311 |
| | 3,824 | 6,042 |
| Accumulated depreciation and amortization | 2,503 | 3,152 |
| | $1,321 | $2,890 |

3. ACCRUED EXPENSES

Accrued expenses consist of the following:

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 |
|---|---|---|
| | (IN THOUSANDS) | |
| Compensation and related expenses | $4,059 | $5,410 |
| Other | 206 | 319 |
| | $4,265 | $5,729 |

4. NOTES PAYABLE TO FORMER STOCKHOLDERS

Notes payable to former stockholders represent amounts owed by the Company to former stockholders in connection with the Company's repurchase of shares of common stock from such stockholders upon their separation from the Company pursuant to an Exit Agreement.

Under the Exit Agreement, the Company repurchased shares of common stock from certain stockholders at a purchase price based upon a formula that uses the book value of the Company at the date the stockholder separates from the Company (the "Fixed Amount") and an amount (the "Contingent Pay-Out Amount") equal to the stockholder's pro rata portion of 25% of the Company's earnings before bonuses, supplemental compensation and amortization of goodwill, if any, for each of the five fiscal years commencing with the fiscal year in which the repurchase was made. The Fixed Amount is payable in three equal installments and the Contingent Pay-Out Amount is payable in five equal annual installments. The Fixed Amount bears interest at an average prime rate (8.5% at November 29, 1997) determined in accordance with the terms of the Exit Agreement.

4. NOTES PAYABLE TO FORMER STOCKHOLDERS (CONTINUED)

For financial reporting purposes, the Company initially estimates the Contingent Pay-Out Amount owed to each former stockholder for the full five year payment period based on the actual amount of the contingent payment for the first year. In subsequent years, the Company adjusts the estimate annually based on actual amounts of the contingent payment for all preceding years. The related adjustments are made to treasury stock and additional paid in capital and to the extent additional paid in capital is not available, retained earnings. Annual principal payments to former stockholders are estimated as of November 29, 1997 to be $280,000 in fiscal 1998; $279,000 in fiscal 1999; $246,000 in fiscal 2000; $114,000 in fiscal 2001; and $68,000 in fiscal 2002. The Company believes the recorded value of the notes payable to former stockholders approximates fair market value.

5. FINANCING ARRANGEMENTS

The Company has a line of credit which permits borrowings of up to $2.0 million with interest at the bank's base rate (8.5% at November 29, 1997) and is secured by the Company's accounts receivable. The terms of the line of credit includes certain operating and financial covenants. No borrowings were outstanding as of November 29, 1997. The Company had outstanding standby letters of credit at November 29, 1997 amounting to $76,000, which expire between March and June 1998.

6. EMPLOYEE BENEFIT PLANS

The Company maintains a profit-sharing retirement plan that covers substantially all full-time employees. Contributions are made at the discretion of the Company and its subsidiary and cannot exceed the maximum amount deductible under applicable provisions of the Code. Contributions were approximately $1.1 million in each of fiscal 1995 and 1996 and approximately $1.2 million in fiscal 1997.

7. SUPPLEMENTAL COMPENSATION

The Company currently has two bonus programs. One program awards discretionary bonuses based on the Company's revenues and profitability and individual performance. Amounts paid under this bonus program are included in costs of services and the Company expects to continue this bonus program after the proposed initial public offering. The other bonus program began in 1995 and consists of discretionary payments to officers and certain Outside Experts based primarily on the Company's cash flows. These bonus payments are shown as supplemental compensation in the Company's statements of income. The Company does not intend to make additional payments under this bonus program after the proposed initial public offering.

8. LEASES

The Company leases its facilities under operating lease arrangements and certain equipment under capital lease agreements. Assets held under capital lease agreements amounted to $418,000 at November 30, 1996 and November 29, 1997. Accumulated amortization amounted to $259,000 at November 30, 1996 and $304,000 at November 29, 1997. At November 29, 1997, the minimum rental commitments under all noncancellable operating and capital leases with initial or recurring terms of more than one year were as follows (in thousands):

| FISCAL YEAR | OPERATING LEASES | CAPITAL LEASES |
|---|---|---|
| 1998 | $ 1,687 | $ 52 |
| 1999 | 1,907 | 48 |
| 2000 | 1,925 | 33 |
| 2001 | 1,941 | |
| 2002 | 1,821 | |
| Thereafter | 8,011 | |
| | $17,292 | 133 |
| Less amount representing interest | | 14 |
| Present value of net minimum lease payments | | 119 |
| Less current portion of obligations under capital leases | | 45 |
| Long-term obligations under capital leases | | $ 74 |

Rent expense amounted to $1.5 million for each of fiscal 1995 and 1996 and $1.8 million for fiscal 1997.

9. NOTES RECEIVABLE FROM STOCKHOLDERS

In 1995, in an effort to align each officer's interest with the overall interests of the Company, the Company adopted a policy requiring that each of its officers own stock of the Company. The Company sold shares of common stock to new or existing members of the management team at the fair market value of the common stock on the date of purchase as determined by the Company's Board of Directors. A portion of the purchase price is payable at the time of purchase and the remainder is payable in installments over a period of five years. The portion of the purchase price not paid at the time of purchase bears interest at an average prime rate described in the stock purchase agreement (8.5% at November 29, 1997).

10. STOCKHOLDERS' EQUITY

In February 1995, the Company converted all outstanding shares of Class A and Class B common stock to a single class of common stock. In addition, the Company terminated its Stock Distribution and Redemption Plan, and established a new agreement with its stockholders called the Exit Agreement, which defines the rights of the Company and its stockholders if any stockholder ceases for any reason to be an employee, director, officer, consultant or independent contractor of the Company. Under the Exit Agreement, subject to certain restrictions, the Company has the right to repurchase all of the shares of an inactive stockholder and, the inactive stockholder has the right to cause the Company to purchase his or her shares of stock, at a formula price which is subject to annual adjustment (see note 4).

11. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following pro forma adjustments have been made to the historical consolidated balance sheet as of November 29, 1997 and to the consolidated statement of income for the year then ended:

a) The pro forma consolidated statements of income for the year ended November 29, 1997 reflect the provision for income taxes that would have been recorded had the Company and NeuCo LLC been a C corporation during that year, assuming an effective tax rate of 43%.

b) Prior to the consummation of the proposed initial public offering, the Company expects to declare an S corporation distribution to its existing stockholders in an amount representing all undistributed cash earnings through the termination of the Company's S corporation status. At November 29, 1997, the S corporation distribution is estimated to be approximately $1.7 million. The declaration and payment of this distribution is reflected on the November 29, 1997 pro forma consolidated balance sheet. The amount of this distribution will be higher or lower than the foregoing amount based upon actual cash-basis earnings between November 29, 1997 and the closing date of the initial public offering.

At the time of the termination of the Company's status as an S corporation, the Company will record a net deferred income tax liability and a one-time additional provision for income taxes. The amounts to be recorded will depend upon differences between the financial reporting and tax bases of the Company's assets and liabilities at the time. If the Company's S corporation status had been terminated as of November 29, 1997, the net deferred income tax liability of $3,356,000 results from differing methods of accounting for financial reporting and tax purposes for the following items (in thousands):

| | |
|---|---|
| Deferred tax liabilities: | |
| Cash to accrual adjustment | $2,392 |
| Profit sharing | 480 |
| Deferred rent | 588 |
| Other | 101 |
| | 3,561 |
| Deferred tax assets: | |
| Allowance for doubtful accounts | (162) |
| Excess tax over book depreciation and amortization | (43) |
| | (205) |
| | $3,356 |

A reconciliation of the Company's pro forma tax rate of 43% with the federal statutory rates is as follows:

| | |
|---|---|
| Federal statutory rate | 34.0% |
| State income taxes, net of federal income tax benefit | 6.2 |
| Other | 2.8 |
| | 43.0% |

12. RELATED PARTY TRANSACTIONS

The Company made payments to stockholders of the Company who performed consulting services for the Company in the amounts of $1.7 million in fiscal 1995, $1.6 million in fiscal 1996 and $1.8 million in fiscal 1997.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| | FEBRUARY 16, 1996 | MAY 10, 1996 | AUGUST 30, 1996 | NOVEMBER 30, 1996 |
| | (12 WEEKS) | (12 WEEKS) | (16 WEEKS) | (13 WEEKS) |
| | (IN THOUSANDS) | | | |
| Revenues | $6,990 | $8,334 | $11,356 | $ 10,687 |
| Gross profit | 2,324 | 3,033 | 4,095 | 3,345 |
| Income from operations | 513 | 946 | 1,205 | 1,073 |
| Income before provision for income taxes | 532 | 980 | 1,226 | 1,123 |
| Net income | 495 | 911 | 1,140 | 1,042 |

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| | FEBRUARY 21, 1997 | MAY 16, 1997 | SEPTEMBER 5, 1997 | NOVEMBER 29, 1997 |
| | (12 WEEKS) | (12 WEEKS) | (16 WEEKS) | (12 WEEKS) |
| | (IN THOUSANDS) | | | |
| Revenues | $9,648 | $9,171 | $14,498 | $ 11,488 |
| Gross profit | 3,262 | 2,979 | 4,990 | 3,967 |
| Income from operations | 1,128 | 817 | 1,629 | 1,115 |
| Income before provision for income taxes and minority interest | 1,137 | 901 | 1,670 | 1,283 |
| Minority interest | -- | -- | 198 | 84 |
| Net income | 1,061 | 841 | 1,756 | 1,309 |

14. SUBSEQUENT EVENTS

STOCK SPLIT

On February 20, 1998, the Company's Board of Directors authorized (i) the declaration of a 52-for-1 stock split to be effected in the form of a dividend of 51 shares of Common Stock per share of Common Stock outstanding before the closing of the Offering and (ii) an increase in the number of shares of authorized Common Stock to 25,000,000. These actions are subject to approval by the Company's stockholders. The accompanying consolidated financial statements have been adjusted retroactively to give effect to these actions.

STOCK RESTRICTION AGREEMENT

On February 20, 1998, the Company's Board of Directors authorized the Company to amend and restate the Exit Agreement (as so amended and restated, the "Stock Restriction Agreement"). The Stock Restriction Agreement is subject to approval by the Company's stockholders and, if approved, will take effect upon the closing of the Offering. The Stock Restriction Agreement will prohibit each person who is a stockholder of the Company before the closing of the Offering from selling or otherwise transferring shares of Common Stock held immediately before the Offering without the consent of the Board of Directors of the Company for two years after the Offering. In addition, the Stock Restriction Agreement will allow the Company to repurchase a portion of such stockholder's shares of Common Stock at a percentage of market value should the stockholder leave the Company (other than for death or retirement for disability).

No dealer, sales representative or any other person has been authorized to give any information or to make any representations in connection with the Offering other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, any of the Selling Stockholders or any of the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the shares of Common Stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or that the information contained herein is correct as of any time subsequent to the date hereof.

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Until , 1998 (25 days after the date of this Prospectus), all dealers effecting transactions in the registered securities offered hereby, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

2,188,000 SHARES

[LOGO]

CHARLES RIVER ASSOCIATES INCORPORATED

COMMON STOCK

---

PROSPECTUS

---

NationsBanc Montgomery Securities LLC

William Blair & Company

, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the various expenses in connection with the issuance and distribution of the securities being registered, other than the underwriting discount. All amounts shown are estimates except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the Nasdaq National Market listing fee.

| | PAYABLE BY THE COMPANY |
|---|---|
| Securities and Exchange Commission registration fee | $ 12,619 |
| National Association of Securities Dealers, Inc. filing fee | 4,778 |
| Nasdaq National Market listing fee | 37,705 |
| Printing and engraving expenses | 75,000 |
| Transfer agent fees | 5,000 |
| Accounting fees and expenses | 225,000 |
| Legal fees and expenses | 300,000 |
| Blue Sky fees and expenses (including related legal fees) | 11,800 |
| Indemnity insurance expense | 150,000 |
| Miscellaneous | 78,098 |
| Total | $900,000 |

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article VI.C. of the Company's Amended and Restated Articles of Organization provides that a director shall not have personal liability to the Company or its stockholders for monetary damages arising out of the director's breach of fiduciary duty as a director of the Company, to the maximum extent permitted by Massachusetts law. Section 13(b)(1 1/2) of Chapter 156B of the Massachusetts General Laws provides that the articles of organization of a corporation may state a provision eliminating or limiting the personal liability of a director to a corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under sections 61 or 62 of Chapter 156B of the Massachusetts General Laws, which relate to liability for unauthorized distributions and loans to insiders, respectively, or (iv) for any transaction from which the director derived an improper personal benefit.

Article VI.D. of the Company's Amended and Restated Articles of Organization further provides that the Company shall, to the fullest extent authorized by Chapter 156B of the Massachusetts General Laws, indemnify each person who is, or shall have been, a director or officer of the Company or who is or was a director or employee of the Company and is serving, or shall have served, at the request of the Company, as a director or officer of another organization or in any capacity with respect to any employee benefit plan of the Company, against all liabilities and expenses (including judgments, fines, penalties, amounts paid or to be paid in settlement, and reasonable attorneys' fees) imposed upon or incurred by any such person in connection with, or arising out of, the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which they may be involved by reason of being or having been such a director or officer or as a result of service with respect to any such employee benefit plan. Section 67 of Chapter 156B of the Massachusetts General Laws authorizes a corporation to indemnify its directors, officers, employees and other agents unless such person shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that such action was in the best interests of the corporation or, to the extent such matter

related to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

The effect of these provisions would be to permit indemnification by the Company for, among other liabilities, liabilities arising out of the Securities Act of 1933, as amended (the "Securities Act").

Section 67 of Chapter 156B of the Massachusetts General Laws also affords a Massachusetts corporation the power to obtain insurance on behalf of its directors and officers against liabilities incurred by them in those capacities. The Company has procured a directors and officers liability and company reimbursement liability insurance policy that (i) insures directors and officers of the Company against losses (above a deductible amount) arising from certain claims made against them by reason of certain acts or omissions of such directors or officers in their capacity as directors or officers and (ii) insures the Company against losses (above a deductible amount) arising from any such claims, but only if the Company is required or permitted to indemnify such directors or officers for such losses under statutory or common law or under provisions of the Company's Amended and Restated Articles of Organization or Amended and Restated By-Laws.

Reference is hereby made to Section 8 of the Underwriting Agreement among the Company, the Selling Stockholders and the Underwriters, filed as Exhibit 1.1 to this Registration Statement, for a description of indemnification arrangements among the Company, the Selling Stockholders and the Underwriters.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following information is furnished with regard to all securities sold by the Company within the past three years which were not registered under the Securities Act. The share numbers set forth below have been adjusted to reflect the Stock Split.

(a) On May 1, 1995, the Company sold 119,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $1.40 per share, $57,500 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. In September 1996, the Company repurchased all of the shares sold to the employee and in June 1997 paid the employee an amount equal to the repurchase price less the amount payable by the employee under the stock purchase agreement.

(b) On April 1, 1996, the Company sold 91,000 shares of Common Stock to employees of the Company at a purchase price of approximately $1.88 per share, $54,478 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreements. As of February 15, 1998, the Company had received $23,348 in installment payments.

(c) On April 15, 1996, the Company issued 36,400 shares of Common Stock to a consultant to the Company as bonus compensation for services rendered by the consultant.

(d) On May 28, 1996, the Company sold 88,400 shares of Common Stock to employees of the Company at a purchase price of approximately $1.88 per share, $86,276 of which was paid at the time of purchase and the remainder of which was paid on or before February 15, 1998.

(e) On May 30, 1996, the Company sold 15,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $1.88 per share, $9,339 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $8,005 in installment payments.

(f) On July 22, 1996, the Company sold 26,000 shares of Common Stock to a consultant to the Company at a purchase price of approximately $2.29 per share, $22,475 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $7,435 in installment payments.

(g) On November 22, 1996, the Company sold 124,800 shares of Common Stock to employees of the Company at a purchase price of approximately $2.29 per share, $107,880 of which was paid at the time of

purchase and the remainder of which was payable in installments as set forth in the stock purchase agreements. As of February 15, 1998, the Company had received $53,532 in installment payments.

(h) On November 27, 1996, the Company sold 62,400 shares of Common Stock to an employee of the Company at a purchase price of approximately $2.29 per share, $53,940 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $17,844 in installment payments.

(i) On June 9, 1997, the Company sold 228,800 shares of Common Stock to employees of and a consultant to the Company at a purchase price of approximately $2.71 per share, $158,400 of which was paid at the time of purchase, $52,800 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreements.

(j) On August 29, 1997, the Company sold 52,000 shares of Common Stock to employees of the Company at a purchase price of approximately $2.71 per share, $48,000 of which was paid at the time of purchase and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreements.

(k) On October 10, 1997, the Company sold 119,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $2.71 per share, $50,400 of which was paid at the time of purchase, $60,000 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreement.

(l) On November 21, 1997, the Company sold 26,000 shares of Common Stock to an employee of the Company at a purchase price of approximately $3.71 per share, $38,500 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreement.

The issuances described in this Item 15 were made in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. None of the foregoing transactions involved a distribution or public offering. No underwriters were engaged in connection with the foregoing issuances of securities, and no underwriting discounts or commissions were paid.

ITEM 16. EXHIBITS AND FINANCIAL SCHEDULES.

(A) EXHIBITS

| | |
|---|---|
| *1.1 | Underwriting Agreement (preliminary copy) |
| 3.1 | Restated Articles of Organization of the Company |
| *3.2 | Proposed form of Amended and Restated Articles of Organization of the Company [to become effective immediately before the Offering] |
| 3.3 | By-Laws of the Company |
| *3.4 | Proposed form of Amended and Restated By-Laws of the Company [to become effective immediately before the Offering] |
| 4.1 | Specimen certificate for the Common Stock of the Company |
| *5.1 | Opinion of Foley, Hoag & Eliot LLP |
| *10.1 | 1998 Incentive and Nonqualified Stock Option Plan |
| *10.2 | 1998 Employee Stock Purchase Plan |
| 10.3 | Amended and Restated Loan Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston, as amended |
| 10.4 | Amended and Restated Security Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston |
| 10.5 | Revolving Credit Note of the Company dated as of November 18, 1994 in the principal amount of $2,000,000 payable to The First National Bank of Boston |
| 10.6 | Office Lease Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 1, 1978, as amended |
| 10.7 | Office Lease Agreement between the Company and Deutsche Immobilien Fonds Aktiengesellschaft dated March 6, 1997 |
| *10.8 | Form of Consulting Agreement with Outside Experts |
| *10.9 | Stock Restriction Agreement between the Company and its pre-offering stockholders |
| 16.1 | Letter of Parent, McLaughlin & Nangle Certified Public Accountants, Inc. |
| 21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Ernst & Young LLP, Independent Auditors |
| *23.2 | Consent of Foley, Hoag & Eliot LLP (included in Exhibit 5.1) |
| 24.1 | Power of Attorney (contained on the signature page of this Registration Statement) |
| 27.1 | Financial Data Schedule |

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* To be filed by amendment.

(B) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not applicable or the required information is shown in the Company's Consolidated Financial Statements or Notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF BOSTON, MASSACHUSETTS, ON THE 26TH DAY OF FEBRUARY, 1998.

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ JAMES C. BURROWS

James C. Burrow
President

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints James C. Burrows, Laurel E. Morrison and Firoze E. Katrak, and each of them, his true and lawful attorneys-infact and agents with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all pre- or post-effective amendments to this Registration Statement, any subsequent registration statement for the same offering which may be filed under Rule 462(b) under the Securities Act ("a Rule 462(b) Registration Statement") and any and all pre- or post-effective amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-infact and agents, and each of them, full power and authority to do and perform each and every act and thing which they, or any of them, may deem necessary or advisable to be done in connection with this Registration Statement or any Rule 462(b) Registration Statement, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or any substitute or substitutes for any or all of them, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ FRANKLIN M. FISHER<br>Franklin M. Fisher | Chairman of the Board | February 26, 1998 |
| /s/ JAMES C. BURROWS<br>James C. Burrows | President, Chief Executive Officer and Director (principal executive officer) | February 26, 1998 |
| /s/ LAUREL E. MORRISON<br>Laurel E. Morrison | Chief Financial Officer, Vice President, Finance and Administration, and Treasurer (principal financial and accounting officer) | February 26, 1998 |
| /s/ FIROZE E. KATRAK<br>Firoze E. Katrak | Vice President and Director | February 26, 1998 |
| /s/ WILLIAM B. BURNETT<br>William B. Burnett | Vice President and Director | February 26, 1998 |
| /s/ CARL KAYSEN<br>Carl Kaysen | Director | February 26, 1998 |
| /s/ ROWLAND T. MORIARTY<br>Rowland T. Moriarty | Director | February 26, 1998 |

EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| *1.1 | Underwriting Agreement (preliminary copy) |
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| *10.9 | Stock Restriction Agreement between the Company and its pre-offering stockholders |
| 16.1 | Letter of Parent, McLaughlin & Nangle Certified Public Accountants, Inc. |
| 21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Ernst & Young LLP, Independent Auditors |
| *23.2 | Consent of Foley, Hoag & Eliot LLP (included in Exhibit 5.1) |
| 24.1 | Power of Attorney (contained on the signature page of this Registration Statement) |
| 27.1 | Financial Data Schedule |

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* To be filed by amendment.

EXHIBIT 3.1

FEDERAL IDENTIFICATION
NO. 04-2372210

Examiner

THE COMMONWEALTH OF MASSACHUSETTS

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

Name Approved

We, JAMES C. BURROWS , *President

and PETER M. ROSENBLUM , *Clerk

of CHARLES RIVER ASSOCIATES INCORPORATED ,
(Exact name of corporation)

located at 200 CLARENDON STREET, T-33, BOSTON, MA 02116 '
(Street address of corporation Massachusetts)

do hereby certify that the following Restatement of the Articles of Organization was duly adopted at a meeting held on February 20, 1998 by a vote of the directors:

C [ ]
P [ ]
M [ ]
R.A. [ ]

ARTICLE I

The name of the corporation is:

CHARLES RIVER ASSOCIATES INCORPORATED

ARTICLE II

The purpose of the corporation is to engage in the following business activities:

SEE CONTINUATION SHEET II.A.

P.C.

Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8 1/2 X 11 sheets of paper with a left margin of a least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

ARTICLE III

State the total number of shares and par value, if any, of each class of stock which the corporation is authorized to issue:

| WITHOUT PAR VALUE | | WITH PAR VALUE | | |
|---|---|---|---|---|
| TYPE | NUMBER OF SHARES | TYPE | NUMBER OF SHARES | PAR VALUE |
| Common: | 400,000 | Common: | | |
| | | | | |
| Preferred: | | Preferred: | | |
| | | | | |

ARTICLE IV

If more than one class of stock is authorized, state a distinguishing designation for each class. Prior to the issuance of any shares of a class, if shares of another class are outstanding, the corporation must provide a description of the preferences, voting powers, qualifications, and special or relative rights or privileges of that class and of each other class of which shares are outstanding and of each series then established within any class.

NONE.

ARTICLE V

The restrictions, if any, imposed by the Articles of Organization upon the transfer of shares of stock of any class are:

SEE CONTINUATION SHEET V.A.

ARTICLE VI

**Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

SEE CONTINUATION SHEET VI.A.

Note: The preceding six (6) articles are considered to be permanent and may ONLY be changed by filing appropriate Articles of Amendment.

ARTICLE VII

The effective date of the restated Articles of Organization of the corporation shall be the date approved and filed by the Secretary of the Commonwealth. If a later effective date is desired, specify such date which shall not be more than thirty days after the date of filing.

ARTICLE VIII

THE INFORMATION CONTAINED IN ARTICLE VIII IS NOT A PERMANENT PART OF THE ARTICLES OF ORGANIZATION.

a. The street address (post office boxes are not acceptable) of the principal office of the corporation in Massachusetts is:

200 CLARENDON STREET, T-33
BOSTON, MA 02116

b. The name, residential address and post office address of each director and officer of the corporation is as follows:

| NAME | RESIDENTIAL ADDRESS | POST OFFICE ADDRESS |
|---|---|---|
| President: | | |
| Treasurer: | SEE CONTINUATION SHEET VIII.A. | |
| Clerk: | | |
| Directors: | | |

c. The fiscal year (i.e., tax year) of the corporation shall end on the last

SATURDAY OF THE MONTH OF NOVEMBER.

d. The name and business address of the resident agent, if any, of the corporation is:

NONE.

**We further certify that the foregoing Restated Articles of Organization affect no amendments to the Articles of Organization of the corporation as heretofore amended, except amendments to the following articles. Briefly describe amendments below:

NONE.

SIGNED UNDER THE PENALTIES OF PERJURY, this 24 day of February 1998

/s/ James C. Burrows *President,

/s/ Peter M. Rosenblum *Clerk.

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

==========

I hereby approve the within Restated Articles of Organization and, the filing fee in the amount of $_____ having been paid, said articles are deemed to have been filed with me this ___ day of _____, 199__.

Effective Date:_____

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
PHOTOCOPY OF DOCUMENT TO BE SENT TO:

PETER M. ROSENBLUM, ESQ.
FOLEY, HOAG & ELIOT LLP
ONE POST OFFICE SQUARE
BOSTON, MA 02109

Telephone: (617) 832-1151

Charles River Associates Incorporated

Restated Articles of Organization

Continuation Sheet II.A.

To engage on its own behalf and for others in the business of research and development of an economic, demographic, scientific and sociological nature and to conduct research and development for commercial and governmental projects; and to buy, sell and distribute goods, wares and merchandise of every kind and description;

To acquire, hold, dispose of, buy, sell, underwrite, handle on commission and otherwise deal in, and to guaranty, any shares of stocks, bonds, notes and obligations of and interests in corporations, joint-stock companies, trusts, associations, firms or persons and all forms of public and municipal securities of this or any other country, or any right or interest therein, and while owner thereof, to exercise all rights, powers and privileges of ownership in the same manner and to the same extent that an individual might;

To acquire, hold, use, dispose of buildings, plants, factories, mills, machinery, works and all other real and personal property, tangible or intangible, of whatever kind and wherever situated, or any right or interest therein for the purposes of the foregoing businesses; patent rights and privileges, inventions, formulae, trademarks and names, secret processes or any right or interest therein; as a going business or otherwise, all or any part of the assets of any corporation, joint-stock company, trust, association, firm or person, and in such cases to assume all or any part of its or his liabilities;

To carry on in connection with the foregoing any other business advantageous to the business of the corporation, and in general to do every act and thing and carry on every other business whatsoever, convenient or proper for the accomplishment of the purposes or for the carrying on of the business of the corporation, and to exercise all the powers conferred by the laws of Massachusetts upon business corporations; provided, however, that this corporation is not organized for any purpose excluded by section 2 of chapter 156 and acts in amendment thereof and in addition thereto.

Charles River Associates Incorporated

Restated Articles of Organization

Continuation Sheet V.A.

1. No stockholder (or stockholder's legal representative) shall sell, assign, transfer or otherwise dispose of, whether by act of such stockholder (or stockholder's legal representative) or by operation of law, any share of the capital stock of the corporation or any beneficial interest therein without the written consent of the Board of Directors, except that the foregoing restrictions shall not apply to (i) transfers effected by operation of law resulting from the death of such stockholder and (ii) transfers by such stockholder (or stockholder's legal representative) to the corporation.

2. No stockholder may sell, assign, transfer or otherwise dispose of, whether by act of such stockholder or by operation of law, any share of the capital stock of the corporation, or any beneficial interest therein, if, in the opinion of legal counsel to the corporation, such sale, assignment, transfer or other disposition might result in the termination of the corporation's S-corporation status for any reason (including by reason of creating more than the allowed number of shareholders under Section 1361 of the Internal Revenue Code of 1986, as amended, or any successor statute (the "Code")).

3. In the event of an attempted sale, assignment, transfer or other disposition by a stockholder ("Defaulting Holder") in violation of Paragraph 1 or Paragraph 2 above (a "Prohibited Transfer"), such Prohibited Transfer shall be null and void and shall not be recognized on the books and records of the corporation, and the Defaulting Holder shall retain the right to vote and receive distributions and shall continue to report the share of income or loss allocated by the corporation to such Defaulting Holder for tax purposes.

4. These restrictions shall terminate upon the closing of any public offering of the corporation's securities pursuant to a registration statement filed in accordance with the Securities Act of 1933, as amended.

Charles River Associates Incorporated

Restated Articles of Organization

Continuation Sheet VI.A.

This Corporation may become a partner in any general or limited partnership or in any joint venture or in any other business enterprise organized for the purpose of accomplishing any of the purposes contained in this Corporation's Articles of Organization.

Charles River Associates Incorporated

Restated Articles of Organization

Continuation Sheet VIII.A.

| | Name | Residential Address | Post Office Address |
|---|---|---|---|
| President: | James C. Burrows | 75 Clairemont Road<br>Belmont, MA 02178 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| Treasurer: | Laurel E. Morrison | 49 Lenox Street<br>Newton, MA 02165 | (same as above) |
| Clerk: | Peter M. Rosenblum | 143 Hobart Street<br>Newton Centre, MA 02159 | Foley, Hoag & Eliot LLP<br>One Post Office Square<br>Boston, MA 02109 |
| Directors: | James C. Burrows | 75 Clairemont Road<br>Belmont, MA 02178 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| | William B. Burnett | 404 N. Pitt Street<br>Alexandria, VA 22314 | Suite 700, 600 13th Street, N.W.<br>Washington, DC 20005 |
| | Franklin M. Fisher | 130 Mt. Auburn Street, #508<br>Cambridge, MA 02138 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| | Firoze E. Katrak | 6 Canal Park, #706<br>Cambridge, MA 02141 | (same as above) |
| | Carl Kaysen | 41 Holden Street<br>Cambridge, MA 02138 | (same as above) |
| | Rowland T. Moriarty | 105 Hundreds Road<br>Wellesley Hills, MA 02181 | (same as above) |

EXHIBIT 3.3

By-laws amended as of April 11, 1986

# BY-LAWS

# OF

# CHARLES RIVER ASSOCIATES INCORPORATED

## ARTICLE I

## ARTICLES OF ORGANIZATION

The name, location of principal office, and purposes of the corporation shall be as set forth in the articles of organization. The articles of organization are hereby made a part of these by-laws, and the powers of the corporation and of its directors and stockholders, and all matters concerning the conduct and regulation of the business of the corporation shall be subject to such provisions in regard thereto, if any, as are set forth in the articles of organization. In the event of any inconsistency between any provision of the articles of organization and the provisions of these by-laws, the provisions of the articles of organization shall be controlling.

All references in these by-laws to the articles of organization shall be construed to mean the articles of organization of the corporation as from time to time amended.

## ARTICLE II

## STOCKHOLDERS

1. ANNUAL MEETING.

The annual meeting of stockholders shall be held at 10 A.M., or at such other time as the board of directors shall determine, on the first Friday of March in each year, if it be not a legal holiday, and if it be a legal holiday, then at the same hour on the next succeeding day not a legal holiday. Purposes for which an annual meeting is to be held, additional to those prescribed by law, by the articles of organization and by these by-laws, may be specified by the president or the directors or by one or more stockholders who are entitled to vote thereon and who hold in the aggregate at least 10% of the capital stock entitled to vote at the meeting on such additional purposes. If such annual meeting is omitted on the day herein provided therefor, a special meeting may be held in place thereof, and any business transacted or elections held at such meeting shall have the same effect as if transacted or held at the annual meeting. Such special meeting shall be called in the same manner and as provided for a special meeting of stockholders.

2. SPECIAL MEETINGS.

A special meeting of stockholders may be called at any time by the president or by the directors. Upon written application of one or more stockholders who hold in the aggregate at least 10% of the capital stock entitled to vote at the meeting, a special meeting shall be called by the clerk, or in case of the death, absence, incapacity or refusal of the clerk, by any other officer. The call for the meeting shall state the date, hour and place and the purposes of the meeting.

3. PLACE OF MEETINGS.

All meetings of stockholders, including the annual meeting, shall be held in Massachusetts either at the principal office of the corporation or at such other place as may be fixed by the directors or as may be stated in the call for a special meeting or, to the extent permitted by the articles of organization, at such other place within the United States as shall be fixed by the directors, provided, however, that special meetings called upon stockholders' application shall be held in the same county as the principal office of the corporation, unless some other meeting place in Massachusetts specified in the application shall be approved by the directors.

4. NOTICE OF MEETINGS.

A written notice of each meeting of stockholders, stating the place, day and hour thereof and the purposes for which the meeting is called, shall be given by the clerk, at least seven (7) days before the meeting, to each stockholder entitled to vote thereat and to each stockholder who by law, by the articles of organization or by the by-laws is entitled to such notice, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid and addressed to such stockholder at his address as it appears upon the books of the corporation. In case of the death, absence, incapacity or refusal of the clerk, such notice may be given by any other officer or by a person designated either by the clerk or by the person or persons calling the meeting or by the board of directors. No such notice need be given to any stockholder, if a written waiver of notice, executed before or after the meeting by such stockholder or his attorney, thereunto authorized, is filed with the records of the meeting.

5. QUORUM.

At any meeting of stockholders, a majority in interest of all the capital stock issued, outstanding and entitled to vote upon a question to be considered at such meeting shall constitute a quorum for the consideration of such question, except that, if two or more

classes of stock are outstanding and entitled to vote upon such question as separate classes, then in the case of each such class, a quorum shall consist of a majority in interest of the stock of that class issued, outstanding and entitled to vote upon such question; but less interest may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice.

6. VOTING AND PROXIES.

Each stockholder shall have one vote for each share of stock entitled to vote held by him of record according to the records of the corporation, unless otherwise provided by the articles of organization. Stockholders may vote either in person or by written proxy dated not more than six months before the meeting named therein. Proxies shall be filed with the clerk of the meeting, or of any adjournment thereof, before being voted. Except as otherwise limited therein, proxies shall entitle the persons named therein to vote at any adjournment of such meeting but shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by one of them unless at or prior to exercise of the proxy the corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise.

7. ACTION AT MEETING.

When a quorum is present at any meeting, a majority in interest of the stock present or represented and entitled to vote on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority in interest of the stock of that class present or represented and entitled to vote on a matter) shall decide any matter to be voted on by the stockholders, except where a larger vote is required by law, the articles of organization or these by-laws. Any election by stockholders shall be determined by a plurality of the votes cast by the stockholders present or represented at the meeting and entitled to vote at the election. No ballot shall be required for such election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election. The corporation shall not directly or indirectly vote any share of its stock.

8. ACTION WITHOUT MEETING.

Any action to be taken by stockholders may be taken without a meeting if all stockholders entitled to vote on the matter consent to the action by a writing filed with the records of the meetings of stockholders. Such consent shall be treated for all purposes as a vote at a meeting.

## ARTICLE III

## DIRECTORS

1. POWERS.

The business of the corporation shall be managed by a board of directors who may exercise all the powers of the corporation except as otherwise provided by law, by the articles of organization or by these by-laws. In particular, and without limiting the generality of the foregoing, the directors may at any time issue all or from time to time any part of the unissued capital stock of the corporation from time to time authorized under the articles of organization and any amendment thereto, and may determine, subject to any requirement of law, the consideration for which stock is to be issued and the manner of allocating such consideration between capital and surplus. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full board until the vacancy is filled.

2. ELECTION AND ENLARGEMENT OF BOARD.

A board of directors of not less than three, except that whenever there shall be only two stockholders, of not less than two, and whenever there shall be only one stockholder, of not less than one, shall be elected by the stockholders at the annual meeting or at any meeting held in place thereof as hereinbefore provided. The stockholders shall at such meeting determine the number of directors to be elected, but in the absence of affirmative determination, the number to be elected shall be the same as the number last previously determined. The board of directors may be enlarged by the stockholders at any meeting or by vote of a majority of the directors then in office.

3. VACANCIES.

Any vacancy in the board of directors, including a vacancy resulting from the enlargement of the board, may be filled by the stockholders or, in the absence of stockholder action, by the directors then in office.

4. TENURE.

Except as otherwise provided by law, by the articles of organization or by these by-laws, directors shall hold office until the next annual meeting of stockholders or the special meeting held in place thereof and thereafter until their successors are elected and qualified.

5. MEETINGS.

Regular meetings of the directors may be held without call or notice at such places and at such times as the directors may from time to time determine, provided that any director who is absent when such determination is made shall be given notice of the determination. A regular meeting of the directors may be held without a call or notice at the same place as the annual meeting of stockholders, or the special meeting held in place thereof, following such meeting of stockholders.

Special meetings of the directors may be held at any time and place designated in a call by the president, treasurer or two or more directors.

6. NOTICE OF MEETINGS.

Notice of all special meetings of the directors shall be given to each director by the clerk, or assistant clerk, or in case of the death, absence, incapacity or refusal of such persons, by the officer or one of the directors calling the meeting. Notice shall be given to each director in person or by telephone or by telegram sent to his usual or last known business or home address at least twenty-four hours in advance of the meeting, or by written notice mailed to either such address at least forty-eight hours in advance of the meeting. Notice need not be given to any director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. A notice or waiver of notice of a directors' meeting need not specify the purposes of the meeting.

7. QUORUM.

At any meeting of the directors, a majority of the directors then in office shall shall constitute a quorum. Less than a quorum may adjourn any meeting from time to time without further notice.

8. ACTION AT MEETING.

At any meeting of the directors at which a quorum is present the vote of a majority of those present, unless a different vote is specified by law, by the articles of organization, or by these by-laws, shall be sufficient to decide any question brought before such meeting

9. ACTION BY CONSENT.

Any action by the directors may be taken without a meeting if all directors then in office consent to the action in writing and the written consents are filed with the records of the directors' meetings. Such consent shall be treated as a vote of the directors for all purposes.

10. COMMITTEES.

The directors may elect from their number an executive or other committees and may delegate thereto some or all of their powers except those which by Section 55 of Chapter 156B of the General Laws of Massachusetts, as amended, or by any other provision of law or by the articles of organization or these by-laws they are prohibited from delegating. Except as the directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the directors.

## ARTICLE IV

## OFFICERS

1. ENUMERATION.

The officers of the corporation shall consist of a president, a treasurer, a clerk, and such other officers, if any, including a chairman of the board of directors, one or more vice presidents, assistant treasurers, assistant clerks and secretary as the incorporators at their initial meeting or the directors from time to time may choose or appoint.

2. ELECTION.

The president, treasurer and clerk shall be elected annually by the directors at their first meeting following the annual meeting of stockholders or the special meeting held in place thereof. Other officers may be chosen or appointed by the directors at such meeting or at any other time.

3. VACANCIES.

If any office becomes vacant by reason of death, resignation, removal, disqualification or otherwise, the directors may choose a successor or successors, who shall hold office for the unexpired term, except as otherwise provided by law, by the articles of organization or by these by-laws.

4. QUALIFICATION.

The president may, but need not be, a director. No officer need be a stockholder. Any two or more offices may be held by the same person. The clerk shall be a resident of Massachusetts unless the corporation shall have appointed a resident agent for the purpose of service of process. Any officer may be required by the directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the directors may determine.

5. TENURE.

Except as otherwise provided by law, by the articles of organization or by these by-laws, the president, treasurer and clerk shall hold office until the first meeting of the directors following the annual meeting of stockholders or the special meeting held in place thereof, and thereafter until his successor is chosen and qualified; and all other officers shall hold office until the first meeting of the directors following the annual meeting of stockholders, unless a shorter term is specified in the vote choosing or appointing them.

6. PRESIDENT AND VICE PRESIDENT.

The president shall be the chief executive officer of the corporation and shall, subject to the direction of the directors, have general supervision and control of its business. He shall preside, when present, at all meetings of stockholders and, unless otherwise provided by the directors, at all meetings of the directors.

Any vice president shall have such powers as the directors may from time to time designate.

7. TREASURER AND ASSISTANT TREASURERS.

The treasurer shall, subject to the direction of the directors, have general charge of the financial concerns of the corporation and the care and custody of the funds and valuable papers of the corporation, except his own bond, and he shall have power to endorse for deposit or collection all notes, checks, drafts, and other obligations for the payment of money payable to the corporation or its order, and to accept drafts on behalf of the corporation. He shall keep, or cause to be kept, accurate books of account, which shall be the property of the corporation. If required by the board of directors, he shall give bond for the faithful performance of his duty in such form, in such sum, and with such sureties as the directors shall require.

Any assistant treasurer shall have such powers as the directors may from time to time designate.

8. CLERK AND ASSISTANT CLERK.

Unless a transfer agent is appointed, the clerk shall keep or cause to be kept in Massachusetts, at the principal office of the corporation or at his office, the stock and transfer records of the corporation, in which are contained the names of all stockholders and the record address, and the amount of stock held by each. The clerk shall record all proceedings of the stockholders in a book to be kept therefor and, in case a secretary is not elected, shall also record all proceedings of the directors in a book to be kept therefor.

Any assistant clerk shall have such powers as the directors may from time to time designate. In the absence of the clerk from any meeting of stockholders, or directors, as the case may be, an assistant clerk, if one be elected, otherwise a temporary clerk designated by the person presiding at such meeting, shall perform the duties of the clerk.

9. SECRETARY AND ASSISTANT SECRETARIES.

If a secretary is elected, he shall record all proceedings of the directors in a book to be kept therefor, and in his absence, an assistant secretary, if one be elected, otherwise a temporary secretary designated by the person presiding at such meeting, shall record such proceedings.

Any assistant secretary shall have such powers as the directors may from time to time designate.

10. OTHER POWERS AND DUTIES.

Each officer shall, subject to these by-laws, have in addition to the duties and powers specifically set forth in these by-laws, such duties and powers as are customarily incident to his office, and such duties and powers as the directors may from time to time designate.

## ARTICLE V

## RESIGNATIONS AND REMOVALS

Any director or officer may resign at any time by delivering his resignation in writing to the president, the treasurer or the clerk or to a meeting of the directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time. A director (including persons elected by directors to fill vacancies in the board) may be removed from office (a) with or without cause by the vote of the holders of a majority of the capital stock issued and outstanding and entitled to vote in the election

of directors, provided that the directors of a class elected by a particular class of stockholders may be removed only by the vote of the holders of a majority of the shares of such class, or (b) for cause by vote of a majority of the directors then in office. The directors may remove any officer elected by them with or without cause by the vote of a majority of the directors then in office. A director or officer may be removed for cause only after reasonable notice and opportunity to be heard before the body proposing to remove him. No director or officer resigning and (except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the corporation) no director or officer removed, shall have any right to any compensation as such director or officer for any period following his resignation or removal, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of a removal, the body acting on the removal, shall in their or its discretion provide for compensation.

ARTICLE VI

CAPITAL STOCK

1. AMOUNT AUTHORIZED.

The amount of the authorized capital stock and the par value, if any, of the shares authorized shall be as fixed in the articles of organization.

2. CERTIFICATES OF STOCK.

Each stockholder shall be entitled to a certificate of the capital stock of the corporation in such form as may be prescribed from time to time by the directors. The certificate shall be signed by the president or a vice president, and by the treasurer or an assistant treasurer, but when a certificate is countersigned by a transfer agent or a registrar, other than a director, officer or employee of the corporation, such signatures may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the time of its issue.

Every certificate for shares of stock which are subject to any restriction on transfer pursuant to the articles of organization, the by-laws or any agreement to which the corporation is a party, shall have the restriction noted conspicuously on the certificate and shall also set forth on the face or back either the full text of the restriction or a statement of the existence of such

restriction and a statement that the corporation will furnish a copy to the holder of such certificate upon written request and without charge. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series authorized to be issued or a statement of the existence of such preferences, powers, qualifications, and rights, and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

3. TRANSFERS.

Subject to the restrictions, if any, stated or noted on the stock certificates, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the articles of organization or by these by-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the corporation in accordance with the requirements of these by-laws.

It shall be the duty of each stockholder to notify the corporation of his post office address.

4. RECORD DATE.

The directors may fix in advance a time of not more than sixty (60) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend or the making of any distribution to stockholders, or the last day on which the consent or dissent of stockholders may be effectively expressed for any purpose, as the record date for determining the stockholders having the right to notice of and to vote at such meeting, and any adjournment thereof, or the right to receive such dividend or distribution or the right to express such consent or dissent. In such case only stockholders of record on such date shall have such right, notwithstanding any transfer of stock on the books of the corporation after the record date. Without fixing such record date the directors may for any of such purposes close the transfer books for all or any part of such period.

5. REPLACEMENT OF CERTIFICATES.

In case of the alleged loss or destruction, or the mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the directors may prescribe.

ARTICLE VII

MISCELLANEOUS PROVISIONS

1. FISCAL YEAR.

Except as from time to time otherwise determined by the directors, the fiscal year of the corporation shall end on the last Saturday of November in each year.

2. SEAL.

The seal of the corporation shall, subject to alteration by the directors, consist of a flat-faced circular die with the word "Massachusetts" together with the name of the corporation and the year of its organization cut or engraved thereon.

3. EXECUTION OF INSTRUMENTS.

All deeds, leases, transfers, contracts, bonds, notes and other obligations authorized to be executed on behalf of the corporation shall be signed by the president or the treasurer except as the directors may generally or in particular cases otherwise determine.

4. VOTING OF SECURITIES.

Except as the directors may otherwise designate, the president or treasurer may waive notice of, act and appoint any person or persons to act as proxy or attorney in fact for this corporation (with or without power of substitution) at any meeting of stockholders or shareholders of any other corporation or organization, the securities of which may be held by this corporation.

5. CORPORATE RECORDS; INSPECTION OF CORPORATE RECORDS.

The original, or attested copies, of the articles of organization, by-laws and records of all meetings of incorporators and stockholders, and the stock and transfer records, containing the names of all stockholders and the record address and the amount of stock held by each, shall be kept in Massachusetts at the principal office of the corporation, or at an office of its transfer agent or of the clerk. Said copies and records need not all be kept in the same office. They shall be available at all reasonable times

to the inspection of any stockholder for any proper purpose but not to secure a list of stockholders for the purpose of selling said list or copies thereof or of using the same for a purpose other than in the interest of the applicant, as a stockholder, relative to the affairs of the corporation.

6. INDEMNIFICATION: As Amended 4/11/86

The corporation shall, to the extent legally permissible, indemnify each of its directors and officers (including persons who service at its request as directors, officers, or trustees of another organization or directors or officers who serve at its request in any capacity with respect to any employee benefit plan against all liabilities any expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees, reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceedings, whether civil or criminal, in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a director, officer or trustee of any benefit plan, except with respect to any matter as to which he shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his action was in the best interests of the corporation; provided, however, that as to any matter disposed of by a compromise payment by such director or officer, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise shall be approved as in the best interests of the corporation, after notice that it involved such indemnification, (a) by a disinterested majority of the directors then in office; or (b) by a majority of the disinterested directors then in office, provided that there has been obtained an opinion in writing of independent legal counsel to the effect that such director or officer appears to have acted in good faith in the reasonable belief that his action as in the best interests of the corporation or to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan; or (c) by the holders of a majority of the outstanding stock at the time entitled to vote for directors voting as a single class, exclusive of any stock owned by any interested director or officer. Indemnification hereunder may include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of any undertaking by the person indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification, which undertaking may be accepted without reference to the financial ability of such person to make repayment. The right of indemnification hereby provided shall not be exclusive of or affect any other rights to which any director or officer may be entitled. As used in this paragraph, the terms "director" and "officer" include their respective

heirs, executors and administrators, and an "interested" director or officer is one against whom in such capacity the proceedings in question or another proceeding on the same or similar grounds is then pending. Nothing contained in this section shall affect any rights to indemnification to which corporate personnel other than directors or officers may be entitled by contract or otherwise under law."

7. AMENDMENTS.

These by-laws may at any time be amended by vote of the stockholders, provided that notice of the substance of the proposed amendment is stated in the notice of the meeting, or may be amended by vote of a majority of the directors then in office, except that no amendment may be made by the directors which changes the date of the annual meeting of stockholders or which alters the provisions of these by-laws with respect to removal of directors or the election of committees by directors and delegation of powers thereto, or amendment of these by-laws. No change in the date of the annual meeting may be made within sixty (60) days before the date fixed in these by-laws. Not later than the time of giving notice of the meeting of stockholders next following the making, amending or repealing by the directors of any by-law, notice thereof stating the substance of such change shall be given to all stockholders entitled to vote on amending the by-laws.

Exhibit 4.1

| NUMBER | [LOGO] | SHARES |
|---|---|---|
| COMMON STOCK | CHARLES RIVER ASSOCIATES INCORPORATED | COMMON STOCK |

INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS
THIS CERTIFICATE IS TRANSFERABLE IN BOSTON, MA AND IN NEW YORK, NY

CUSIP
---
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK, WITHOUT PAR VALUE, OF

Charles River Associates Incorporated (the "Corporation") transferable upon the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed or assigned. This Certificate and the shares represented hereby are issued and held subject to the laws of the Commonwealth of Massachusetts and to the provisions of the Articles of Organization and By-Laws of the Corporation, each as now in effect or hereafter amended. This Certificate is not valid unless and until countersigned by the Transfer Agent and registered by the Registrar.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by the facsimile signatures of its duly authorized officers and sealed with the facsimile seal of the Corporation.

Dated:
---

[CORPORATE SEAL]
CHARLES RIVER ASSOCIATES INCORPORATED
INCORPORATED 1965
MASSACHUSETTS
*

| Chief Financial Officer and Treasurer | President and Chief Executive Officer |
|---|---|

COUNTERSIGNED AND REGISTERED:
THE FIRST NATIONAL BANK OF BOSTON

TRANSFER AGENT
AND REGISTRAR

BY

AUTHORIZED SIGNATURE

CHARLES RIVER ASSOCIATES INCORPORATED

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS AND SERIES OF STOCK. THE CORPORATION WILL FURNISH TO THE HOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A STATEMENT OF THE PREFERENCES, VOTING POWERS, QUALIFICATIONS AND SPECIAL AND RELATIVE RIGHTS OF THE SHARES OF EACH SUCH CLASS AND SERIES.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with right of survivorship and not as tenants in common
COM PROP - as community property

UNIF GIT MIN ACT- ____ Custodian ____ (Cust) (Minor) under Uniform Gifts to Minors Act ____ (state)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

- _____

- _____

- _____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

- _____

_____ shares

- _____

of the common stock represented by the within Certificate, and do(es) hereby irrevocably constitute and appoint

_____ Attorney

- _____

to transfer such shares on the books of the within named Corporation with full power of substitution in the premises.

Dated, _____

_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 10.3

- ---

AMENDED AND RESTATED LOAN AGREEMENT

Dated as of November 18, 1994

BETWEEN

CHARLES RIVER ASSOCIATES INCORPORATED

AND

THE FIRST NATIONAL BANK OF BOSTON

- ---

# AMENDED AND RESTATED LOAN AGREEMENT

THIS AMENDED AND RESTATED LOAN AGREEMENT is made as of November 18, 1994, between Charles River Associates Incorporated, a Massachusetts corporation (the "Borrower") having its principal place of business and chief executive office at John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts 02116, and THE FIRST NATIONAL BANK OF BOSTON (the "Lender"), a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110.

WHEREAS, the Borrower and the Lender are parties to a Loan and Security Agreement dated June 30, 1994 (the "Bridge Loan Agreement");

WHEREAS, the Borrower has requested that the Bridge Loan Agreement be amended and restated in the form of two separate agreements, one of which shall be this Amended and Restated Loan Agreement and one of which shall be that certain Amended and Restated Security Agreement (the "Amended and Restated Security Agreement") between the Borrower and the Lender executed on the date hereof; and

WHEREAS, the Lender is willing to amend and restate the Bridge Loan Agreement upon the terms and subject to the conditions set forth herein and in the Amended and Restated Security Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree that the Bridge Loan Agreement shall be amended and restated to read in its entirety as set forth herein and in the Amended and Restated Security Agreement:

SECTION 1. DEFINITIONS.

1.1 DEFINITIONS. As used herein, the following terms shall have the following meanings:

"Accounts Receivable" means all of the Borrower's rights to payment for goods sold or leased or for services rendered, all sums of money or other proceeds due or becoming due thereon, all instruments pertaining thereto, all guarantees and security therefor, and all goods or services giving rise thereto and the rights pertaining to such goods and services, including the rights of stoppage in transit and all related insurance; whether any of the foregoing be now existing or hereafter arising, now or hereafter received by or owing or belonging to the Borrower.

"Accountants" means independent certified public accountants employed by the Borrower and reasonably acceptable to the Lender. The Lender hereby acknowledges that the Accountants may include Parent, McLaughlin & Nangle, CPA and Ernst & Young.

"Adjusted Net Income" means an amount equal to the Net Income of the Borrower for the applicable period minus all Tax Distribution Amounts accrued in such period.

"Affiliate" means, with reference to any Person, (including an individual, a corporation, a partnership, a trust or a governmental agency or instrumentality), (i) any director or officer of that Person, (ii) any other Person controlling, controlled by or under direct or indirect common control of that Person, (iii) any other Person directly or indirectly holding 5% or more of any class of the capital stock or other equity interests (including options, warrants, convertible securities and similar rights) of that Person and (iv) any other Person 5% or more of any class of whose capital stock or other equity interests (including options, warrants, convertible securities and similar rights) is held directly or indirectly by that Person. For purposes of Section 5. l(vi) hereof, "Affiliate" means (i) any member of a controlled group of corporations which includes the Borrower, (ii) any trade or business, whether or not incorporated, under common control with the Borrower, (iii) any member of an affiliated service group which includes the Borrower, and (iv) any member of a group treated as a single employer by regulation.

"Agreement" means this Amended and Restated Loan Agreement, including the Exhibits hereto, as originally executed, or if this Agreement is amended, varied or supplemented from time to time, as so amended, varied or supplemented.

"Amended and Restated Security Agreement" shall have the meaning set forth in the Preamble.

"Average Unused Commitment" for any period of time means the daily average difference between the Maximum Amount applicable to such period and the sum of the principal amount of Revolving Loans actually outstanding hereunder during such period.

"Base Rate" means the rate of interest announced from time to time by the Lender at its head office in Boston, Massachusetts as its "base rate."

"Borrowing Base" means an amount equal to the lesser of (i) the sum of (a) 70% of the unpaid face amount of all Eligible Accounts, plus (b) 50% of the face amount of all Eligible Unbilled Accounts (PROVIDED that for purposes of this clause (b), the amount determined by applying such percentage shall not exceed $500,000), and (ii) the sum of (a) 50% of the face amount of all Accounts Receivable, plus (b) 50% of the face amount of all Eligible Unbilled Accounts.

"Bridge Loan Documents" means, collectively, (i) the Bridge Loan Agreement, and (ii) all other agreements, instruments, contracts and documents contemplated thereby and all schedules, exhibits and annexes thereto.

"Business Day" means any day on which the head office of the Lender is open for transactions of all of its normal and customary business.

"Capital Expenditures" means the amount of any expenditure for fixed assets, computer software, leasehold improvements, capital leases under GAAP, installment purchases of machinery and equipment, acquisitions of real estate, expenditures in any construction in progress account of the Borrower and other similar expenditures which are required to be capitalized on a balance sheet pursuant to GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means any and all real and personal property of the Borrower, whether tangible or intangible, in which the Lender now has, is granted by this Agreement, the Amended and Restated Security Agreement or otherwise, or hereafter acquires a security interest or any other lien, including, without limitation, by way of mortgage or assignment, to secure the Obligations.

"Credit Note" shall have the meaning set forth in Section 2.1.1.

"Default" means an event or condition that, but for the requirement that time elapse or notice be given, or both, would constitute an Event of Default.

"Deferred Rent" means, at any time of determination, that portion of rental expense payable by the Borrower that is deferred and normally recorded as a liability on the balance sheet of the Borrower.

"EBIT" means, for any period, an amount equal to Net Income for such period plus the following, to the extent deducted in computing such Net Income: (i) Interest Charges, (ii) Taxes, and (iii) all extraordinary items.

"Eligible Account" means an Account Receivable which:

(a) is not unpaid more than 90 days after invoice date;

(b) arose in the ordinary course of the Borrower's business as a result of services which have been performed for or the sale of goods which have been shipped to the account debtor;

(c) is the legal, valid and binding obligation of the account debtor thereunder, is assignable, is owned by the Borrower free and clear of all Encumbrances (except in favor of the Lender) and is not evidenced by a promissory note or other instrument;

(d) has not been reduced and, to the best knowledge of the Borrower, is not subject to reduction, as against the Borrower, its agents or the Lender, by any offset, counterclaim, adjustment, credit, allowance or other defense, and as to which there is no (and no basis for any) return, rejection, loss or damage of or to the goods giving rise thereto, or any request for credit or adjustments;

(e) is not difficult to collect or uncollectible for any reason, including, without limitation, any bankruptcy, insolvency or other financial difficulty of the account debtor, or any impediment to the assertion of a claim or commencement of an action against the account debtor, all as determined by the Lender in its reasonable discretion;

(f) is not owing from any Affiliate or supplier to the Borrower; and

(g) is not owing from an account debtor (i) not located in the United States, Canada or Puerto Rico, unless such account debtor has been approved in writing by the Lender in its sole discretion, PROVIDED that the Lender acknowledges that it has approved Pemex Corporation, a Mexican corporation as an account debtor, or (ii) who has accounts payable owing to the Borrower of which 25% or more of such accounts payable are not Eligible Accounts.

"Eligible Unbilled Account" means an Account Receivable which:

(a) represents the Borrower's right to payment for services which have been performed for or the sale of goods which have been shipped to the account debtor and for which the Borrower will render, in the ordinary course of business consistent with past practices, but has not yet rendered, an invoice to such account debtor; and

(b) is not an Eligible Account, but which would qualify as an Eligible Account under the definition thereof if the Borrower had rendered an invoice for such Account Receivable in the ordinary course of business consistent with past practices.

"Encumbrances" shall have the meaning set forth in Section 5.6.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder.

"Event of Default" shall have the meaning set forth in Section 6.1.

"GAAP" means generally accepted accounting principles consistently applied.

"Indebtedness" with respect to any Person means and includes, without duplication, (i) all items which, in accordance with GAAP, would be included as a liability on the balance sheet of such Person, (ii) the face amount of all banker's acceptances and of all letters of credit issued by any bank for the account of such Person and all drafts drawn thereunder, (iii) the total amount of all indebtedness secured by any Encumbrance to which any property or asset of such Person is

subject, whether or not the indebtedness secured thereby shall have been assumed, and (iv) the total amount of all indebtedness and obligations of others (including any letters of credit and bankers' acceptances) which such Person has directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), discounted with recourse or agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire, including, without limitation, any agreement (a) to advance or supply funds to such other Person to maintain working capital, equity capital, net worth or solvency, or (b) otherwise to assure or hold harmless such other Person against loss in respect of its obligations.

"Initial Financial Statement" shall have the meaning set forth in Section 3.5.

"Insolvent" or "Insolvency" means that there shall have occurred one or more of the following events with respect to a Person: death; dissolution; liquidation; termination of existence; "insolvent" or "insolvency" within the meaning of the United States Bankruptcy Code or other applicable statute; such Person's inability to pay its debts as they come due or failure to have adequate capital to conduct its business; such Person's failure to have assets having a fair saleable value (net of any cost to dispose of such assets) in excess of the amount required to pay the probable liability on its then existing debts (including unmatured, unliquidated and contingent debts); appointment of a receiver for any part of the property of, execution of a trust mortgage or an assignment for the benefit of creditors by, or the filing of a petition in bankruptcy or the commencement of any proceedings under any bankruptcy or insolvency laws or any laws relating to the relief of debtors, readjustment of indebtedness or reorganization of debtors by or against such Person, or the offering of a plan to creditors for such Person for composition or extension, except for an involuntary proceeding commenced against such Person which is dismissed within 60 days after the commencement thereof without the entry of an order for relief or the appointment of a trustee.

"Interest Charges" means, for any period, without duplication, all interest and all amortization of debt discount and expense on any particular Indebtedness for which such calculations are being made, all as determined in accordance with GAAP. Computations of Interest Charges on a PRO FORMA basis for Indebtedness having a variable interest rate shall be calculated at the rate in effect on the date of any determination.

"Inventory" means all of Borrower's goods, merchandise and other personal property, now owned or hereafter acquired by the Borrower, which are held for sale or lease or are furnished or to be furnished under contracts of service, or are finished goods, work in process, raw materials, materials used or consumed or to be used or consumed in the Borrower's business.

"Leases" means any agreement, whether written or oral, granting a Person the right to occupy space in a structure or real estate for any period of time or any capital lease or other lease of or agreement to use personal property.

"Leverage Ratio" means, at any time of determination, the ratio of (i) Total Liabilities minus Deferred Taxes and Deferred Rent, to (ii) Tangible Net Worth at such time.

"Loan Documents" means, collectively, this Agreement (including, without limitation, the agreements and other instruments listed or described in the Closing Checklist attached hereto as EXHIBIT F), the Credit Note, the Amended and Restated Security Agreement and any and all other agreements, instruments or documents referred to herein or therein and/or delivered in connection herewith to which the Borrower is a party or any other agreements, instruments or documents which shall from time to time be identified by the Lender and the Borrower as "Loan Documents" for purposes of this Agreement, and all schedules, exhibits and annexes thereto.

"Maturity Date" means June 30, 1996, PROVIDED, HOWEVER, that the Maturity Date shall be automatically extended for one or more additional one year periods unless and until, sixty (60) days prior to the current Maturity Date, the Lender shall have notified the Borrower in writing or the Borrower shall have notified the Lender in writing of the intention of such party to terminate this Agreement as of such current Maturity Date.

"Maximum Amount" shall be $2,000,000.

"Net Income" means the gross revenues of the Borrower for the period in question, less all expenses and other proper charges (including taxes on income and bonuses accrued to employees), all determined in accordance with GAAP but in any event, excluding from Net Income (without duplication): (i) any gain or loss, amortization or deduction arising from any write-up of assets, except to the extent inclusion thereof shall be approved in writing by the Lender; (ii) earnings of any Subsidiary accrued prior to the date it became a Subsidiary; (iii) the net earnings of any business entity (other than a Subsidiary) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent such net earnings shall have actually been received by the Borrower or such Subsidiaries in the form of cash distributions; (iv) any gains or losses on the sale or other disposition of investments or fixed or capital assets; (v) the proceeds of any life insurance policy; (vi) any deferred or other credit representing any excess of the equity of any Subsidiary at the date of acquisition thereof over the amount invested in such Subsidiary; and (vii) any reversal of any contingency reserve, except to the extent that provision for such contingency reserve shall be made from income arising during such period.

"Notice of Default" means (i) receipt by the Borrower from the Lender of written notice of a default or other condition specified in Section 6.1, or (ii) the Borrower's actual knowledge of the existence of a default or other condition specified in Section 6.1.

"Obligations" means any and all obligations of the Borrower to the Lender of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and to refrain from acting as well as obligations to pay money.

"Operating Cash Flow" means, for any fiscal period, an amount equal to: (i) EBIT, plus (ii) the aggregate amount of depreciation, amortization and other non-cash charges taken in accordance with GAAP during such period, minus (iii) Tax Distribution Amounts actually paid by the Borrower during such period, minus (iv) Capital Expenditures made by the Borrower during such period.

"Participant" shall have the meaning set forth in Section 7.

"Person" means any individual, corporation, partnership, trust and governmental agency and instrumentality.

"Plans" shall mean, collectively, each "employee pension benefit plan" and each "employee welfare benefit Plan" (each as defined in ERISA) maintained by the Borrower.

"Quarter" or "Quarterly" means each fiscal quarter of the Borrower.

"Restricted Payments" means (i) any cash or property dividend, distribution or payment, direct or indirect, to any Person who now or in the future may hold an equity interest in the Borrower, whether evidenced by a security or not, other than regular compensation paid to employees of the Borrower in the ordinary course of business and consistent with past practices; and (ii) any payment on account of the purchase, redemption, retirement or other acquisition for value, direct or indirect, of any partnership interests in the Borrower, or of any warrants, rights or options to acquire any such, or any other payment or distribution, direct or indirect, made in respect thereof.

"Revolving Loan" shall have the meaning set forth in Section 2.1.1.

"Revolving Loan Account" means the account on the books of the Lender in which will be recorded Revolving Loans made by the Lender to the Borrower pursuant to this Agreement, payments made on such Revolving Loans and other appropriate debits and credits as provided by this Agreement.

"Security Documents" means, collectively, (i) the Loan Documents and (ii) all other agreements, instruments or contracts by which any of the Obligations shall be evidenced or under or in respect of which the Lender or any of its agents or representatives shall have, at such time, any rights or interests as security for the payment or performance of all or any part of the Obligations.

"Subsidiary" means, with reference to any Person, any corporation, association, joint stock company, business trust or other similar organization of whose total capital stock or voting stock such Person directly or indirectly owns or controls more than 50% thereof or any partnership or other entity in which such Person directly or indirectly has more than a 50% interest or which is controlled directly or indirectly by such Person, but in any event including all of such entities which would be deemed a subsidiary of the Borrower in accordance with GAAP.

"Tangible Net Worth" means the amount which is equal to the net worth of the Borrower computed in accordance with GAAP (including, without limitation, Accounts Receivable of the Borrower) and with inventory and cost of goods sold determined on a "first in, first out" basis, and minus (i) the book value, net of applicable reserves, of all intangible assets of the Borrower including, without limitation, goodwill, trademarks, trade names, copyrights, patents and any similar rights, and unamortized debt discount and expense, but not including the unamortized balance of computer software used by the Borrower in the conduct of its business, (ii) intercompany accounts with Affiliates (including receivables due from Affiliates), (iii) to the extent not otherwise approved in advance by Lender, any write up in the book value of any asset of the Borrower resulting from revaluation thereof after the date of the Initial Financial Statement, and (iv) the value in excess of the cost thereof, if any, attributable to any notes or subscriptions receivable due from stockholders in respect of capital stock.

"Tax Distribution Amount" means, for any period, an amount equal to the maximum amount sufficient to cover payment of the Taxes attributable to the ownership of capital stock of the Borrower based upon the highest federal, state and local income tax rates that could be applicable to any holder of such capital stock, and taking into consideration the deduction of any income tax in computing another income tax that could be applicable to any holder of such capital stock, as determined through the end of the period in question.

"Taxes" means all taxes on income imposed by any governmental authority, including but not limited to any federal, state, local or foreign government or political subdivision thereof.

"Total Debt Service" means, for any period, the sum of (i) Interest Charges for such period, plus (ii) the aggregate amount of all regularly scheduled principal payments made or coming due during such period in respect of the Revolving Loans or any other Indebtedness for capital lease or borrowed money (to the extent the Lender from time to time permits such Indebtedness to be incurred or maintained).

"Total Liabilities" means, at any date as of which the amount thereof shall be determined, all obligations of the Borrower that should, as determined in accordance with GAAP, be classified as liabilities on the balance sheet of the Borrower.

SECTION 2. REVOLVING LOANS.

2.1 REVOLVING LOANS.

2.1.1 Upon the terms and subject to the conditions of this Agreement, and in reliance upon the representations, warranties and covenants of the Borrower made herein, the Lender agrees to make loans ("Revolving Loans") to the Borrower at the Borrower's request from time to time, from and after the date hereof and prior to the Maturity Date, PROVIDED that the principal amount of Revolving Loans outstanding at any time, shall not exceed the lesser of (i) the Maximum Amount and (ii) the Borrowing Base at such time, and PROVIDED, FURTHER, that at

the time the Borrower requests a Revolving Loan and after giving effect to the making thereof there has not occurred and is not continuing any Default or Event of Default. The Borrower agrees that it shall be an Event of Default if at any time the debit balance of the Revolving Loan Account at any time shall exceed the lesser of (i) the Maximum Amount and (ii) the Borrowing Base at such time, unless the Borrower shall, upon notice of such excess from the Lender, promptly pay cash to the Lender to be credited to the Revolving Loan Account in such amount as shall be necessary to eliminate the excess. All requests for Revolving Loans shall be in such form and shall be made in such manner as shall be agreed between the Borrower and the Lender. The Revolving Loans shall be evidenced by a Revolving Credit Note (the "Credit Note") in the form of EXHIBIT A hereto.

2.1.2 The Borrower may prepay outstanding Revolving Loans and the Credit Note in whole or in part at any time without premium or penalty. Amounts so paid in respect of the Revolving Loans and the Credit Note and other amounts may be borrowed and reborrowed from time to time as provided in Section 2.1.1. The Borrower promises to pay on the Maturity Date, and there shall become absolutely due and payable on the Maturity' Date, all outstanding Revolving Loans and the Credit Note, together with all unpaid interest thereon and all fees and other amounts due hereunder.

2.2 INTEREST AND FEES.

2.2.1 Revolving Loans shall bear interest at a rate per annum equal to the Base Rate in effect from time to time; PROVIDED THAT the balance of Revolving Loans that remains outstanding after the Maturity Date, or, if earlier, the date on which the Lender accelerates the Obligations in accordance with Section 6.2, shall bear interest, to the extent permitted by law, compounded monthly at an interest rate equal to 4% above the Base Rate in effect on the Maturity Date or the date of such acceleration, until the Obligations are paid in full. Interest on Revolving Loans (not at the time overdue) shall be payable monthly in arrears on the fifteenth Business Day of each month. Any change in the Base Rate shall result in a change on the same day in the rate of interest to accrue from and after such day on the unpaid balance of principal of the Revolving Loans.

2.2.2 The Borrower shall pay to the Lender a commitment fee, payable quarterly in arrears on the first Business Day of each Quarter, equal to 1/2% per annum of the Average Unused Commitment during the preceding Quarter.

2.2.3 The Borrower shall pay to the Lender any and all reasonable charges customarily made by the Lender against borrowers, PROVIDED, HOWEVER, that for any individual charge in excess of $1,500, the Borrower shall have the right to approve such charge in advance, which approval shall be made promptly and shall not be unreasonably withheld.

2.2.4 The Borrower authorizes the Lender to charge to the Revolving Loan Account or to any deposit account which the Borrower may maintain with the Lender the interest, fees, charges, taxes and expenses provided for in this Agreement or any other document executed or

delivered in connection herewith, with advice thereof thereafter sent to the Borrower's chief financial officer in accordance with the Lender's customary practice.

2.2.5 If, after the date hereof, the Lender shall have determined that the adoption of any applicable law, rule, regulation, guideline, directive or request (whether or not having the force of law) regarding capital requirements for banks or bank holding companies, 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 Lender with any of the foregoing imposes or increases a requirement by the Lender to allocate capital resources to the Lender's commitment to make Revolving Loans hereunder which has or would have the effect of reducing the return on the Lender's capital to a level below that which the Lender could have achieved (taking into consideration the Lender's then existing policies with respect to capital adequacy and assuming full utilization of the Lender's capital) but for such adoption, change or compliance by any amount deemed by the Lender to be material, then: (i) the Lender shall promptly after its determination of such occurrence give notice thereof to the Borrower; and (ii) to the extent that the costs of such increased capital requirements are not reflected in the Base Rate, the Borrower and the Lender shall thereafter attempt to negotiate in good faith, within 30 days following the date the Borrower receives such notice, an adjustment payable hereunder that will adequately compensate the Lender in light of the circumstances. If the Lender and the Borrower are unable to agree to such adjustment within 30 days following the date upon which the Borrower receives such notice, then commencing on the date on which the Borrower receives such notice (but no earlier than the effective date of any such increased capital requirement), the fees payable hereunder shall increase by an amount that will, in the Lender's reasonable determination, provide adequate compensation. The provisions of this Section 2.2.5 shall be applied to the Borrower so as not to discriminate against the Borrower vis-a-vis other customers of the Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants as follows:

3.1 ORGANIZATION AND QUALIFICATION. (i) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts; (ii) the Borrower has all requisite corporate power and authority to own its property and conduct its business as now conducted and as presently contemplated; and (iii) the Borrower is duly qualified and in good standing in each jurisdiction (which jurisdictions are listed on EXHIBIT B hereto) where the nature of its properties or its business (present or proposed) requires such qualification, except where the failure to so qualify is not likely to have a material adverse effect on the condition (financial or otherwise), properties, business or prospects of the Borrower. Since the date of this Agreement, the Borrower has continued to engage in substantially the same business as that in which it was then engaged and is engaged in no unrelated business.

3.2 CORPORATE AUTHORITY; VALID OBLIGATIONS; APPROVALS. The execution, delivery and performance of the Loan Documents and the transactions and other documents contemplated

hereby and thereby are within the Borrower's corporate authority have been authorized by all necessary corporate proceedings on the part of the Borrower, and do not and will not contravene any provision of law applicable to the Borrower or the Borrower's charter document or by-laws, or contravene any provisions of, or constitute a Default or Event of Default hereunder or a default under any other agreement, instrument, judgment, order, decree, permit, license or undertaking binding upon or applicable to the Borrower or any of its properties, or result in the creation, other than in favor of the Lender, of any mortgage, pledge, security interest, lien, encumbrance or charge upon any of the properties or assets of the Borrower, except as set forth on EXHIBIT B hereto. The Loan Documents have been duly executed and delivered by the Borrower and constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms. The execution, delivery and performance of the Loan Documents and the transactions and other documents contemplated hereby and thereby do not require any approval or consent of, or filing or registration with, any Person, except as set forth on Exhibit B hereto, all of which approvals, consents, filings or registrations have been obtained or made by the Borrower prior to the date hereof and remain in full force and effect.

3.3 TITLE TO PROPERTIES; ABSENCE OF LIENS. The Borrower has good and marketable title to all of its properties, assets and rights of every name and nature now purported to be owned by it, which properties, assets and rights include all those necessary to permit the Borrower to conduct its business as such business was conducted on the date of the Initial Financial Statement, free from all liens, charges and encumbrances whatsoever except for insubstantial and immaterial defects in title and liens, charges or encumbrances permitted under Section 5.6.

3.4 COMPLIANCE. The Borrower and each Plan, where applicable, (i) has all necessary permits, approvals, authorizations, consents, licenses, franchises, registrations and other rights and privileges (including, without limitation, patents, trademarks, trade names and copyrights) necessary to allow it to own and operate its business without any violation of law or the rights of others, (ii) is duly authorized, qualified and licensed under and in compliance with all applicable laws, regulations, authorizations and orders of public authorities (including, without limitation, laws relating to hazardous materials, hazardous waste, oil and protection of the environment and laws relating to the funding of any Plan and to employee benefit plans generally), and (iii) has performed all obligations required to be performed by it under, and is not in default under or in violation of, its charter or bylaws or any agreement, lease, mortgage, note, bond, indenture, license or other instrument or undertaking to which it is a party or by which any of it or any of its properties are bound, except for any such violations or failures to comply under clauses (i) through (iii) above which, individually or in the aggregate, would not have a material adverse effect on the business, condition (financial or otherwise), results of operations or assets of the Borrower, and the Borrower has not received any notice of any material violation, potential violation, failure to comply or default in respect of any of the foregoing (including, without limitation, any notice by any governmental authority or third party with respect to the generation, storage or disposal or release or threat of release of hazardous substances, hazardous materials or oil, or with respect to any violation of any federal, state or local environmental, health or safety statute or regulation).

3.5 FINANCIAL STATEMENTS. The Borrower has furnished to the Lender the audited balance sheet of the Borrower as of November 30, 1993 and the related statements of income and retained earnings and cash flows for the year then ended, which were prepared in accordance with GAAP, certified by the Accountants and fairly present the financial position of the Borrower, as at the close of business on such date and the results of its operations for the year then ended. The Borrower has also furnished to the Lender the unaudited balance sheet and statement of income of the Borrower as at September 2, 1994 and for the 10 periods then ended (the "Financial Statement"), which was prepared in accordance with GAAP and fairly presents the financial position of the Borrower as at the close of business on such date and the results for its operations for the nine months then ended, subject to normal year-end audit adjustments and the addition of footnotes. At the date hereof, the Borrower has no material Indebtedness or other liabilities, whether accrued, absolute, contingent or otherwise, and whether due or to become due, that are not set forth in the Financial Statement or referred to in Section 5.9. To the best of the Borrower's knowledge, there have been no materially adverse changes, individually or in the aggregate, in the assets, liabilities, financial condition or business of the Borrower, except as set forth in EXHIBIT B hereto (except as discussed in 5.9 herein).

3.6 EVENTS OF DEFAULT; SOLVENCY. As of the date of this Agreement, no Default or Event of Default exists and the Borrower is not, and immediately after giving effect to the consummation of the Revolving Loans will not be, Insolvent.

3.7 TAXES. The Borrower has filed all federal, state and other tax returns required to be filed for all Taxes, and has paid (or has established adequate reserves in accordance with GAAP for the payment of) all Taxes, assessments and other such governmental charges due from it. The Borrower has not executed any waiver that would have the effect of extending the applicable statute of limitations in respect of any Tax.

3.8 LABOR RELATIONS; LITIGATION. The Borrower is not engaged in any unfair labor practice (as defined in the National Labor Relations Act) and, except as set forth on EXHIBIT B attached hereto, there is no litigation, proceeding, governmental investigation (administrative or judicial) or labor dispute, pending or, to the best knowledge of the Borrower, threatened against the Borrower, which, if decided adversely to the Borrower, could have a material adverse effect on the business, properties or condition (whether financial or otherwise) of the Borrower or on the ability of the Borrower to perform its obligations under the Security Documents or under any other agreement or document contemplated hereby or thereby, nor is any substantial basis for any such litigation or labor dispute known to exist.

3.9 RESTRICTIONS ON THE BORROWER. The Borrower is not party to or bound by any contract, agreement or instrument, nor subject to any restriction which, to the best of the Borrower's knowledge, will, under current or foreseeable conditions, materially and adversely affect its business, property, assets, operations or condition, financial or otherwise. Neither the

Borrower's charter nor the Borrower's bylaws contains any restriction or other provision which will, under current or foreseeable conditions, materially and adversely affect the Borrower's business, property, assets, operations or condition, financial or otherwise.

3.10 CONTRACTS WITH AFFILIATES, ETC. Except as disclosed on EXHIBIT B hereto, the Borrower is not a party to or otherwise bound by any agreements, instruments or contracts (whether written or oral) with any Affiliate, except for any such agreement, instrument or contract (i) that is in the ordinary course of business and on an arm's-length basis, and (ii) as would not materially and adversely affect the condition (financial or otherwise), properties, business or results of operations of the Borrower. The Borrower is not a party to or otherwise bound by any agreements, instruments or contracts with any Affiliate with respect to Indebtedness for borrowed money.

3.11 CONDUCT OF BUSINESS. The Borrower and each of its Subsidiaries shall duly observe and comply in all material respects with all applicable laws, regulations, decrees, orders, judgments and requirements of any governmental authorities, including those relative to its corporate existence, rights and franchises, to the conduct of its business and to its property and assets (including without limitation all environmental laws and ERISA), and shall maintain and keep in full force and effect and comply with all licenses and permits necessary in any material respect to the proper conduct of its business.

SECTION 4. CONDITIONS OF LOANS.

4.1 CONDITIONS TO INITIAL REVOLVING LOAN. The obligation of the Lender to make the initial Revolving Loan is subject to the fulfillment to the satisfaction of the Lender on the date hereof of the following conditions precedent:

4.1.1 Receipt by the Lender of all of the agreements, documents, instruments, certificates and opinions listed or described on the Closing Checklist attached hereto as EXHIBIT F, in form and substance satisfactory to the Lender, and duly executed and delivered by the parties thereto, along with such additional instruments, certificates, opinions and other documents as the Lender shall reasonably request.

4.1.2 The representations and warranties contained herein shall be true and accurate on and as of the date hereof, the Borrower shall have performed and complied with all covenants and conditions required herein to be performed or complied with by it prior to the making of such Revolving Loan, and no Default shall be continuing or result from the Revolving Loans to be made on the date hereof or the transactions contemplated hereby.

4.1.3 That certain Loan Agreement dated as of June 30, 1994 between the Lender and Charles River Associates, L.P. be, and it hereby is, terminated and shall be of no further force and effect.

4.2 CONDITIONS TO ALL REVOLVING LOANS. The obligation of the Lender to make any Revolving Loan is subject to (i) the representations and warranties contained herein and in the

other Security Documents being true and correct in all material respects at the time of each such Revolving Loan (except for representations and warranties limited as to time or with respect to a specific event or except to the extent any condition or event (individually or in the aggregate) is expressly permitted under Section 5) with and without giving effect to the Revolving Loans to be made at such time and the application of the proceeds thereof (and the Borrower represents and warrants that they are so true and correct at such time); (ii) there being no Default or Event of Default that is continuing or that results from such Revolving Loan; and (iii) there being no material adverse change in the condition (financial or otherwise), business or properties of the Borrower since the date of this Agreement.

SECTION 5. COVENANTS.

During the term of this Agreement and so long as any Indebtedness of the Borrower in respect of any Revolving Loan remains outstanding:

5.1 FINANCIAL STATEMENTS AND OTHER REPORTING REQUIREMENTS. The Borrower shall furnish to the Lender:

(i) as soon as available to the Borrower, but in any event within 90 days after each fiscal year-end, the balance sheet of the Borrower as at the end of, and related statements of income, retained earnings and cash flow for, such year prepared in accordance with GAAP and certified by the Accountants that such statements present fairly the financial position of the Borrower; and concurrently with such financial statements, a written statement by the Accountants that, in the making of the audit necessary for their report and opinion upon such financial statements, they have obtained no knowledge of any Default or Event of Default, or, if in the opinion of the Accountants such Default or Event of Default exists, they shall disclose in such written statement the nature and status thereof;

(ii) as soon as available to the Borrower, but in any event within 45 days after the end of each Quarter of each fiscal year of the Borrower, the balance sheet of the Borrower as at the end of, and related statements of income, retained earnings and cash flow for, the portion of the year then ended and for the Quarter then ended, prepared in accordance with GAAP applied in a manner consistent with the audited financial statements required by clause (i) above (subject to normal year-end audit adjustments, and excluding footnotes required by GAAP) and certified pursuant to the report to be delivered to the Lender under clause (iv) of this Section 5.1;

(iii) promptly as they become available, a copy of each report (including any so-called management letters) submitted to the Borrower by the Accountants in connection with each annual audit of the books of the Borrower by such Accountants or in connection with any interim audit thereof pertaining to any phase of the business of the Borrower;

(iv) concurrently with each delivery of financial statements pursuant to clause (i) and clause (ii) of this Section 5.1, a chief financial officer's report in substantially the form of EXHIBIT C hereto;

(v) within fifteen (15) Business Days after the close of each fiscal month of the Borrower, a Borrowing Base and Compliance Certificate in substantially the form of EXHIBIT D hereto, PROVIDED that if there are no Revolving Loans outstanding, the Borrower may deliver such Certificate quarterly, and PROVIDED, FURTHER, that such Certificate must, in any event, be delivered prior to any Revolving Loan being made by the Lender to the Borrower;

(vi) promptly after obtaining knowledge of the existence thereof, notice of (a) the occurrence of any event which constitutes a Default or Event of Default, (b) the occurrence of any condition or event with respect to the Borrower or any Affiliate of the Borrower which could reasonably be expected to constitute a material adverse change in or to have a material adverse effect on the business, properties or condition (financial or otherwise) of the Borrower, (c) any litigation or any investigative proceedings of a governmental agency or authority commenced or threatened against the Borrower, any Affiliate of the Borrower or any Plan which could reasonably be expected to have a material adverse effect on the business, properties or condition (financial or otherwise) of the Borrower, or the issuance of any judgment, award, decree, order or other determination in or relating to any such litigation or proceedings that is materially adverse to the Borrower, (d) the occurrence of a reportable event (as defined in ERISA), (e) any communications to, or receipt of communications from, the Pension Benefit Guaranty Corporation, the Internal Revenue Service or the Department of Labor by the Borrower or any Affiliate relating to any Plan that contain any information, or notice of any event or occurrence (or lack thereof), that could reasonably be expected to have a material adverse effect on the business, properties or condition (financial or otherwise) of the Borrower, along with copies of all such communications, (f) the adoption by the Borrower of any Plan subject to ERISA or the substantial modification of any such Plan, and any option plan or executive compensation or incentive plan (whether or not subject to ERISA), along with the vesting and funding schedules and other principal provisions thereof, and (g) any communications given or received by the Borrower in any way relating to compliance with, any violation or potential violation of, or any potential liability under, any environmental law or regulation (including those relating to pollution control, hazardous materials and hazardous wastes) that could reasonably be expected to have a material adverse effect on the business, properties or condition (financial or otherwise) of the Borrower, along with copies of all such communications; and

(vii) from time to time, such other financial data and information about the Borrower as the Lender may reasonably request.

5.2 CONDUCT OF BUSINESS. The Borrower will maintain its corporate existence, continue to have a fiscal year ending on the last Saturday of November in each year (unless the Lender

any change thereof) and remain or engage in substantially the same business as that in which it is now engaged, and will duly observe and comply with all applicable laws and all requirements of any governmental authorities relative to it, its assets or to the conduct of its business, including all laws relating to the protection of the environment, pollution control, hazardous materials and hazardous waste (except where the failure to observe and comply with such laws or requirements would not materially and adversely affect the condition (financial or otherwise), properties, business, or results of operations of the Borrower or the ability of the Borrower to perform its obligations to the Lender), and will maintain and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

5.3 MAINTENANCE AND INSURANCE. The Borrower will maintain and keep its properties in good repair, working order and condition, and will comply with the provisions of all material Leases to which it is a party or under which it occupies property so as to prevent any material loss or forfeiture thereof or thereunder. The Borrower at all times will maintain insurance with such insurance companies as the Lender shall reasonably approve, in such amounts against such hazards (including business interruption) and liabilities and for such purposes as is customary in the industry for companies of established reputation engaged in the same or similar businesses and owning or operating similar properties, including, without limitation, insurance on the Collateral satisfactory to the Lender which includes business interruption insurance. The Borrower shall notify the Lender in writing at least 30 days prior to any proposed cancellation of any of its insurance policies. If the Borrower fails to provide such insurance, after notice to the Borrower the Lender, in its sole discretion, may provide such insurance and charge the cost (plus applicable interest) to the Revolving Loan Account or to the Borrower's deposit accounts with the Lender. Upon request of the Lender from time to time, the Borrower shall furnish to the Lender certificates or other evidence satisfactory to the Lender of compliance with the foregoing insurance provisions. The Lender shall not, by the fact of approving, disapproving, or accepting any such insurance, incur any liability for the form or legal sufficiency of insurance contracts, solvency of insurance companies or payment of lawsuits, and the Borrower hereby expressly assumes full responsibility therefor and liability, if any, thereunder.

5.4 TAXES. The Borrower will pay or cause to be paid all Taxes, assessments or governmental charges on or against it or its properties prior to such Taxes becoming delinquent, except for any Tax, assessment or charge which is being contested in good faith by proper legal proceedings which serve as a matter of law to stay the foreclosure of any lien for such tax, assessment or charge and with respect to which adequate reserves have been established and are being maintained in accordance with GAAP. Upon request by the Lender, the Borrower will, within 5 days after the accrual in accordance with applicable laws of the Borrower's obligation to make deposits for FICA and withholding taxes, furnish to the Lender evidence satisfactory to the Lender that such deposits have been made as and when required.

5.5 LIMITATION OF INDEBTEDNESS. Except with the prior written consent of the Lender, the Borrower will not create, incur, assume or suffer to exist, or in any manner become or be liable directly or indirectly with respect to, any Indebtedness except: (i) the Obligations; (ii) Indebtedness existing on the date of this Agreement solely to the extent described on EXHIBIT B

hereto; (iii) Indebtedness for Taxes, assessments or other governmental charges, subject, however, to the limitations set forth in Section 5.4, (iv) Indebtedness on open account for the purchase price of services, materials and supplies incurred by the Borrower in the ordinary course of business (not as a result of borrowing), so long as all of such open account Indebtedness shall be promptly paid and discharged when due or in conformity with customary trade terms and practices, except for any such open account Indebtedness which is being contested in good faith by the Borrower and as to which adequate reserves required by GAAP have been established and are being maintained; (v) Indebtedness incurred as a result of borrowing against officers' life insurance policies owned by the Borrower; (vi) Indebtedness incurred as a result of the Borrower's guaranties of loans to employees in an aggregate amount not to exceed $100,000 at any time outstanding; (vii) purchase money Indebtedness for the purchase price of capital assets (including, without limitation, Indebtedness in respect of capitalized equipment leases) owed to equipment vendors and/or lessors for equipment purchased or leased by the Borrower in the ordinary course for use in its business in an aggregate amount not to exceed $100,000 at any time outstanding; (viii) Indebtedness that would constitute a Restricted Payment, to the extent such Restricted Payment would otherwise be permitted to be made on the date such Indebtedness is incurred; and (ix) Indebtedness in respect of accrued pension liabilities, accrued vacation liabilities and accrued bonuses incurred in the ordinary course of business consistent with past practices, PROVIDED that with respect to such pension liabilities, they are incurred under a Plan, or an option plan or executive compensation or incentive plan as such Plan or plan is in effect on the date hereof, and they are not incurred as a result of any fine or penalty of any nature.

5.6 RESTRICTIONS ON LIENS. The Borrower will not create, incur, assume or suffer to exist any mortgage, pledge, security interest, lien or other charge or encumbrance, including the lien or retained security title of a conditional vendor, ("Encumbrances") upon or with respect to any property or assets, real or personal, of the Borrower (including, without limitation, the Borrower's right, title and interest in the real estate located at 200 Clarendon Street, Boston, Massachusetts), or assign or otherwise convey any right to receive income, except: (i) Encumbrances existing on the date of this Agreement to the extent set forth on EXHIBIT B hereto; (ii) Encumbrances in favor of the Lender; (iii) liens for taxes, fees, assessments and other governmental charges to the extent that payment of the same is not required in accordance with the provisions of Section 5.4; (iv) liens incurred or deposits made in the ordinary course of the Borrower's business in connection with workers' compensation, unemployment insurance, social security and other similar laws, or liens of mechanics, laborers, materialmen, carriers and warehousemen arising by operation of law to secure payment for labor, materials, supplies or services incurred in the ordinary course of Borrower's business, but only if the payment thereof is not at the time required and such liens do not, individually or in the aggregate, materially detract from the value or limit the use of any property subject thereto; (v) liens not exceeding $25,000 in value in the aggregate arising from attachments, pending litigation or judgments which are being contested in good faith by proper legal proceedings and with respect to which adequate reserves have been established and are being maintained in accordance with GAAP; (vi) landlords' and lessors' liens arising pursuant to applicable state or local law in respect of rent not in default, to the extent such liens do not extend to or cover any of the Borrower's Accounts

Receivable; (vii) Encumbrances consisting of easements, rights of way, zoning restrictions on the use of real property and similar encumbrances and minor irregularities in title, but only if such Encumbrances do not, individually or in the aggregate, materially detract from the value or limit the use of any property subject thereto; (viii) good faith deposits made in the ordinary course of business and consistent with past practices in connection with tenders, contracts or leases to which the Borrower is a party, or deposits to secure, or in lieu of, surety, penalty or appeal bonds, performance bonds and other similar obligations; (ix) liens securing Indebtedness for the purchase price of capital assets (including capitalized equipment leases) to the extent such Indebtedness is permitted by Section 5.5(vii), PROVIDED that (1) each such lien is given solely to secure the purchase price of such property, does not extend to any other property of the Borrower and is given at the time of acquisition of the property, and (2) the Indebtedness secured thereby does not exceed the lesser of the cost of such property or its fair market value at the time of acquisition; and (x) liens under any specific lease or license of intellectual property (including computer software), PROVIDED that each such lien is given solely to secure payments due from the Borrower under such lease or license and does not extend to any other property of the Borrower.

5.7 MERGERS, ACQUISITIONS AND PURCHASES AND SALES OF ASSETS; CAPITAL STRUCTURE. The Borrower will not (i) consolidate or merge with or into any other corporation or other entity, (ii) acquire the assets or stock of any entity, other than acquisitions in any fiscal year of the Borrower not in excess of $250,000 in the aggregate, or (iii) sell, lease, transfer or otherwise dispose of or discount any portion of its assets (including, without limitation, any note, instrument or account), other than the sale of finished goods and the disposition of scrap, waste and obsolete items in the ordinary course of business. The Borrower will not change its equity structure other than as permitted by its charter and bylaws, or as otherwise consented to in writing by the Lender prior to the occurrence thereof.

5.8 INVESTMENTS AND LOANS. The Borrower will not make or have outstanding at any time any investments in or loans to any other Person, whether by way of advance, guaranty, extension of credit, capital contribution, purchase of stocks, notes, bonds or other securities or evidences of Indebtedness, or acquisition of limited or general partnership interests or interests in any limited liability company, other than: (i) in direct obligations of the United States of America, maturing within one year of their issuance; (ii) in time certificates of deposit or repurchase agreements, maturing within one year of their issuance, from banks in the United States having capital, surplus and undivided profits in excess of $200,000,000; (iii) in short-term commercial paper carrying the highest rating by Moody's or Standard and Poor's rating services and issued by corporations headquartered in the United States, in currency of the United States; (iv) in shares of money-market mutual funds having assets in excess of $100,000,000 and substantially all of the assets of which consist of investments referred to in clauses (i) through (iii), inclusive, above; (v) advances to employees for business related expenses to be incurred in the ordinary course of business, relocation advances and other loans in an amount not to exceed $50,000 for any one transaction or $250,000 in the aggregate outstanding at any one time for all employees, (vi) certificates of deposit that are insured by the Federal Deposit Insurance Corporation, and (viii) any securities issued by the Lender.

5.9 RESTRICTED PAYMENTS. The Borrower shall not, directly or indirectly (through any Affiliate or otherwise), declare, pay or make any Restricted Payment, unless no Default or Event of Default is continuing or would occur by reason of the taking of such action. Notwithstanding the foregoing:

(i) the Borrower may distribute to its stockholders an amount not in excess of the Tax Distribution Amount for the portion of the fiscal year through the end of the applicable fiscal Quarter MINUS the aggregate amount of any such distributions therefor made in respect of such fiscal year, which such Tax Distribution Amount shall be certified by the President, Treasurer or Chief Financial Officer of the Borrower in the certificate required under Section 5.1(v) and in the written statement required of the Accountants under Section 5.1(i); and

(ii) the Borrower may make payments to Gerald Kraft not to exceed $3,000,000 in the aggregate for the purpose of redeeming stock of the Borrower owned by Mr. Kraft, provided that at the time of any such payments, and after giving effect thereto (a) there exists no Default or Event of Default and (b) the Board of Directors of the Borrower has consented to the making of such payments.

5.10 ERISA COMPLIANCE. None of the Borrower, any Plan and any fiduciary thereof shall (i) engage in any "prohibited transaction" or incur, whether or not waived, any "accumulated funding deficiency" (both as defined in ERISA and the Code), (ii) fail to satisfy any additional funding requirements set forth in Section 412 of the Code and Section 302 of ERISA, or (iii) terminate or withdraw from participation in any Plan in a manner which could result in the imposition of a lien on any property of, or impose a substantial withdrawal liability on, the Borrower. The Borrower and each Plan shall comply in all material respects with ERISA.

5.11 INSPECTION BY THE LENDER; BOOKS AND RECORDS. The Borrower will permit the Lender or its designees, at any reasonable time and from time to time, to visit and inspect the properties of the Borrower, to examine and make copies of the books and records of the Borrower and to discuss the affairs, finances and accounts of the Borrower with appropriate officers. The Borrower will keep adequate books and records of account in which true and complete entries will be made reflecting all of its business and financial transactions, and such entries will be made in accordance with GAAP and applicable law.

5.12 USE OF PROCEEDS. The Borrower will use the proceeds of the Revolving Loans solely for its working capital needs. No portion of any Revolving Loans shall be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations G, U or X of the Board of Governors of the Federal Reserve System.

5.13 TRANSACTIONS WITH AFFILIATES. The Borrower will not, directly or indirectly, enter into any transaction with any Affiliate except in the ordinary course of business on terms that are no less favorable to the Borrower than those which might be obtained at the time in a comparable arm's-length transaction with any Person who is not an Affiliate.

5.14 TANGIBLE NET WORTH. The Borrower will maintain a Tangible Net Worth of not less than (i) $2,000,000 at all times during its fiscal year ending November 25, 1995, and (ii) the sum of (a) $2,000,000, plus (b) on a cumulative basis, an amount equal to 75% of Adjusted Net Income earned by the Borrower in each of its Quarters (commencing with the Quarter ending February 17, 1996) at all times thereafter.

5.15 LEVERAGE RATIO. The Borrower will not at any time cause or permit the Leverage Ratio to exceed the following ratios during the following fiscal periods:

| PERIOD | RATIO |
|---|---|
| From the beginning of the first Quarter to the end of the third Quarter in each fiscal year of the Borrower | 2.00 to l |
| For the fourth Quarter of each fiscal year of the Borrower | 2.25 to 1 |

5.16 DEBT SERVICE COVERAGE RATIO. The Borrower shall not cause or permit the ratio of Operating Cash Flow to Total Debt Service, tested Quarterly, to be less than the following ratios for the following fiscal periods:

| PERIOD | RATIO |
|---|---|
| For the fourth Quarter of the fiscal year of the Borrower ending November 26, 1994 | 1.50 to 1 |
| For all Quarters commencing with the first Quarter of the Borrower's fiscal year 1995 and thereafter | 2.00 to 1 |

5.17 PROFITABILITY. The Borrower shall not permit Net Income for any two consecutive Quarters to be less than $1 during its fiscal year ending November 26, 1994.

5.18 SUBSIDIARIES. The Borrower shall give the Lender written notice of the formation after the date hereof of any Subsidiary, and agrees that it shall cause any such Subsidiary to engage in the business of conducting branches or divisions of the business now conducted by the Borrower.

5.19 ASSIGNMENT OF GOVERNMENTAL RECEIVABLES. The Borrower will execute all documents or instruments reasonably requested by the Lender or required in order to perfect the Lender's security interest in Accounts Receivable owing or to be owing from the United States of America

or any department, agency or instrumentality thereof(the "Federal Government") pursuant to any agreement or contract with the Federal Government which, individually, is anticipated to generate in excess of $150,000 in Accounts Receivable of the Borrower.

SECTION 6. EVENTS OF DEFAULT; ACCELERATION.

6.1 The following shall constitute events of default (individually, an "Event of Default"):

(a) default in the payment, when due or payable, of any Obligation for the payment of money and such default continues for 3 Business Days following a Notice of Default; or

(b) default in the performance or observance of or compliance with (i) any of the provisions of Sections 2 (other than the payment of principal and interest), 5.l(vi), 5.5 through 5.9, inclusive, 5.12 through 5.17, inclusive, 5.18 and 5.19 of this Agreement and such default continues for 3 Business Days following a Notice of Default, or (ii) any term or condition of the Credit Note (other than the payment of principal and interest) and such default continues for 3 Business Days following a Notice of Default, or (iii) any other covenant or condition of this Agreement, any other Security Document or any other Obligation not listed previously in this Section, and such default continues for 10 Business Days following a Notice of Default; or

(c) any representation, warranty or statement at any time made by or on behalf of the Borrower in any Security Document or otherwise shall prove to have been false in any material respect upon the date when made or deemed to have been made; or

(d) the occurrence of any default under any agreement, note or other instrument evidencing or relating to any obligation with an aggregate outstanding principal amount in excess of $25,000 of the Borrower to any other Person for the payment of money and such default continues for 10 Business Days following a Notice of Default; or

(e) issuance of an injunction which might have a material adverse effect on the condition (financial or otherwise), properties, business or results of operations of the Borrower, or attachment which in the aggregate exceeds $25,000 in value, against the Borrower, any property of the Borrower or any endorser, guarantor or surety for any Obligation which is not dismissed or bonded, to the satisfaction of the Lender, within 30 days after its issuance;

(f) calling of a meeting of creditors, formation or appointment of a committee of creditors or liquidating agents or offering of a composition or extension to creditors by, for or with the consent or acquiescence of any of the Borrower or any endorser, guarantor or surety for any Obligation;

(g) Insolvency of the Borrower or any endorser, guarantor or surety for any Obligation;

(h) any money judgment or judgments aggregating in excess of $25,000 are entered against the Borrower or any endorser, guarantor or surety for any Obligation (except to the extent fully

covered by insurance and the insurance carrier has not reserved the right to disallow such claim), and shall continue unsatisfied or unstayed and in effect for a period of 30 days; or

(i) any Security Document, or any covenant, agreement or obligation contained therein or evidenced thereby, shall cease in any material respect to be legal, valid, binding or enforceable in accordance with its terms, or shall be cancelled, terminated, revoked or rescinded; or

(j) any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any Security Document shall be commenced by or on behalf of the Borrower or any other Person bound thereby, or by any court or any other governmental or regulatory authority or agency of competent jurisdiction; or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or shall issue a judgment, order, decree or ruling to the effect that, any one or more of the Security Documents, or any one or more of the obligations of the Borrower or any other Person under any one or more of the Security Documents, are illegal, invalid or unenforceable in any material respect in accordance with the terms thereof; or

(k) James Burrows, Firoze Katrak, Steve Salop and Frank Fisher shall reduce their collective ownership interest by more than ten percent (10%), in the aggregate, of their aggregate equity ownership interests in the Borrower on the date hereof.

(1) any two of James Burrows, Firoze Katrak, Steve Salop and Frank Fisher, shall for any reason cease to be actively involved in strategic planning and decision-making for the Borrower, unless the Lender has determined in its sole discretion that the occurrence of such event will not have a material adverse effect on the business, properties or condition (financial or otherwise) of the Borrower.

6.2 If an Event of Default shall occur and be continuing, the Lender may, at its option, (i) declare any or all of the Obligations of the Borrower to the Lender to be immediately due and payable without further notice or demand, whereupon the same shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, (ii) limit, suspend or terminate the Borrower's right to borrow hereunder, and (iii) exercise any rights and remedies under the Security Documents and law, PROVIDED that in the event of any Event of Default specified in Sections 6.l(f) or 6.l(g), all Obligations shall become immediately due and payable automatically and without any requirement of notice from the Lender or action by the Lender.

SECTION 7. SET OFF. Any deposits or other sums at any time credited by or due from the Lender to the Borrower may, without notice (any such notice being expressly waived hereby) and to the fullest extent permitted by law and without regard to any source of payment whatsoever, at any time during the continuance of an Event of Default, be applied to or set off against Obligations on which the Borrower is primarily liable and may at or after the maturity thereof be applied to or set off against Obligations on which the Borrower is secondarily liable.

SECTION 8. GENERAL.

8.1 WRITTEN NOTICES. Any notices, expressly required by this Agreement to be in writing, to any party hereto shall be deemed to have been given when delivered by hand, when sent by telecopier, when delivered to any overnight delivery service freight pre-paid or 3 days after deposit in the mails, postage prepaid, and addressed to such party at its address given at the beginning of this Agreement or at any other address specified in writing. Written notices to the Borrower shall be sent to the attention of Alan R. Willens, President, and David L. Loeser, Vice President Finance & Administration, with a copy to David L. Weltman, Esq., Foley, Hoag & Eliot, One Post Office Square, Boston, Massachusetts 02109, and written notices to the Lender shall be sent to the attention of Susan L. Barry, Assisant Vice President with a copy to Philip A. Herman, Esq., Goulston & Storrs, P.C., 400 Atlantic Avenue, Boston, Massachusetts 02110-3333. Any notice, unless otherwise specified, may be given orally or in writing.

8.2 NO WAIVERS. No failure or delay by the Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

8.3 FURTHER ASSURANCES. The Borrower shall do, make, execute and deliver all such additional and further acts, things, assurances, and instruments as the Lender may reasonably require more completely to vest in and assure to the Lender its rights hereunder, under the Credit Note and under the other Security Documents, in the Collateral and to carry into effect the provisions and intent of this Agreement, the Credit Note and the other Security Documents.

8.4 GOVERNING LAW. This Agreement and the Credit Note shall be deemed to be contracts made under seal and shall be construed in accordance with and governed by the laws of the Commonwealth of Massachusetts (without regard to conflicts of laws rules). Any legal action or proceeding arising out of or relating to this Agreement or any Obligation may be instituted in the courts of the Commonwealth of Massachusetts or of the United States of America for the District of Massachusetts, and the Borrower hereby irrevocably submits to the jurisdiction of each such court in any such action or proceeding; PROVIDED, HOWEVER, that the foregoing shall not limit the Lender's rights to bring any legal action or proceeding in any other appropriate jurisdiction.

8.5 EXPENSES. TAXES AND INDEMNIFICATION.

(a) The Borrower will pay and indemnify and hold the Lender harmless against all taxes (other than taxes on the income or assets of the Lender), charges and expenses of every kind or description, including without limitation attorneys' fees and expenses and the costs and expenses of field audits and commercial finance exams, reasonably incurred or expended by the Lender in connection with or in any way related to the Lender's relationship with the Borrower, whether hereunder or otherwise, including, without limitation, those incurred or expended in connection

with the preparation, execution, delivery, interpretation or amendment of this Agreement, the other Security Documents and any related agreement, instrument or document, the making of the Revolving Loans, the supervision, protection and collection of and realization upon any Collateral, and the protection or enforcement of the Lender's rights hereunder and under the other Security Documents.

(b) The Borrower shall absolutely and unconditionally indemnify and hold the Lender harmless against any and all claims, demands, suits, actions, causes of action, damages, losses, settlement payments, obligations, costs, expenses and all other liabilities whatsoever which shall at any time or times be incurred or sustained by the Lender, its directors, officers, employees, subsidiaries, affiliates or agents (except any of the foregoing incurred or sustained as a result of the gross negligence or willful misconduct of the Lender or any such Person) on account of, or in relation to, or in any way in connection with, this Agreement, the other Security Documents and the other documents executed or delivered in connection herewith, and the arrangements or transactions contemplated therein, whether or not all or any of the transactions contemplated by, associated with or ancillary to this Agreement or any of such documents are ultimately consummated.

8.6 AMENDMENTS, WAIVERS, ETC. This Agreement, the Credit Note, the other Security Documents and any provision hereof or thereof may be waived, discharged or terminated only by an instrument in writing signed by the Lender and may be amended only by an instrument in writing signed by the Borrower and the Lender.

8.7 BINDING EFFECT OF AGREEMENT. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successors and assigns. The Lender may sell, assign or otherwise transfer all or any portion of its right, title and interest in, and its obligations under, this Agreement, the Revolving Loans made and to be made hereunder, or grant participations in its right, title and interest herein and therein. The Borrower may not assign or transfer its rights or obligations hereunder.

8.8 COMPUTATION OF INTEREST AND FEES, ETC. Interest, fees and charges shall be computed daily on the basis of a year of 360 days and paid for the actual number of days for which due. If the due date for any payment of principal is extended by operation of law, interest shall be payable for such extended time. If any payment required by this Agreement becomes due on a day on which banks in Boston, Massachusetts are required or permitted by law or an appropriate authority to remain closed, such payment may be made on the next succeeding day on which such banks are open, and such extension shall be included in computing interest in connection with such payment. All payments required of the Borrower hereunder or under the Credit Note shall be made in lawful money of the United States of America in federal or other funds immediately available to the recipient thereof at the prescribed place of payment.

8.9 ENTIRE AGREEMENT; MISCELLANEOUS. This Agreement, including the exhibits hereto, and the other Security Documents set forth the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and supersedes all prior agreements,

promises, covenants, arrangements, communications, representations, warranties, whether oral or written, by any officer, employee or representative of any party hereto. The captions for the sections of this Agreement are for ease of reference only and are not an integral part of this Agreement. This Agreement may be signed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument. The provisions of this Agreement are severable, and if any of these provisions shall be held by any court of competent jurisdiction to be unenforceable, such holding shall not affect or impair any other provision hereof.

8.10 WAIVER OF JURY TRIAL. THE BORROWER HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY JURISDICTION AND IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT, THE OBLIGATIONS, OR ANY INSTRUMENT OR DOCUMENT DELIVERED PURSUANT HERETO OR THERETO, OR ANY CLAIM OR DISPUTE HOWSOEVER ARISING, BETWEEN THE BORROWER AND THE LENDER. THIS WAIVER SHALL BE EFFECTIVE FOR EACH DOCUMENT EXECUTED BY THE BORROWER OR THE LENDER AND DELIVERED TO THE LENDER OR THE BORROWER, AS THE CASE MAY BE, WHETHER OR NOT SUCH DOCUMENT SHALL CONTAIN A WAIVER OF JURY TRIAL. THE BORROWER FURTHER ACKNOWLEDGES THAT ALL DOCUMENTS DELIVERED BY THE LENDER OR THE BORROWER ARE SUBJECT TO THIS WAIVER OF JURY TRIAL AS TO ANY ACTION THAT MAY BE BROUGHT AS TO ANY OF SUCH DOCUMENTS, AND CONFIRMS THAT THE FOREGOING WAIVERS ARE INFORMED AND FREELY MADE.

WITNESS the execution hereof under seal on the day and year first above written.

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ Alan R. Willens
---
Title: President

By: /s/ David L. Loeser
---
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ illegible
---
Title: Director

For purposes of Section 4.1.3 only:

CHARLES RIVER ASSOCIATES L.P.

By: CHARLES RIVER ASSOCIATES
INCORPORATED, its general partner

By: /s/ James C. Burrows
---
Title: President

AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AGREEMENT

This Amendment No. 1 is made as of April , 1995, by and between Charles River Associates Incorporated and The First National Bank of Boston.

WHEREAS, the parties hereto are parties to a certain Amended and Restated Loan Agreement dated as of November 18, 1994 (the "Loan Agreement"). Terms defined in the Loan Agreement and not otherwise defined herein shall have the same respective meanings herein as therein.

WHEREAS, the parties wish to amend the Loan Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lender agree as follows:

Section 1. AMENDMENT TO LOAN AGREEMENT.

1.1 Clause (g) of the definition of "Eligible Account" contained in Section 1.1 of the Loan Agreement is hereby amended to read in its entirety as follows:

"(g) is not owing from an account debtor (i) not located in the United States, Canada or Puerto Rico, unless such account debtor has been approved in writing by the Lender in its sole discretion, PROVIDED that the Lender acknowledges that it has approved Pemex Corporation, a Mexican corporation, as an account debtor, or (ii) who has accounts payable owing to the Borrower of which 50% or more of such accounts payable are not Eligible Accounts."

Section 2. GENERAL.

2.1 The Loan Agreement is hereby ratified and confirmed and shall continue in full force and effect as amended hereby.

2.2 The Borrower hereby represents and warrants that there is no Default or Event of Default outstanding or continuing under the Loan Agreement.

2.3 This Amendment No. 1 has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered to you by the Borrower and is in full force and effect as of the date hereof, and the agreements and obligations of the Borrower contained herein constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with the terms of this Amendment No. 1.

2.4 This Amendment No. 1 may be signed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

WITNESS the execution of this Amendment No. 1 under seal as of the day first above written.

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ David L. Loeser
---
Title: Vice President

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Susan L. Barry
---
Title: Vice President

[BANK OF BOSTON LOGO]

June 30, 1996

Charles River Associates Incorporated
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116
Attention: Mr. James Burrows

Re: Charles River Associates Incorporated Financing Arrangement

Ladies and Gentlemen:

Reference is hereby made to that certain Amended and Restated Loan Agreement (the "Loan Agreement") dated November 18, 1994 between Charles River Associates Incorporated (the "Borrower") and The First National Bank of Boston (the "Lender"), as amended by Amendment No. 1 dated April 20, 1995 (the "Amendment").

You have requested, and the Bank hereby agrees, that the reference to "90 days" in section 5.l(i) on page 14 of the Loan Agreement be deleted and that "120 days" be inserted in its place. It is understood and agreed that, except as expressly provided in this letter of agreement, all of the terms, conditions and provisions of the Loan Agreement and Amendment remain unaltered.

Please acknowledge your agreement with the foregoing by countersigning this letter of agreement in the space provided below.

Very truly yours,

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Virginia Denett
---
Title: Vice President and Director

By: /s/ Donna S. Arbo
---
Title: Loan Officer

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ David L. Loeser
---
Title: Vice President and Treasurer

[BANK OF BOSTON LOGO]

January 5, 1996

Charles River Associates Incorporated
John Hancock Tower
200 Clarendon Street, T-33
Boston, Massachusetts 02116
Attention: Laurel Morrison, Controller

Re: LETTER OF CREDIT FACILITY

Ladies and Gentlemen:

We refer to the Amended and Restated Loan Agreement (the "Agreement") dated as of November 18, 1994 between Charles River Associates Incorporated ("CRA") and The First National Bank of Boston. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Agreement. You have requested the Bank to provide a discretionary letter of credit facility under the Agreement in an aggregate maximum amount of $200,000 and the Bank is willing to do so, but only on the terms and conditions set forth herein.

Subject at all times to the terms and conditions of the Agreement, the Bank will issue, in its sole discretion, standby letters of credit ("Letters of Credit") upon the application and for the account of CRA, PROVIDED that the aggregate maximum amount available to be drawn under all outstanding Letters of Credit (without regard to whether or not the conditions to drawing could then be met) PLUS the aggregate amount of all unreimbursed draws under such outstanding Letters of Credit shall not at any time exceed $200,000, and PROVIDED, FURTHER that at the time CRA requests the issuance of any Letter of Credit, there is not continuing any Default or Event of Default. In order to evidence each Letter of Credit, CRA will enter into with the Bank such agreements and execute such instruments and documents as the Bank requires, including, but not limited to, a letter of credit application and agreement on the Bank's customary form.

Immediately upon the issuance of a Letter of Credit by the Bank, the Maximum Amount shall be automatically reduced by the face amount of such Letter of Credit until such Letter of Credit is terminated.

All of the obligations of payment and performance of CRA under or in respect of the Letters of Credit shall constitute Obligations under the Agreement and shall be secured by the Collateral. Any and all amounts drawn under the Letters of Credit will be Obligations which are immediately due and payable by CRA to the Bank, and if not so paid, it shall constitute an immediate Event of Default under the Agreement.

CRA shall pay to the Bank a $400 fee in connection with the issuance of each Letter of Credit, along with such other fees and charges as are customarily charged by the Bank with respect to standby letters of credit.

If you are in agreement with the foregoing, please countersign this letter below where indicated and return an original to us.

Sincerely,

THE FIRST NATIONAL BANK OF BOSTON

By: /s/ illegible
---
Title: Vice President

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ Laurel Morrison
---
Title:
Hereunto Duly Authorized

EXHIBIT 10.4

# AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT is made as of November 18, 1994, between Charles River Associates Incorporated (the "Debtor"), a Massachusetts corporation having its principal place of business and chief executive office at John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts 02116, and THE FIRST NATIONAL BANK OF BOSTON (the "Bank"), a national banking association with its head office at 100 Federal Street, Boston, Massachusetts 02110.

WHEREAS, the Debtor and the Bank are parties to a Loan and Security Agreement dated June 30, 1994 (the "Bridge Loan Agreement");

WHEREAS, the Debtor has requested that the Bridge Loan Agreement be amended and restated in the form of two separate agreements, one of which shall be this Amended and Restated Security Agreement and one of which shall be that certain Amended and Restated Loan Agreement (the "Amended and Restated Loan Agreement") between the Debtor and the Bank executed on the date hereof;

WHEREAS, the Bank is willing to amend and restate the Bridge Loan Agreement upon the terms and subject to the conditions set forth herein and in the Amended and Restated Loan Agreement; and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree that the Bridge Loan Agreement shall be amended and restated to read in its entirety as set forth herein and in the Amended and Restated Loan Agreement:

CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation with a principal place of business at John Hancock Tower, 200 Clarendon Street, T-33, Boston, MA 02116, (hereinafter called "Debtor"), hereby grants to THE FIRST NATIONAL BANK OF BOSTON (hereinafter called "Bank"), to secure the payment and performance of (i) the Obligations under (and defined in) the Amended and Restated Loan Agreement of even date between Debtor and Bank (the "Loan Agreement"), and (ii) all other obligations of Debtor to Bank, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising (all of the foregoing being hereinafter called the "Obligations"), a security interest in the following personal property of Debtor, whether such property is now owned or existing or is owned, acquired or arises hereafter, and any and all additions, substitutions, accessions and proceeds and products thereto or thereof (all of the same being hereinafter called the "Collateral"):

all accounts receivable (as defined in the Loan Agreement) of Debtor, whether billed or unbilled; all contract rights of Debtor relating to such accounts receivable; all other rights

of Debtor to the payment of money (including, without limitation, amounts due from affiliates, tax refunds and insurance proceeds); all files, records (including, without limitation, computer programs, tapes and related electronic data processing software) and writings of Debtor or in which it has an interest in any way relating to such accounts receivable; and all other instruments, documents or agreements evidencing the existence of or entitlement to such accounts receivable (including, without limitation, any rights of Debtor to retrieval from third parties of electronically processed and recorded information pertaining to any of the foregoing collateral).

Debtor hereby represents, warrants and covenants that:

1. Debtor's principal place of business is, and will remain, at the John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts, until such time as Debtor has given Bank at least 30 days' prior written notice of any change in location. All of the books and records of Debtor shall be kept at such principal place of business.

2. Except for the security interest granted hereby or as disclosed on Schedule A, Debtor is the owner of the Collateral free from all encumbrances and will defend the same against the claims and demands of all persons. Debtor will not pledge, mortgage or create, or suffer to exist, a security interest in the Collateral in favor of any person other than Bank or as disclosed on Schedule A, and will not sell or transfer the Collateral or any interest therein without the prior written consent of Bank.

3. Debtor will notify Bank in writing 30 days prior to any change in its address from that shown in this agreement, shall at all reasonable times and from time to time allow Bank, by or through any of its officers, agents, attorneys or accountants, to examine, inspect or make extracts from Debtor's books and records, and shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Bank may require more completely to vest in and assure to Bank its rights hereunder or in any of the Collateral.

4. Debtor will keep the Collateral at all times insured as provided in the Loan Agreement.

5. In its discretion after notice to Debtor, Bank may discharge taxes and other encumbrances at any time levied or placed on the Collateral, make repairs thereof and pay any necessary filing fees. Debtor agrees to reimburse Bank on demand for any and all expenditures so made, and until paid the amount thereof shall be a debt secured by the Collateral. Bank shall have no obligation to Debtor to make any such expenditures nor shall the making thereof relieve Debtor of any default. After an Event of Default and while it is continuing, Bank may act as attorney for Debtor in making, adjusting and settling claims under any insurance covering the Collateral.

6. Debtor may have possession and use of the Collateral until the occurrence of an Event of Default. Upon the happening of any Event of Default under the Loan Agreement (herein, an "Event of Default"), Bank may without notice or demand declare all of the Obligations to be immediately due and payable, and Bank shall then have in any jurisdiction where enforcement hereof is sought, in addition to all other rights and remedies, the rights and

remedies of a secured party under the Uniform Commercial Code of Massachusetts, including without limitation thereto the right to take immediate possession of the Collateral, and for the purpose Bank may, so far as Debtor can give authority therefor, enter upon any premises on which the Collateral, or any part thereof, may be situated and remove the same therefrom. After any such Event of Default, Debtor will upon demand make the Collateral available to Bank at a place and time designated by Bank which is reasonably convenient to both parties. Bank will give Debtor at least five days' prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale thereof is to be made. From the proceeds of the sale, Bank shall be entitled to retain (i) all sums secured hereby, (ii) its reasonable expenses of retaking, holding, preparing for sale and selling the Collateral, and (iii) reasonable legal expenses incurred by it in connection herewith and with such sale. No waiver by Bank of any Event of Default shall be effective unless in writing nor operate as a waiver of any other Event of Default or of the same Event of Default on another occasion.

7. Debtor waives demand, notice (except for any notice of default expressly required by the Loan Agreement), protest, notice of acceptance of this agreement, notice of loans made, credit extended, collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect both to the Obligations and the Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any, thereof, all in such manner and at such time or times as Bank may deem advisable. Bank shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof. Bank may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for liability. Bank shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver be in writing and signed by Bank. No delay or omission on the part of Bank in exercising any right 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 Bank with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised separately or concurrently.

8. This agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the law of the Commonwealth of Massachusetts. This agreement is intended to take effect as a sealed instrument.

IN WITNESS WHEREOF, Debtor has executed this agreement as of this 18th day of November, 1994.

CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
---
Title: PRESIDENT

EXHIBIT 10.5

# REVOLVING CREDIT NOTE

$2,000,000

Boston, Massachusetts
November 18, 1994

FOR VALUE RECEIVED, the undersigned (the "Borrower") absolutely and unconditionally promises to pay to THE FIRST NATIONAL BANK OF BOSTON (the "Lender"), or order, on June 30, 1996, or on such later date as becomes the Maturity Date (as defined in the Agreement referred to below) pursuant to the terms of such Agreement, the principal amount of Two Million Dollars ($2,000,000) or, if less, the aggregate unpaid principal amount of all Revolving Loans (as defined in the Agreement referred to below) made by the Lender to the Borrower pursuant to the Agreement and noted on the records of the Lender, such payment to be made as hereinafter provided, together with interest (computed on the basis of the actual number of days elapsed over a 360-day year) on the unpaid principal amount hereof until paid in full.

The entire unpaid principal (not at the time overdue) of this Note shall bear interest at the rate or rates from time to time in effect under the Agreement, as defined below. Accrued interest on the unpaid principal under this Note shall be payable on the dates specified in the Agreement.

All payments under this Note shall be made at the head office of the Lender at 100 Federal Street, Boston, Massachusetts 02110 (or at such other place as the Lender may designate from time to time in writing) in lawful money of the United States of America in federal or other immediately available funds. The Borrower may prepay this Note in whole or in part at any time without premium or penalty. Amounts so paid and other amounts may be borrowed and reborrowed by the Borrower hereunder from time to time as provided in the Agreement referred to below.

This Note is issued pursuant to, is entitled to the benefits of, and is subject to the provisions of a certain Amended and Restated Loan Agreement of even date herewith by and between the undersigned and the Lender (herein, as the same may from time to time be amended or extended, referred to as the "Agreement"), but neither this reference to the Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided.

Upon the occurrence of an Event of Default, as defined in the Agreement, the aggregate unpaid balance of principal plus accrued interest may become or may be declared to be due and payable in the manner and with the effect provided in the Agreement.

The maker of this Note hereby waives presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

WITNESS the execution of this Note under seal on the date written above.

WITNESS:

CHARLES RIVER ASSOCIATES
INCORPORATED

/s/ Delia J. Makhlouta

By: /s/ David L. Loeser
Title: Vice President

EXHIBIT 10.6

CONFORMED COPY

JOHN HANCOCK TOWER

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# LEASE

## JOHN HANCOCK TOWER

## Boston, Massachusetts

THIS INDENTURE OF LEASE made the 1st day of March, 1978,

WITNESSETH:

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, ("Landlord"), lease to CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation, whose address is: 1050 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02138 ("Tenant") and tenant accepts that certain office space shown and designated on the plan attached hereto and made a part hereof as Exhibits A and A-1 and comprising the 43rd floor and a portion of the 44th floor, said space being herein referred to as the "Premises" in the building ("Building") at 200 Clarendon Street in the City of Boston, Massachusetts (the "Property") for a term commencing on the date when the Premises are deemed ready for occupancy as defined in Paragraph 6 and continuing for ten years ("Term"), unless sooner terminated as provided herein, subject to the agreements herein contained.

In consideration thereof, Landlord and Tenant covenant and agree as follows:

1. BASE RENT. Tenant shall pay to Landlord at the office of Landlord or at such other place as Landlord may designate, the annual base rent of $479,708.50 in equal monthly installments of $39,975.71 each in advance on the first day of each and every calendar month during the Term. If the Term commences or ends other than the first day of a month, then the rent for such month shall be prorated for such fractional period and paid promptly to Landlord. Tenant shall receive a credit of $239,854.24 to be applied against the first six installments of base rent.

2. RENT ADJUSTMENT. Landlord and Tenant agree that the following rent adjustments shall be made:

(a) If Ownership Taxes for any fiscal year of the Term (including the fiscal year in which this Lease terminates) after fiscal year 1978 (the Base Year for Ownership Tax purposes) shall exceed Ownership Taxes for the Base Year, Tenant shall pay to Landlord an amount equal to Tenant's Proportionate Share of the amount by which the Ownership Taxes for such fiscal year exceed the Ownership Taxes for the Base Year. For purposes of this paragraph, "fiscal year" shall mean the period July 1 to June 30 (or such other period as hereinafter may be adopted by the City of Boston, pursuant to law, as the fiscal year for real estate tax purposes.

Tenant's Proportionate Share of Ownership Taxes for any fiscal year shall be 2.8463 percent, the percentage resulting from dividing the number of square feet of rentable area included in the Premises (which is 45,470 square feet) by the number of square feet of rentable area included in the Building (which is 1,597,533 square feet).

Ownership Taxes shall mean all taxes and special assessments of every kind and nature which Landlord shall pay or become obligated to pay in respect of a fiscal year because of or in connection with the ownership, leasing and operation of the Building and the Property, subject to the following:

(i) the amount of ad valorem real and personal property taxes against Landlord's real and personal property to be included shall be the amount shown by the latest available tax bill issued for the fiscal year in respect of which Ownership Taxes are being determined. There shall be deducted from Ownership Taxes the amount of any refunds (less reasonable expenses incurred in obtaining such refunds) in the fiscal year received by Landlord.

(ii) the amount of special taxes or special assessments to be included shall be limited to the amount of the installment [plus any interest (other than penalty interest) payable thereon] of such special tax or special assessment required to be paid during the fiscal year in respect of which Ownership Taxes are being determined.

(iii) the amount of any tax or excise levied by the Commonwealth of Massachusetts or the City of Boston or any political subdivision of either, on rents or other income from the Property to be included shall not be greater than the amount which would have been payable on account of such tax or excise by Landlord during the fiscal year in respect of which Ownership Taxes are being determined had the income received by Landlord from the Building been the sole taxable income of Landlord for such fiscal year.

(iv) there shall be excluded from Ownership Taxes all federal income taxes, federal excess profits taxes, franchise, capital stock and federal or state inheritance or estate taxes.

(b) As the rent adjustment for Operating Expenses, if the Composite Operating Labor Rate for any calendar year of the Term (including the calendar year in which this Lease terminates) after calendar year 1978 (the Base Year for operating expense purposes) shall exceed the Composite Operating Labor Rate for the Base Year, Tenant shall pay to Landlord an amount equal to $0.005625 per square foot of rentable area included in the Premises for every 1/4 of 1% of percentage increase in the Composite Operating Labor Rate for such calendar year over the Composite Operating Labor Rate for the Base Year.

For purposes of this paragraph, the following definitions apply:

(i) The "Composite Operating Labor Rate" shall be the average of the hourly straight time wages plus taxes incidental to employment and the cost of Fringe Benefits in effect on March 15 of the full-time cleaning porters and elevator maintenance men employed in the Building whether employed by Landlord or an independent contractor.

(ii) "Fringe Benefits" shall mean all costs of pensions, insurance and other direct benefits incidental to employment as certified by an officer of Landlord to the extent that all such items are payable by the employer.

(c) As the rent adjustment for Utility Expenses, if for any calendar year of the Term (including the calendar year in which this Lease terminates), the rate charged for the supply of any utility services to the Building by any public or private utility company serving the Building exceeds the applicable rate for such utility services at the time of commencement of this Lease, Tenant shall pay Landlord an amount equal to the amount of such increase multiplied by the units of utility services allocable to Tenant. The units of utility services allocable to Tenant shall be the units of utility services for the Building times a fraction, the numerator of which is the number of square feet of rentable area included in the Premises and the denominator of which is the number of square feet of rentable area in the Building. This adjustment shall be increased proportionately for any additional units of electrical service supplied to Tenant pursuant to Paragraph 3(b).

For purposes of this paragraph, a private or public utility company shall include any and all companies now or in the future providing electricity, water, steam, gas or any other product whose rates are regulated by the Commonwealth of Massachusetts, the City of Boston or any agency or department thereof. The rate charged for the supply of utility services shall include without limitation any adjustment to such rate charged by a utility company including without limitation the so-called "fuel adjustment".

(d) For the purposes of this Lease, rentable area shall be computed as follows:

(i) The rentable area of a single tenancy floor shall be computed by measuring to the inside finish of exterior glass panels and shall include all areas within such glass panels excluding public stairs, elevator shafts, flues, stacks, pipe shafts, vertical ducts, and peripheral building columns with their enclosing walls and shall include: toilets, janitor closets and electrical closets within and serving only such floor.

(ii) the rentable area for a multiple tenancy floor shall include the Premises' proportionate share of the areas described in the preceding subsection plus the proportionate share of corridor space necessary for the multiple tenancy of the floor. Individual office or a portion of a divided floor shall be computed by measuring to the inside finish of exterior glass panels, to the corridor side of corridors and other permanent partitions, and to the center of partitions that separate the premises from adjoining rentable areas.

(e) Landlord agrees to keep and maintain on a year to year basis appropriate records supporting the computation of the Composite Operating Labor Rate and the rent adjustments for Utility Expenses.

Landlord shall deliver to Tenant within ten days after receipt of an Ownership Tax bill (beginning in fiscal year 1979) a report certified by an officer of Landlord. The report shall contain:

(i) The amount by which the Ownership Taxes for such fiscal year exceed the Ownership Taxes for the Base Year.

(ii) The amount of the rent adjustments for such fiscal year. Tenant shall pay to Landlord any amount due as a result of such rent adjustment within ten days' receipt of such report.

Landlord shall deliver to Tenant within 90 days after the close of each calendar year (including the calendar year in which this Lease terminates) a report certified by an officer of Landlord. This report shall contain the following:

(i) The officer's statement that the records supporting the computation of the Composite Operating Labor Rate and the rent adjustment for Utility Expenses have been maintained in accordance with the requirements of this subparagraph (e).

(ii) The amount by which the Composite Operating Labor Rate for such calendar year exceeds the Composite Operating Labor Rate for the Base Year.

(iii) A comparison of the Utility Expenses at the time of commencement of the Lease and for the calendar year.

(iv) The amount of the rent adjustments for such calendar year.

In the event that any rent adjustments results in a net increase in the rent due Landlord, Tenant shall and agrees to pay to Landlord, on or before 30 days immediately following Tenant's receipt of the report on account of which such increase is due the amount of such increase accrued to the rent date next preceding the date of such payment less amounts theretofore paid in respect thereof, and on the first day of each month which succeeds such payment and falls within the current calendar year in which the report is received (and also simultaneously with such payment if made on the first day of a calendar month), an amount for such month equal to one-twelfth of such increase. Tenant shall and agrees to pay to Landlord in and for each month of the current calendar year prior to receipt of the report an amount equal to one-twelfth of the rent adjustment for the immediately preceding calendar year. In the event that any such rent adjustment results in a net decrease in the amount of the installments of rent adjustment then currently being paid by Tenant, Landlord shall accompany the report required above with the payment to Tenant of the amount of such over-payment provided Tenant is not then in default in the performance of any of its obligations under this Lease.

All rent adjustments for any partial calendar year on expiration or earlier termination of this Lease shall be prorated. In no event shall any rent adjustment result in a decrease in the base rent payable hereunder.

3. SERVICES. Except as limited by Landlord's compliance with governmental request or regulation, Landlord shall provide the following services on all days during the Term excepting Sundays and legal holidays, unless otherwise stated:

(a) Air conditioning (heating or cooling as necessary for normal comfort in the Premises and as customarily provided in first-class office buildings in the City of Boston) from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m. (except on legal holidays). Legal holidays, for purposes of this Lease, shall consist of those listed on Exhibit 1, attached hereto and made a part hereof, together with any hereafter established by law to be effective in Massachusetts.

Circulating air shall not be available other than by air conditioning and if Tenant shall require air conditioning (heating or cooling) during any season outside the hours and days above specified, Landlord shall furnish the same for the area or areas specified in a written request of Tenant delivered to the superintendent of the Building before 3:00 p.m. of the business day preceding the extra usage. For such service Tenant shall pay Landlord, upon receipt of bill thereof, the sum of $50.00 per hour. If more than one Tenant has requested and is furnished this service for the same hour(s), it is understood that the charge will be prorated.

The above charge will be subject to proportionate adjustments to reflect increases or decreases in labor and utility costs.

(b) Electricity as provided for in the Landlord's standard electrical service as hereinafter described. It is expressly understood that the connected electrical load of lighting fixtures in the Premises and of the incidental use equipment of the Tenant will not exceed an average of 5.5 watts per square foot of the Premises. The electricity

furnished for the incidental use equipment of Tenant under Landlord's standard electrical service will be at nominal 120 volts and no electrical circuit for the supply of Tenant's equipment will have a current capacity exceeding 15 amperes. If Tenant's requirements for electricity are in excess of those set forth in the preceding sentence, Landlord at Tenant's expense will make reasonable effort to supply such service through the then existing feeders serving the Premises, but Landlord reserves the right to require Tenant to procure electricity for such excess incidental use requirements at Tenant's expense by arrangement with Boston Edison Company or other approved local utility. Landlord shall not be liable in any way to Tenant for any failure or defect in the supply or character of electric energy furnished on the Premises by reason of any requirement, act or omission of the public utility serving the Building with electricity.

All installations of electrical fixtures, appliances and equipment other than typewriters, adding machines, lamps, dictation equipment and other office equipment of a similar nature shall be subject to Landlord's prior approval. All replacement lighting tubes, lamps, bulbs and ballasts required in any lighting fixtures constituting a part of the Premises will be furnished and installed by Landlord at Tenant's expense.

(c) City water from the regular Building outlets for drinking, lavatory and toilet purposes.

(d) Janitor services equal in scope, quality and frequency to those customarily provided by landlords in high quality buildings in Boston, the specifications in Exhibit 2 being now considered as so customary.

No persons shall be employed by Tenant to do janitor work in the Premises and no persons other than the janitors of the Building shall clean the Premises unless Landlord shall give its written consent thereto. Any person employed by Tenant with Landlord's consent to do janitor work shall, while in the Building, either inside or outside the Premises, be subject to and under the control and direction of the superintendent of the Building (but not as agent or servant of said superintendent or of Landlord).

Tenant will pay the Landlord a reasonable charge for any extra cleaning of the Premises required because of the carelessness or indifference of Tenant or because of the nature of Tenant's business and for any cleaning done at the request of Tenant for any portion of the Premises which may be used for storage, shipping room or similar purposes. If the cost to Landlord for cleaning the Premises shall be increased due to the installation in the Premises, at Tenant's request, of any materials or finish other than those which are building standard, Tenant shall pay the Landlord an amount equal to such increase in cost, provided such cost is reasonable.

(e) Window washing of all windows in the Premises both inside and out, weather permitting, at intervals to be determined by Landlord.

(f) Adequate operatorless passenger elevator service at all times and freight elevator service subject to scheduling by Landlord.

(g) Cleaning of sun shading devices, at Tenant's expense, at intervals to be determined by Landlord.

(h) Such additional services on such terms and conditions as may be mutually agreed upon by Landlord and Tenant.

Tenant agrees that Landlord shall not be liable in damages, nor in default hereunder, for stoppage of any of the elevators or for failure to furnish or delay in furnishing any service when such failure to furnish or delay in furnishing is occasioned by repairs, renewals or improvements, or in whole or part by any strike, lockout or other labor trouble, or by inability to secure electricity, gas, water, oil or other fuel at the Building in required quantity or quality after reasonable effort so to do, or by any accident or casualty whatsoever, or by the act or default of Tenant, nor shall any of the foregoing be held or pleaded as an eviction or disturbance in any manner whatsoever of Tenant's possession or give Tenant any right to terminate this Lease or give rise to any claim for set-off or any abatement of rent or of any of Tenant's obligations under this Lease. Landlord agrees to use due diligence to avoid and overcome such stoppages and failures.

All charges for services shall be due and payable at the same time as the installment of rent with which they are billed, or, if billed separately, shall be due and payable within ten days after such billing. In case Tenant shall fail to make payment for any services Landlord may, immediately after notice to Tenant, discontinue any or all of such services and such discontinuance shall not be held or pleaded as an eviction or as a disturbance in any manner whatsoever of Tenant's possession, or relieve Tenant from the payment of rent when due, or vary or change any other provision of this Lease or render Landlord liable for damages of any kind whatsoever.

All services provided by Landlord to Tenant and to the Premises shall be consistent with a first-class office building in the City of Boston.

5. USE. Tenant shall use and occupy the Premises for general office purposes including accessory lunchroom and for no other purpose. Tenant shall not use or permit upon the Premises anything that will invalidate any policies of insurance now or hereafter carried on the Building or that will increase the rate of insurance on the Premises or Building. Tenant will pay all extra insurance premiums which may be caused by the use which Tenant shall make of the Premises. Tenant will not use or permit upon the Premises anything that may be dangerous to life or limb. Tenant will not in any manner deface or injure the Building or any part thereof or overload the floors of the Premises. Tenant will not do anything or permit anything to be done upon the Premises in any way tending to create a nuisance, or tending to disturb any other tenant in the Building or the occupants of neighboring property or tending to injure the reputation of the Building. Tenant will comply with all governmental, health and police requirements and regulations respecting the Premises. Tenant will not use the Premises for lodging or sleeping purposes or for any immoral or illegal purposes. Tenant shall not conduct nor permit to be conducted on the Premises any business which is contrary to any of the laws of the United States of America or of the Commonwealth of Massachusetts or which is contrary to the ordinances of the City of Boston. Tenant shall not at any time manufacture or sell and shall not at any time permit the manufacture or sale of any spirituous, fermented, intoxicating or alcoholic liquors on the Premises. Except as ordinarily incident to the operation of Tenant's accessory lunchroom, Tenant shall not at any time sell, purchase or give away, or permit, except with Landlord's prior written approval, the sale, purchase or gift of, food in any form by or to any of Tenant's agents or employees or any other parties on the Premises.

6. COMPLETION OF PREMISES BY LANDLORD; DELIVERY OF POSSESSION TO TENANT. Landlord agrees to use due diligence to have the Premises ready for occupancy on or before June 7, 1978, provided that compliance is made with the second paragraph of Section 1(a) of Exhibit 3. Landlord agrees to seek a certificate of occupancy for the Premises consistent with the building permit for completion of Tenant Work specified in Exhibit 3 as soon as the same may be obtained from the City of Boston Building Department if such certificate is required by law or regulation. Landlord agrees to permit Tenant to occupy the Premises prior to June 7, 1978 if and when the Premises are in a condition suitable for occupancy although finish work may not be completed. Such a condition shall exist when Landlord is able to supply all basic building services such as heat, ventilation, air conditioning, electricity, water, and elevator service and substantially all partitioning, carpeting and painting is completed; provided, however, that Landlord shall notify Tenant of such condition only after taking into account the potential risks to the safety of persons to be occupying the Premises and potential delays in completion of finish work which such early occupancy might create. Such early occupancy shall be subject to all of the terms and conditions of this Lease, and the date of first occupancy shall be the commencement of the Term. In case of delays due to governmental regulation, strikes and similar labor difficulties, casualty or other causes not reasonably within Landlord's control, such date shall be extended for the period of such delays. The Premises shall be deemed ready for occupancy on that date which is the latest of:

(a) The date estimated for such readiness in a notice delivered to Tenant not less than 120 days before such date,

(b) The date estimated for such readiness in a second notice delivered to Tenant not less than 30 days before such date,

(c) The date on which the common facilities of the Building for access and service to the Premises are completed and the Premises are completed under Exhibit 3 except for so-called "punch-list" items, the completion of which will not substantially interfere with Tenant's occupancy, use or enjoyment of the Premises, and except for the balancing of the heating, ventilating and air-conditioning systems of the Building. Such completion shall be conclusively evidenced by a certificate of Landlord's and Tenant's Space Planners delivered to Tenant. Landlord agrees to use due diligence to complete all items and work excepted by this clause(c).

If the Premises are not ready for occupancy on July 7, 1978 except as a result of Tenant's failure to provide final plans as specified in Exhibit 3 and except as a result of force majeure or Tenant's request for unusual or difficult-to-obtain materials or workmanship, Landlord shall pay Tenant on August 1, 1978 as liquidated damages $1,697.60 times the number of days between July 7 and August 1 during which the Premises were not ready for occupancy and during which Tenant was not occupying the Premises.

If the Premises are not ready for occupancy on August 1, 1978 except as result of Tenant's failure to provide final plans as specified in Exhibit 3 and except as a result of Tenant's request for unusual of difficult-to-obtain materials or workmanship, Tenant, by written notice to Landlord, may terminate this Lease and if notification is so given, this Lease shall be void and neither party shall be under any obligation to the other except for the obligation of Landlord to pay invoices pursuant to Attachment A to Exhibit 3 for work performed in the Premises prior to such termination. If Tenant does not terminate this Lease on August 1, 1978 and the Premises are not ready for occupancy by October 2, 1978, Tenant may terminate this Lease on October 2, 1978 by written notice to Landlord, and if such notice is so given, this Lease shall be void and neither party shall be under any obligation to the Landlord, and if such notice is so given, this Lease shall be void and neither party shall be under any obligation to the other except for Landlord's obligation to pay the invoices specified above. If the Premises are not ready for occupancy on October 2, 1978 as a result of Landlord's failure to diligently pursue such completion, Landlord shall pay to Tenant by November 1, 1978 the audited amount of Tenant's Work specified on the plans shown on Exhibit 4 which Tenant has paid. Landlord shall not be obligated to pay such amount if the Premises are not ready as a result of force majeure, delays resulting from Tenant's failure to provide final plans as specified in Exhibit 3 or Tenant's request for unusual or difficult-to-obtain materials or workmanship.

7. CONDITION OF PREMISES. Tenant's taking possession shall be conclusive evidence as against the Tenant that the Premises were in good order and satisfactory condition when Tenant took possession except for those items specified in a notice to Landlord not later than 30 days after Tenant takes possession of the Premises. No promise of Landlord to alter, remodel or improve the Premises or the Building and no representation respecting the condition of the Premises or the Building have been made by Landlord to Tenant other than as may be contained herein in Exhibit 3.

8. ASSIGNMENT AND SUBLETTING. Tenant shall not, without the prior written consent of Landlord, (a) assign this Lease or any interest hereunder; (b) permit any assignment hereof by operation of law, (c) sublet the Premises or any part thereof, or (d) permit the use of the Premises by any parties other than Tenant, its agents and employees provided, however, that Tenant may, without the prior written consent of Landlord, assign or sublet the Premises to an affiliate as that term is defined in Rule 144 promulgated under the Securities Act of 1933 and may permit the assignment of this Lease by operation of law in connection with a merger or consolidation, but provided further, that no such assignment or subletting shall affect Tenant's continuing primary liability hereunder. With respect to any assignment or subletting proposed by Tenant, Landlord shall have the right to require that the Premises, if assignment is proposed, or that part of the Premises to be included in a subletting, be surrendered to the Landlord for the balance of the Term, as respects a proposed assignment, or for the term of the sublease, in consideration of an appropriate pro rata adjustment of, or cancellation of, the Tenant's obligations hereunder. Landlord agrees that its consent to a proposed subletting shall not be unreasonably withheld provided Tenant remains primarily liable hereunder.

9. REPAIRS. Except for reasonable wear and tear and except for damage caused by Landlord's negligence, Tenant will, at its own expense, keep the Premises in good repair and tenantable condition during the Term of this Lease, except as otherwise provided in Paragraph 20 of this Lease, and Tenant shall promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken glass (except as specified below), fixtures and appurtenances, under the supervision and with the approval of Landlord, and within any reasonable period of time specified by Landlord. If Tenant does not do so, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the reasonable cost thereof forthwith upon being billed for same. Landlord may, but shall not be required so to do, enter the Premises at all reasonable times to make such repairs, alterations, improvements and additions, including ducts and all other facilities for air conditioning services as Landlord shall desire or deem necessary to the Premises or to the Building or to any equipment located in the Building or as Landlord may be required to do by the City of Boston or by the order or decree of any court or by any other governmental authority.

Landlord agrees, at its expense, to make all repairs to the Premises resulting from faulty workmanship or defective materials which are reported in writing to Landlord during the first year of the Term, with the exception of exterior windows which Landlord agrees, at its expense, to repair or replace if

structurally damaged at any time unless such damage is caused by Tenant's negligence.

10. ALTERATIONS. Tenant shall not without the prior written consent of Landlord, make any alterations, improvements or additions to the Premises. All alterations, improvements and additions, whether temporary or permanent in character, made by Landlord or Tenant in or upon the Premises shall become Landlord's property and shall remain upon the Premises at the termination of this Lease by lapse of time or otherwise, without compensation to Tenant, excepting, however the following items of property: Tenant's movable office furniture, trade fixtures, office equipment, special lighting fixtures, and any self-contained modular office units, including partitions, installed by Tenant which may or may not be bolted to the floors and/or walls.

11. CERTAIN RIGHTS RESERVED BY LANDLORD. Landlord shall have the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, persons or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use of possession or giving rise to any claim for set-off or abatement of rent:

(a) To change the Building's name or street address.

(b) To install, affix and maintain any and all signs on the exterior and interior of the Building.

(c) To designate and approve, prior to installation, all types of window shades, blinds, drapes, awnings, window ventilators and other similar equipment, and to control all internal lighting that may be visible from the exterior of the Building.

(d) To designate, restrict and control all sources from which Tenant may obtain ice, drinking water, towels, toilet supplies, shoe shining, catering, food and beverages except as obtained in Tenant's accessory lunchroom or like or other services on the Premises, and, in general, to reserve to Landlord the exclusive right to designate, limit, restrict and control any business and any service in or to the Building and its tenants.

(e) To inspect the Premises at reasonable hours and, during the last 12 months of the Term, to show them to prospective tenants at reasonable hours and, if they are vacated, to prepare them for re-occupancy.

(f) To retain at all times, and to use in appropriate instances, keys to all doors within and into the Premises. No locks shall be changed or added without the prior written consent of Landlord. Landlord hereby consents to the installation of the MAC 540, a magnetic card security system manufactured by Rusco or some other comparable system. Tenant will provide Landlord with a reasonable number of magnetic cards permitting entry onto the Premises.

(g) To decorate and to make repairs, alterations, additions, changes or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purposes to enter upon the Premises and, during the continuance of any of said work, to temporarily close doors, entryways, public space and corridors in the Building, to interrupt or temporarily suspend Building services and facilities and to change the arrangement and location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets, or other public parts of the Building, all without abatement of rent or affecting any of Tenant's obligations hereunder, so long as the Premises are reasonably accessible.

(h) To have and retain a paramount title to the Premises free and clear of any act of Tenant purporting to burden or encumber it.

(i) To grant to anyone the exclusive right to conduct any business or render any service in or to the Building, provided such exclusive right shall not operate to exclude Tenant from the use expressly permitted herein.

(j) To approve the weight, size and location of safes and other heavy equipment and articles in and about the Premises and the Building (so as not to exceed the legal live load), and to require all such items and furniture and similar items to be moved into and out of the Building and Premises only at such times and in such manner as Landlord shall direct in writing. Movements of Tenant's property into or out of the Building and within the Building are entirely at the risk and responsibility of Tenant and Landlord reserves the right to require permits before allowing any such property to be moved into or out of the Building.

(k) To prohibit the placing of vending or dispensing machines of any kind in or about the Premises without the prior written permission of Landlord. Landlord hereby consents to the installation of six vending machines in Tenant's accessory lunchroom and Landlord shall not unreasonably withhold its consent for other locations in the Premises.

(l) To have access for Landlord and other tenants of the Building to any mail chutes located on the Premises according to the rules of the United States Post Office.

(m) To take all such reasonable measures as Landlord may deem advisable for the security of the Building and its occupants, including without limitation, the search of all persons entering or leaving the Building, the evacuation of the Building for cause, suspected cause, or for drill purposes, the temporary denial of access to the Building, and the closing of the Building after regular working hours, i.e. 8 a.m. to 6 p.m. on business days and on Saturdays, Sundays and legal holidays, subject, however, to Tenant's right to admittance when the Building is closed after regular working hours under such reasonable regulations as Landlord may prescribe from time to time which may include, by way of example but not of limitation, that persons entering or leaving the Building, whether or not during regular working hours, identify themselves to a watchman by registration or otherwise and that said persons establish their right to enter or leave Building.

Landlord may enter upon the Premises and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of an eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

12. COVENANT AGAINST LIENS. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen to be placed against the Building or the Premises or Tenant's interest under this Lease, and in case of any such lien attaching to immediately remove the same by payment or bond. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon Landlord's title or interest in the Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only.

13. WAIVER OF CLAIMS. Tenant agrees, that to the extent not expressly prohibited by law, Landlord and its officers, agents, servants, and employees shall not be liable for any damage either to persons or property sustained by Tenant or by other persons due to the Building or any part thereof or any appurtenances thereof becoming out of repair, or due to the happening of any accident in or about the Building, or due to any act or neglect of any tenant or occupant of the Building or of any other person. This provision shall apply particularly (but not exclusively) to damage caused by water, snow, frost, steam, sewage, gas, sewer gas or odors or by the bursting or leaking of pipes, faucets and plumbing fixtures, and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the causes specifically enumerated above or to some other cause of an entirely different kind. Tenant further agrees that all personal property upon the Premises shall be at the risk of Tenant only, and that Landlord shall not be liable for any damage thereto or theft thereof except that which may arise from the omission, fault, willful act, negligence or other misconduct of Landlord and its officers, agents, servants and employees.

14. INDEMNIFICATION. Tenant agrees to defend with counsel approved by Landlord, save harmless and indemnify Landlord from all claims of liability for injury, loss, accident or damage to any person or property and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without limitation, reasonable counsel fees) arising from the omission, fault, willful act, negligence or other misconduct of Tenant and persons for whose conduct Tenant is legally responsible occurring on or about the Building and the Premises, or either. In addition, Tenant agrees to defend with counsel approved by Landlord, save harmless, and indemnify Landlord from any claims of liability for injury, loss, accident or damage to any person or property, and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without limitation, reasonable counsel fees), arising from any use made or thing done or occurring on the Premises not due to the omission, fault, willful act, negligence or other misconduct of Landlord or any person for whose conduct Landlord is legally responsible.

15. NONWAIVER. No waiver of any condition expressed in the Lease shall be implied by any neglect of Landlord to enforce any remedy on account of the violation of such condition if such violation be continued or repeated subsequently, and no express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of moneys by Landlord from Tenant after the termination in any way of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, suit or judgment.

16. WAIVER OF NOTICE. Except as provided in Paragraph 17 hereof, Tenant hereby expressly waives the service of any notice of intention to terminate this Lease or to re-enter the Premises and waives the service of any demand for payment of rent or for possession and waives the service of any other notice or demand prescribed by any statute or other law.

17. LANDLORD'S REMEDIES. If any default by Tenant continues after notice of default, in case of base rent or additional rent for more than ten days, or in any other case for more than 30 days and such additional time, if any, as is reasonable necessary to cure the default if the default is of such a nature that it cannot reasonable be cured in 30 days, or if Tenant or any guarantor of any of Tenant's obligations under this Lease makes any assignment for the benefit of creditors, commits any act of bankruptcy or files a petition under any bankruptcy or insolvency law, or if such a petition filed against Tenant or such guarantor is not dismissed within 90 days, or if a receiver or similar officer becomes entitled to Tenant's leasehold hereunder and it is not returned to Tenant within 90 days, or if such leasehold is taken on execution or other process of law in any action against Tenant, then in any such case, whether or not the Term shall have begun. Landlord may immediately, or at any time while such default exists, terminate this Lease by notice to Tenant, specifying a date not less than ten days after the giving of such notice on which the Lease shall

terminate and this Lease shall come to an end on the date specified therein as fully and completely as if such date were the date herein originally fixed for the expiration of the Term, and Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

In the event that this Lease is terminated under any of the foregoing provisions, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the rental value of the Premises for said residue of the Term. In calculating the rent reserved there shall be included, in addition to the base rent and all additional rent, the value of all other considerations agreed to be paid or performed by Tenant for said residue. Tenant further covenants as an additional and cumulative obligation after any such ending to pay punctually to Landlord all the sums and perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant under the next foregoing covenant, Tenant shall be credited with any amount paid to Landlord as compensation as in this paragraph provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and may grant such concessions and free rent as Landlord in its sole judgment considers advisable or necessary to relet the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its sole judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid.

In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this paragraph, Landlord may by written notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in this paragraph and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the base rent and additional rent accrued in the 12 months ended next prior to such termination (whether or not paid) plus the amount of base rent and additional rent of any kind accrued and unpaid at the time of termination and less the amount of any recovery by Landlord under the foregoing provisions of this paragraph up to the time of payment of such liquidated damages.

Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

18. SURRENDER OF POSSESSION. Upon the termination of this Lease and the Term hereby created or upon the termination of Tenant's right of possession, whether by lapse of time or at the option of Landlord as aforesaid, Tenant will at once surrender possession of the Premises to Landlord and remove all effects therefrom, and if such possession is not immediately surrendered, Landlord may forthwith re-enter the Premises and repossess itself thereof as of its former estate and remove all persons and effects therefrom, using such force as may be necessary, without being deemed guilty of any manner of trespass or forcible entry or detainer. Without limiting the generality of the foregoing, Tenant agrees to remove at the termination of the Term the items of property specifically described in the last 4 lines of Paragraph 10 of this Lease. If Tenant shall fail or refuse to remove all such property from the Premises, Tenant shall be conclusively presumed to have abandoned the same, and title thereto shall thereupon pass to Landlord without any cost either by set-off, credit allowance or otherwise, and Landlord may at its option accept the title to such property or, at Tenant's expense may: (a) remove the same or any part thereof in any manner that Landlord shall choose, and (b) store the same without incurring liability to Tenant or any other person.

19. HOLDING OVER. Tenant shall pay to Landlord double the base rent plus rent adjustments then applicable for each month or portion thereof Tenant shall retain possession of the Premises or any part thereof after the

termination of this Lease, whether by lapse of time or otherwise, and also shall pay all damages sustained by Landlord on account thereof. The provisions of this paragraph shall not operate as a waiver by Landlord of any right of re-entry hereinbefore provided.

20. FIRE OR CASUALTY. If the Premises or the Building shall be destroyed or damaged by fire or other cause and if such Premises or Building may be repaired and restored within 6 months after such damage, then Landlord shall repair and restore the same with reasonable promptness. If such damage renders the Premises untenantable in whole or in part and cannot reasonably be repaired and restored within 6 months, or if Landlord elects to demolish the Building or cease its operations, or if the Certificate of Occupancy for the Premises shall be revoked for a period in excess of 60 days as a result of damage to the exterior Building glass, then either party shall have the right to cancel and terminate this Lease as of the date of such damage upon giving notice to the other party at any time within 70 days after such damage shall have occurred. In the event any such damage renders the Premises untenantable and if this Lease shall not be cancelled and terminated by reason of such damage, then rent shall abate during the period beginning with the date of such fire or other cause and ending with the date when the Premises are again rendered tenantable by an amount bearing the same ratio to the total amount of rent for such period as the untenantable portion of the Premises bears to the entire Premises.

21. CONDEMNATION. If the whole or any part of the Premises or of the Building shall be taken or condemned by any competent authority for any public use or purpose or if any adjacent property or street shall be condemned or improved in such a manner as to require the use of any part of the Premises or of the Building, the Term, at the option of Landlord, which may be exercised notwithstanding that Landlord's entire interest has been divested, shall end upon the date when the possession of the part so taken shall be required for such use or purpose and Landlord shall be entitled to receive the entire award without any payment to Tenant, provided, however, that Tenant shall be entitled to claim, prove and receive any award for Tenant's fixtures and moving expenses. Current rent shall be apportioned as of the date of such termination.

22. EXPENSES OF ENFORCEMENT. Tenant shall pay all attorneys' fees and expenses of Landlord incurred in enforcing any of the obligations of Tenant under this Lease.

23. RIGHTS OF RECOVERY. Landlord and Tenant agree to use their best efforts to have all fire and extended coverage and material damage insurance which may be carried with respect to the Premises or to the property located in the Premises endorsed with a clause which reads substantially as follows: "This insurance shall not be invalidated should the insured waive in writing prior to a loss any or all rights of recovery against any party for loss occurring to the property described herein." Landlord and Tenant do each hereby waive all claims for recovery from the other for any loss or damage due to hazards covered by valid and collectible insurance policies to the extent of the proceeds collected under such insurance policies. However, this waiver shall be effective only when the waiver is either permitted by such insurance policy or, by the use of good faith efforts, could have been included in the applicable insurance policy at no additional expense.

24. NOTICES. All notices to be given by one party to the other under this Lease shall be in writing, mailed or delivered as follows:

(a) To Landlord: John Hancock Mutual Life Insurance
Hancock Place
Boston, Massachusetts 02117
Attention: Building Management
Services Department

or to such other person at such other address designated by notice sent to Tenant and after commencement of the Term to the address to which rent is payable.

(b) To Tenant: At the address above stated and after the commencement of the Term at the Premises or to such other address designated by notice to Landlord with a copy to James F. Monahan, Esq., Foley, Hoag & Eliot, Ten Post Office Square, Boston, Mass. 02109.

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Mailed notices shall be sent by United States certified or registered mail, postage prepaid. Such notices shall be deemed to have been given upon posting in the United States mails.

25. RULES AND REGULATIONS. Tenant agrees to observe the reservations to Landlord in Paragraph 11 hereof and agrees, for itself, its employees, agents, clients, customers, invitees and guests, to comply with the following rules and regulations and with such reasonable modifications thereof and additions thereto as Landlord may make for the Building:

(a) Any sign, lettering, picture, notice, or advertisement of Tenant installed within the Premises which is visible to the public from within the Building shall be installed at Tenant's cost and in such manner, character and style as Landlord may approve in writing, which consent Landlord shall not unreasonably withhold. No sign, lettering, picture, notice or advertisement shall be placed on any outside window or in a position to be visible from outside the Building.

(b) In advertising or other publicity, without Landlord's prior written consent, Tenant shall use neither the name of the Building, except as at the John Hancock Tower in the address of its business, nor use pictures of the Building.

(c) Tenant, its customers, invitees, licensees, and guests, shall not obstruct sidewalks, entrances, passages, courts, corridors, vestibules, halls, elevators and stairways in and about the Building. Tenant shall not place objects against glass partitions or doors or windows which would be unsightly from the Building corridor, or from the exterior of the Building, and will promptly remove same upon notice from Landlord.

(d) Tenant shall not make noises, cause disturbances, or vibrations or use or operate any electrical or electronic devices or other devices that omit sound or other waves or disturbances, or create odors, any of which may be offensive to other tenants and occupants of the Building or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception from or within the Building or elsewhere, and shall not place or install any projections, antennae, aerials or similar devices inside or outside of the Premises.

(e) Tenant shall not make any room-to-room canvass to solicit business from other tenants in the Building, and shall not exhibit, sell or offer to sell, use, rent or exchange any item or service in or from the Premises unless ordinarily embraced within the Tenant's use of the Premises specified herein.

(f) Tenant shall not waste electricity or water and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air conditioning, and shall refrain from attempting to adjust any controls other than room thermostats installed for Tenant's use. Tenant shall observe Landlord's reasonable regulations regarding the use and operation of window sun shading system and shall keep public corridor doors closed on multiple occupancy floors.

(g) Except as provided in Paragraph 11(f): door keys for doors in the Premises will be furnished at the commencement of the Term by Landlord; Tenant shall not affix additional locks on doors and shall purchase duplicate keys only from Landlord; and when Lease is terminated, Tenant shall return all keys to Landlord and will disclose to Landlord the combination of any safes, cabinets or vaults left in the Premises.

(h) Tenant assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed and secured.

(i) Peddlers, solicitors and beggars shall be reported to the superintendent of the Building or as Landlord otherwise requests.

(j) Tenant shall not install and operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises without the written permission of Landlord.

(k) No person or contractor not employed by Landlord shall be used to perform window washing, cleaning, decorating, repair or other work in the Premises.

(l) Tenant shall not cook in the Building except on cooking ranges and stoves equipped with a ductless smoke hood (Dialair Series 71000 or equivalent) installed and maintained by Tenant without expense to Landlord and without violation of the provisions of the State Building Code and Boston Zoning Code from time to time in effect.

(m) In no event shall any person bring into the Building inflammables such as gasoline, kerosene, napntha and benzine, or explosives or any other article of intrinsically dangerous nature. If by reason of the failure of Tenant to comply with the provisions of this paragraph, any insurance premiums payable by Landlord for all or any part of the Building shall at any time be increased above normal insurance premiums for insurance not covering the items aforesaid, Landlord shall have the option to either terminate the Lease or to require Tenant to make immediate payment for the whole of the increased insurance premium.

(n) Tenant shall comply with all applicable federal, state and municipal laws, ordinances and regulations and building rules, and shall not directly or indirectly make any use of the Premises which may be prohibited by any thereof or which shall be dangerous to person or property or shall increase the cost of insurance or require additional insurance coverage.

(o) The work necessary to make any alteration, improvements or additions to the Premises to which the Landlord may consent pursuant to Paragraph 10 shall be done by employees of or contractors employed by Landlord or, with Landlord's consent in writing given prior to letting of contract, by contractors employed by Tenant but in each case only under written contract approved in writing by Landlord, and subject to all conditions Landlord may impose. Landlord shall not unreasonably withhold its consent required in the preceding sentence. Tenant shall promptly pay to Landlord or to Tenant's contractors, as the case may be, when due, the cost of all such work and of all decorating required by reason thereof, and upon completion, deliver to Landlord, if payment is made directly to Tenant's contractors, evidence of payment and waivers of all liens for labor, services or materials, and defend and hold Landlord harmless from all costs, damages, liens and expenses related thereto. If Tenant desires signal, communication, alarm or other utility or service connection installed or changed, the same shall be made at the expense of Tenant, with approval and under direction of Landlord. Landlord agrees to act reasonably and uniformly in its enforcement of the Rules and Regulations promulgated with respect to the Building.

26. ESTOPPEL CERTIFICATE. Tenant agrees than from time to time upon not less than ten days prior request by Landlord, Tenant, or Tenant's duly authorized representative having knowledge of the following facts, will deliver to Landlord a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, stating such modifications and that the Lease as modified is in full force and effect.); (b) the dates to which the rent and other charges have been paid; and (c) that to the best of Tenant's knowledge, Landlord is not in default under any provision of this Lease, or, if in default, the nature thereof in detail.

27. MISCELLANEOUS:

(a) All rights and remedies of Landlord under this Lease shall be cumulative and none shall exclude any other rights and remedies allowed by law.

(b) All payments becoming due under this Lease shall be considered as rent, and if unpaid when due shall bear interest at a rate per annum equal to the higher of 7% or 3% above the base rate of The First National Bank of Boston from time to time in effect.

(c) The work "Tenant" wherever used herein shall be construed to mean Tenants in all cases where there is more than one Tenant, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. In all cases where there is more than one Tenant, the obligations of Tenants hereunder shall be joint and several.

(d) Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit, not only of Landlord and of Tenant, but also of their respective heirs, legal representatives, successors and assigns, provided this clause shall not permit any assignment contrary to the provisions of Paragraph 8 hereof.

(e) All of the representations and obligations of Landlord and Tenant are contained herein and no modification, waiver or amendment of this Lease or of any of its conditions or provisions shall be binding upon either party unless in writing signed by such party or by a duly authorized agent of such party empowered by a written authority signed by such party.

(f) Submission of this instrument for examination shall not bind Landlord in any manner, and no lease or obligation on Landlord shall arise until this instrument is signed and delivered by Landlord and Tenant.

(g) No rights to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease.

(h) DELETED.

(i) Tenant shall have the right to use the fire stairs between the floors comprising the Premises as a regular means of passage between those floors subject only to Tenant's compliance with all fire safety and building codes. Landlord will arrange for those doors to be locked and only Landlord and Tenant will be given keys to those locks. Tenant may paint and otherwise decorate the fire stairs at Tenant's sole cost and expense so long as all fire safety and building codes are observed.

(j) Landlord agrees to repaint with one coat all painted surfaces in the Premises after the fourth, eighth and twelfth anniversaries of the commencement of the Term at Landlord's expense.

28. BROKERAGE. Tenant represents and warrants to Landlord that, with respect to the leasing of space in the Building, it has not directly or indirectly dealt with any broker or had attention called to the Premises or other space to let in the Building by anyone other than Meredith & Grew, Inc., 125 High Street, Boston, Massachusetts and Hunneman & Co., Inc., One Winthrop Square, Boston, Massachusetts and covenants and agrees to defend, save harmless and indemnify Landlord against any claims for a commission arising out of any dealings directly or indirectly by Tenant with any broker other than the aforesaid Meredith & Grew, Inc., and Hunneman & Co., Inc. with respect to the execution and delivery of this Lease or the leasing of space within the Building. Landlord shall pay any commission owed the aforesaid Meredith & Grew, Inc. and Hunneman & Co., Inc.

29. OPTION TO EXTEND LEASE. Tenant shall have the option to extend the Term of this Lease for an additional period of five years subject to all the terms and conditions of this Lease except that the annual base rent during the extended Term shall be the higher of the annual base rent during the initial Term or the fair rental value of the Premises during the extended Term, taking into account the then-current Rent Adjustments specified in Paragraph 2. Such option shall be exercised by giving written notice to Landlord prior to nine years after the commencement of the Term. During the 90 days prior to the ninth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value for the extended Term and Landlord shall do so within thirty days of such request. Within thirty days after Tenant's exercise of such option (if not previously designated at Tenant's request), Landlord shall designate the fair rental value of the Premises during the extended Term by written notice to Tenant and such designation shall be conclusive of such fair rental value subject only to the determination of such fair rental value by arbitration pursuant to the provisions of Paragraph 30 provided that Tenant gives written notice to Landlord demanding such arbitration within thirty days after Landlord shall have so designated the fair rental value of the Premises (or within thirty days after the exercise of the option if Landlord has previously designated the fair rental value). The exercise of this option to extend shall be a prerequisite to the inclusion in the Premises of Space D on the 42nd Floor.

30. ARBITRATION. In the event of a dispute with respect to the establishment of the fair rental value under Paragraphs 29 and 31, such dispute shall be arbitrated by three arbiters appointed as follows: Landlord and Tenant shall each appoint a fit and impartial person as arbiter. Notice of such appointment shall be given by each party to the other within fifteen days of the date upon which notice is given by Tenant to Landlord demanding arbitration and the arbiters so appointed shall appoint a fit and impartial third arbiter who shall have had ten years' experience in Boston in a calling connected with the subject matter of the arbitration, and if the arbiters fail to agree upon a third arbiter within 15 days of the date upon which the later of such notices of appointment of the

first two arbiters is given, such third arbiter shall be appointed upon request by either Landlord or Tenant by the American Arbitration Association upon ten days' notice of the institution of proceedings for such appointment given by the requesting party. Any award that shall be made in such arbitration by the arbiters or a majority of them shall be binding and shall have the same force and effect as a judgment made in a court of competent jurisdiction and both Landlord and Tenant shall have the right to apply to the Superior Court of the Commonwealth of Massachusetts in Suffolk County, or to any other court sitting in Suffolk County succeeding to the jurisdiction and functions exercised by the Superior Court of the Commonwealth of Massachusetts, for a decree, judgment or order upon said arbitration or award upon ten days' notice to the other party. Arbitration proceedings hereunder shall be conducted in Boston in accordance with the rules of the American Arbitration Association then in effect so far as consistent with the provisions of this Paragraph 30. The fees, costs and expenses of arbitration, other than fees of attorneys for the parties and of expert witnesses, shall be borne equally between the parties unless the arbiters determine that some other division shall under the circumstances be more equitable.

31. INCLUSION OF ADDITIONAL SPACE IN THE PREMISES. (a) As of the second anniversary of the commencement of the Term or such earlier date at least 120 days after notice by Tenant to Landlord and approval of Tenant's plans by Landlord, this Lease shall be deemed amended so as to include in the Premises Space A on the 44th Floor of the Building, as designated on Exhibit A-1, the designated rentable area included in the Premises shall be increased by the rentable area included in Space A (which is 8,092 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .501 percent and the Base Rent shall be increased by $85,370.60 and the rent adjustment shall be computed from the Base Year referred to in Paragraph 2. Landlord shall, on the second anniversary of the commencement of the Term, deliver possession to Tenant of Space A, free of tenants. Space A shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 except that Landlord shall pay invoices for Tenant Work done in Space A up to $57,938.72. Landlord will keep Space A unimproved and unoccupied until its inclusion in the Premises.

(b) Tenant shall have the option to add to the Premises Space B on the 42nd Floor of the Building designated on Exhibit A-2 as of the fifth anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before four years after the commencement of the Term. During the 90 days prior to the fourth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space B for purposes of this paragraph and Landlord shall so do within thirty days of such request. In the event that Tenant does exercise the option to lease Space B, then as of such fifth anniversary, this Lease shall be deemed amended so as to include Space B in the Premises, the designated rental area included in the Premises shall be increased by the rentable area included in Space B (which is 13,427 square feet). Tenant's Proportionate Share of Ownership Taxes shall be increased by .840 percent, the Base Rent shall be increased by the fair rental value of Space B at the time of the exercise of the option (taking into account the then-current Rent Adjustments specified in Paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the fifth anniversary of the commencement of the Term, deliver possession to Tenant of Space B, free of tenants. To the extent Space B has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space B has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space B (or within thirty days after exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space B pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be determined by appraisal thereunder, but otherwise such fair rental value shall be as designated by Landlord. In the event that Landlord receives a bona fide offer from a third party to lease Space B during the first fours years after the commencement of the Term, which offer it intends to accept, Landlord shall notify Tenant in writing of the offer specifying the terms of the offer. Tenant shall have 14 business days after the date of such notice to accept Space B in writing upon the terms specified in the notice. If such offer is accepted by Tenant, such acceptance shall constitute an amendment to the Lease. If Tenant declines to accept or fails to respond to such notice, Tenant shall have no further rights to lease Space B except on the fifth anniversary of the commencement of the Term as specified above, provided, however, if the third party fails to enter into a lease on the specified terms, this right of first refusal shall also apply to any subsequent third-party offer during the first four years after the commencement of the Term.

(c) Provided that Tenant shall have exercised the option to include Space B in the Premises, Tenant shall have the further option to add to the Premises Space C on the 42nd Floor of the Building designated on Exhibit A-2 as of the seventh anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before six years after the commencement of the Term. During the 90 days prior to the sixth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space C for the purposes of this paragraph and Landlord shall do so within thirty days of such request. In the event that Tenant does exercise the option to lease Space C, then as of such seventh anniversary, this Lease shall be deemed amended

so as to include Space C in the Premises, the designated rentable area included in the Premises shall be increased by the rentable area included in Space C (which is 6,714 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .420 percent, and the Base Rent shall be increased by the fair rental value of Space C at the time of the exercise of the option (taking into account current Rent Adjustments specified in paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the seventh anniversary of the commencement of the Term, deliver possession to Tenant of Space C, free of tenants. To the extent Space C has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space C has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space C (or within thirty days after exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space C pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be determined by appraisal thereunder, but otherwise such fair rental value shall be as designated by Landlord. If Tenant shall exercised the option to include Space B in the Premises, Tenant shall have the same rights of first refusal with respect to Space C as specified in the preceding paragraph from the time of exercising the option to include Space B until the sixth anniversary of the commencement of the Term.

(d) Provided that Tenant shall have exercised the option to extend the term and the option to include Space C in the Premises, Tenant shall have the further option to add to the Premises Space D on the 42nd Floor of the Building designated on Exhibit A-2 as of the tenth anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before nine years after the commencement of the Term. During the 90 days prior to the ninth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space D for purposes of this paragraph and Landlord shall do so within thirty days of such request. In the event that Tenant does exercise the option to lease Space D, then as of such tenth anniversary, this Lease shall be deemed amended so as to include Space D in the Premises, the designated rentable area included in the Premises shall be increased by the rentable area included in Space D (which is 6,713 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .420 percent, and the Base Rent shall be increased by the fair rental value of Space D at the time of the exercise of the option (taking into account the current Rent Adjustments specified in Paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the tenth anniversary of the commencement of the Term, deliver possession to Tenant of Space D, free of tenants. To the extent Space D has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space D has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space D (or within thirty days of exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space D pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be as determined by appraisal thereunder, but otherwise such fair rental value shall be designated by Landlord. If Tenant shall have exercised the option to include Space C in the Premises, Tenant shall have the same right of first refusal with respect to Space D as specified in the second preceding paragraph from the time of exercising the option to include Space C until the ninth anniversary of the commencement of the Term.

(e) If Tenant desires to rent space on the 42nd Floor for which no option is then available, Landlord agrees to rent to Tenant all or a portion of the space on the 42nd Floor then available in substitution for and on the same equivelant terms as an equal amount of the next available option space. At the time of exercise of the next option, the then current option space shall be made contiguous with the space already rented and, together with the amount of space already rented by Tenant on the 42nd Floor, shall equal the cumulative amount of option space then available to Tenant under the provisions of this Paragraph 31.

(f) Whenever, under this Paragraph 31, an option is exercised by Tenant for space not previously occupied, Landlord shall install Building Standard Work and Special Tenant Work in accordance with Exhibit 3. Within six months after Tenant notifies Landlord of the exercise of such an option, Tenant shall deliver final plans to Landlord as described in paragraph 1(a) of Exhibit 3. If Landlord shall be delayed in substantially completing such work so that the space is not ready for such occupancy by the respective dates listed in this paragraph as a result of causes listed in Paragraphs 2(a), 2(b) and 2(c) of Exhibit 3, then Tenant as liquidated damages shall pay to Landlord a sum equal to the product of the daily rent for the option space and the number of days of such delay. The word "Term" as used in Exhibit 3 for purposes of this paragraph shall mean the time between the date on which Landlord delivers the space to Tenant and the balance of the Term as defined in [illegible].

IN WITNESS WHEREOF, Landlord and Tenant have caused this instrument to be duly executed this [illegible] day of [illegible], 197[illegible].

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

Landlord

By /s/ illegible
---

illegible
---
(Title)

CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ illegible
---
Tenant

PRESIDENT
---
(Title)

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117

March 1, 1978

Gerald Kraft, President
Charles River Associates, Inc.
1050 Massachusetts Avenue
Cambridge, Massachusetts 02138

Re: John Hancock Tower
TEMPORARY STORAGE SPACE AND JANITORIAL SERVICE

Dear Mr. Kraft:

Reference is made to a lease of even date between John Hancock Mutual Life Insurance Company and Charles River Associates, Inc. demising premises on the 43rd and 44th floors of the John Hancock Tower (the "Lease").

In consideration of your entering into the lease, John Hancock will make available to Charles River Associates, Inc. 4,000 square feet of storage space on the 44th floor of John Hancock Tower commencing on May 15, 1978. You shall yield up such space on the earlier of (a) 15 days after your taking occupancy of the premises demised by the Lease, or (b) 15 days after termination of the Lease.

By your signature below, you hereby acknowledge that your use of such storage space shall be at your sole risk, and that the Landlord shall not be liable for any damage or theft of items stored therein.

To prevent overloading of the storage area and damage to the Building, the Landlord shall supervise the placing of materials in the storage area and their removal therefrom. By your signature below, you hereby agree that Landlord shall not be liable for any damage either to persons or property resulting from or arising as a result of your use of the storage space.

With respect to janitorial services, this will acknowledge that the provisions of the Lease are not intended to prevent

your employees and agents from performing routine cleaning during business hours.

Very truly yours,

/s/ illegible
---

AGREED:

By: /s/ illegible
---
Date: 3/1/78

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
JOHN HANCOCK PLACE
POST OFFICE BOX 111
BOSTON, MASSACHUSETTS

Department of Administrative Services
Harold F. Portle, Jr.
Director of Leasing
Building Management Services

March 1, 1978

Mr. Gerald Kraft, President
Charles River Associates, Inc.
1050 Massachusetts Avenue
Cambridge, Massachusetts 02138

Re: PARKING SPACES - JOHN HANCOCK GARAGE

Dear Mr. Kraft:

Reference is made to the Lease of even date between John Hancock Mutual Life Insurance Company and Charles River Associates, Inc. for space on the 43rd and 44th floors of the John Hancock Tower. In consideration of your execution of the Lease, we agree to provide parking spaces to you in the John Hancock Place Garage, which is situated over the Massachusetts Turnpike between Dartmouth and Clarendon Streets, as of the commencement of the Term specified in the Lease upon the following terms and conditions.

One parking space on floors 2, 3, or 4 of the Garage will be made available to Charles River Associates, Inc. for every 2,000 square feet of space leased in the John Hancock Tower.

All arrangements with respect to such parking, including the charges to be made from time to time therefor, shall be at the prevailing rates established by the operator of the Garage as they may be changed from time to time.

If pursuant to any existing or future law, regulation or other governmental action, the use of the John Hancock Place Garage is restricted for the parking of cars for the type of use contemplated by the foregoing arrangement, it is understood that John Hancock Mutual Life Insurance Company may reduce or terminate completely, the above arrangements provided such reductions are made pro rata with other tenants of the John Hancock Tower.

Mr. Gerald Kraft, President
Charles River Associates, Inc.
Re: Parking Spaces -
John Hancock Garage

The Hancock will cause the operator of the Garage to provide parking throughout the Term of the Lease in accordance with the provisions of this letter.

Kindest personal regards,

/s/ illegible
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FIRST AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a lease dated March 1, 1978 demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Lease"); and

WHEREAS, Tenant has surrendered to Landlord those portions of the 44th floor of the Premises designated as A, B and C on the plan attached hereto as Exhibit A; and

WHEREAS, Landlord and Tenant desire to amend the Lease;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows, and such changes are deemed to have taken effect on August 1, 1981.

1. The Premises comprise the entire 43rd floor (26,707 square feet of rentable area) and that portion of the 44th floor designated as Space "D" on the plan attached hereto as Exhibit A (2,657 square feet of rentable area).

2. The Base Rent is $309,790.20 (29,364 square feet at $10.55 per square foot).

3. Tenant's Proportionate Share of Ownership Taxes is 1.8381%.

4. Tenant may, at Tenant's election, increase the area of the Premises by adding thereto all or any portion of Space C as shown on Exhibit A attached hereto, subject to the following conditions:

   a. Tenant shall exercise such election by delivering written notice to Landlord designating the space to be added.

   b. Vacant space may be added at any time prior to August 1, 1984.

   c. Space which is occupied by Landlord or another tenant may be added on August 1, 1982; January 1, 1983; August 1, 1983 or January 1, 1984, provided such notice of election is delivered to Landlord not less than 90 days prior to the date on which it is to be delivered.

d. Tenant shall exercise its election so that the portions of Space C which are not added to the Premises are contiguous to Space B, as shown on Exhibit A.

5. Tenant may also, at Tenant's election, such election to be exercised by not less than 90 days' prior written notice to Landlord, add to the Premises 3,917 rentable square feet of space on the 42nd floor for a term to end on June 11, 1983.

6. The Base Rent shall be increased at the rate of $10.55 per annum for each square foot of rentable area included in the Premises pursuant to the provisions of the foregoing paragraphs 4 and 5, and the Tenant's Proportionate Share of Ownership Taxes shall also be appropriately adjusted.

7. Commencing August 1, 1984, the Premises shall include the entire 43rd and 44th floors together with Space B on the 42nd floor, if Tenant shall have exercised its option with respect to said Space B pursuant to paragraph 31(b) of the Lease, and the Base Rent and Rent Adjustment shall be determined as set forth in the Lease.

8. Upon delivery of Space A, B and C of the 44th floor on August 1, 1984, (a) Space B and C shall have substantially the same floor layout, partitioning and configuration as existed with respect to said Space on August 1, 1981, (b) Space A shall be delivered to Tenant in its then "as is" condition including all alterations thereto hereafter made by Landlord, and (c) Landlord shall grant to Tenant a construction allowance in the amount of $27,286 for the purpose of making such further alterations and renovations as Tenant shall deem appropriate for its intended use. Said construction allowance shall be granted as a credit toward payment of the rent due on August 1, 1984. All such alterations and renovations shall be made pursuant to plans submitted to and approved by Landlord.

Executed as a sealed instrument this 16th day of December, 1981

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Paul I. Pennie
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens
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SECOND AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981 (as so amended, the ("Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1984" in the one place it appears in Paragraph 7 and in the two places in which it appears in Paragraph 8 of the First Amendment of Lease to "August 1, 1985".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 24th day of February , 1984.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ illegible TREASURER
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THIRD AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981 and by Second Amendment of Lease dated February 24, 1984 (as so amended, the ("Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1985" in the Second Amendment of Lease to "August 1, 1986".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 28th day of February, 1985.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES
INCORPORATED

By /s/ Alan R. Willens
---
TREASURER

FOURTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984 and by Third Amendment of Lease dated February 28, 1985 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1986" in the Third Amendment of Lease to "August 1, 1987".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 7th day of February, 1986.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens TREASURER
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FIFTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, and by Fourth Amendment of Lease dated February 7, 1986 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1987" in the Fourth Amendment of Lease to "June 11, 1988".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 13th day of February, 1987.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens TREASURER
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SIXTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, and by Fifth Amendment of Lease dated February 13, 1987 (as so amended, the "Lease"); and

WHEREAS, the Term of the Lease currently expires on June 11, 1988; and

WHEREAS, Tenant has exercised its Option to Extend the Term of the Lease with respect to the 43rd floor (consisting of 26,707 rentable square feet) for an additional 5 years commencing June 12, 1988 and expiring June 11, 1993; and

WHEREAS, Landlord desires to grant Tenant an additional five year Option to Extend at the expiration of the Term, as extended above; and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the above;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. The Term of the Lease is hereby extended for an additional five (5) years commencing June 12, 1988 and expiring on June 11, 1993.

2. Effective June 12, 1988, the Premises shall comprise the entire 43rd floor (26,707 square feet of rentable area), and no other portion of the John Hancock Tower.

3. The Base Rent for the period from June 12, 1988 through May 11, 1989 shall be at a rate of $520,786.50 (26,707 square feet at $19.50 per square foot). The Base Rent for the balance of the Term, as extended, for the period from May 12, 1989 through June 11, 1993 shall be at a rate of $881,331 (26,707 square feet at $33.00 per square foot).

4. Effective June 12, 1988 the Base Year for Taxes shall be fiscal year 1987 and the Base Year for Operating Utility Expenses shall be calendar year 1987.

5. Effective June 12, 1988 Tenant's Proportionate Share of Ownership Taxes shall be 1.6718.

6. Paragraph 29 of the Lease is hereby deleted in its entirety and the following Paragraph 29 is inserted in its stead:

"29. OPTION TO EXTEND LEASE. Tenant shall have the option to extend the Term of this Lease for an additional period of five years subject to all the terms and conditions of this Lease except that the annual base rent during the second extended Term (June 12, 1993 through June 11, 1998) shall be the higher of the annual base rent during the first extended Term (June 12, 1988 through June 11, 1993) or the fair rental value of the Premises during the second extended Term, taking into account the then-current Rent Adjustments specified in Paragraph 2. Such option shall be exercised by giving written notice to Landlord prior to June 11, 1992. During the 90 days prior to June 11, 1992 and prior to exercising this option, Tenant may request Landlord to designate the fair rental value for the second extended Term and Landlord shall do so within thirty days of such request. Within thirty days after Tenant's exercise of such option (if not previously designated at Tenant's request), Landlord shall designate the fair rental value of the Premises during the second extended Term by written notice to Tenant and such designation shall be conclusive of such fair rental value subject only to the determination of such fair rental value by arbitration pursuant to the provisions of Paragraph 30 provided that Tenant gives written notice to Landlord demanding such arbitration within thirty days after Landlord shall have so designated the fair rental value of the Premises (or within thirty days after the exercise of the option if Landlord has previously designated the fair rental value)."

7. Other than the Option to Extend provided for in Paragraph 6 above, Tenant shall have no other Option to Extend or Option to Add Space.

8. Any amount in the form of a commission or similar payment due Leggat McCall as a result of Tenant's exercise of its Option to Extend herein shall be the obligation of Tenant.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 24th day of August, 1987.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
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General Director

CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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SEVENTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March l, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, by Fifth Amendment of Lease dated February 13, 1987 and by Sixth Amendment of Lease dated August 24, 1987 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the leasing of certain additional storage space described below;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. Effective November 1, 1989 through and including June 11, 1993, the Premises shall also include 1,022 rentable square feet of storage space on the basement floor of the Heath Building at 285 Columbus Avenue, Boston, Massachusetts, as more particularly shown on EXHIBIT A hereto ("STORAGE SPACE"). The rent for this space will be $10,220.00 per annum ($10 per foot in equal monthly installments' of $851.67) for the entire term paid in advance on or before the first day of each month. There will be no increases for Operating Expenses or Ownership Taxes.

2. The Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Tenant will accept the space in "as-is" condition. Tenant shall use the Storage Space only for storage associated with the use of the Premises. A fire, casualty or condemnation with respect to the Storage Space shall not affect Tenant's obligations with respect to the Premises.

3. Tenant will have access to the Storage Space on not more than 24 hours notice and when possible on demand.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this ___ day of January, 1990.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By:
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CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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EIGHTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, and certain premises in the Heath Building, 285 Columbus Avenue, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, by Fifth Amendment of Lease dated February 13, 1987, by Sixth Amendment of Lease dated August 24, 1987 and by Seventh Amendment of Lease dated January 21, 1990 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the leasing of certain substitute storage space in the Heath Building and additional storage space in the John Hancock Tower more particularly described below;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

A. HEATH BUILDING

1. Effective December 31, 1991 through and including June 11, 1993, the portion of the Premises consisting of 1,022 rentable square feet of storage space on the basement floor of the Heath Building, (as more particularly shown on EXHIBIT A to the Seventh Amendment to Lease) shall be deleted from the Lease, and 1,390 rentable square feet of storage space on the eighth floor of the Heath Building, as more particularly shown on EXHIBIT A-1 hereto ("Heath Storage Space"), shall be substituted in its place. The rent for the Heath Storage Space will be $13,899.96 per annum ($10.00 per square foot in equal monthly installments of $1,158.33) for the entire term paid in advance on or before the first day of each month. There will be no increase for Operating Expenses or Ownership Taxes with respect to the Heath Storage Space.

2. The Heath Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Landlord shall, on or before December 31, 1991 perform certain improvements to the Storage Space necessary to demise the Premises (i.e. caging with standard lock) ("Landlord's Work"). Tenant shall reimburse Landlord for one-half of the actual cost of performing Landlord's Work, which reimbursement shall be due and payable within ten (10) days of receipt of Landlord's statement specifying such costs. Otherwise, said Space is being demised to Tenant in "as-is" condition. Tenant shall use the Heath Storage Space only for storage associated with the use of the Premises. A fire, casualty or condemnation with respect to the Heath Storage Space shall not affect Tenant's obligations with respect to the remainder of the Premises.

3. Tenant will have access to the Heath Storage Space on not more than 24 hours notice and when possible on demand.

B. TOWER

4. Effective December 16, 1991 through and including June 15, 1992, the Premises shall also include 1,966 rentable square feet of storage space located on the 44th floor of the John Hancock Tower, as more particularly shown on Exhibit A-2 hereto ("Tower Storage Space"). The rent for the Tower Storage Space shall be $35,388 per annum ($18.00 per square foot in equal monthly installments of $2,949.00) for the entire term paid in advance on or before the first day of each month. There shall be no increases for Operating Expenses or Ownership Taxes with respect to the Tower Storage Space. Notwithstanding the foregoing, if Tenant uses the Tower Storage Space for purposes other than storage space, then the rent due for the Tower Storage Space shall automatically increase to the per square foot rent due and payable with respect to the remainder of the Premises, and Tenant's proportionate share of Operating Expenses and Ownership Taxes shall increase proportionately to reflect the inclusion of the Tower Storage Space.

5. On or before December 16, 1991, Landlord shall, at its expense, install an entrance door with a standard lock; otherwise, said space is being delivered to Tenant in "as-is" condition.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this day of December, 1991.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By:
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CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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Treasurer

Charles River Associates
John Hancock Tower
Boston, Massachusetts

NINTH AMENDMENT OF LEASE

THIS NINTH AMENDMENT TO LEASE, made and entered into as of this 2nd day of September, 1992, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990 and Eighth Amendment of Lease dated December 31, 1991 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, the parties hereto are mutually desirous of amending and extending the Lease as hereinafter provided.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INITIAL LEASE TERM EXTENDED.

Landlord and Tenant acknowledge that as currently provided in the Lease the Term commenced on June 12, 1978 and terminates on June 11, 1993 (the "Initial Term") and the Premises comprise (i) the entire 43rd floor of the Building (comprising 26,707 rentable square feet) (the "Initial Premises") plus (ii) 1,390 rentable square feet of storage space on the eighth floor of the Heath Building (the "Heath Storage Space") and (iii) 1,966 rentable square feet of

storage space on the 44th floor of the Building (the "Hancock Storage Space") all as more particularly described in the Lease. Landlord and Tenant hereby agree that the Initial Term shall terminate on and, if necessary, be extended to the Extended Term Commencement Date (as hereinafter defined in Paragraph 7(E) of this Ninth Amendment). Tenant's occupancy of the Initial Premises, the Heath Storage Space and the Tower Storage Space during the balance of the Initial Term shall be on the same terms and conditions as currently contained in the Lease, except as expressly modified by Paragraphs 2 and 3 of this Ninth Amendment and shall terminate upon the Extended Term Commencement Date; provided, however, Tenant's occupancy of the Hancock Storage Space shall terminate upon the occupancy by Tenant of the Temporary Space (as hereinafter defined in Paragraph 3).

2. BASE RENT DURING INITIAL TERM.

Effective as of June 12, 1992 and continuing for the balance of the Initial Term, Base Rent for the Initial Premises shall be payable at a rate of $881,331 per year (26,707 rentable square feet at $33.00 per square foot) except that for the period from January 1, 1993 through February 12, 1993, the Base Rent for the Initial Premises shall be payable at a reduced rate of $614,261 per year (26,707 rentable square feet at $23.00 per square foot); provided, however, in the event the Extended Term Commencement Date does not occur on or before February 12, 1993 and the delay is due to causes reasonably within the control of the Landlord, the period during which the Base Rent shall be payable at the foregoing reduced rate shall be extended beyond February 12, 1993 for the period of such delay.

3. TEMPORARY SPACE DURING INITIAL TERM.

Effective as of June 12, 1992, Landlord hereby leases to Tenant and Tenant hereby agrees to lease, approximately 6,400 rentable square feet of space on the 44th floor of the Building as shown on EXHIBIT 1, attached hereto and made a part hereof, (the "Temporary Space"), for the balance of the Initial Term on the same terms and conditions as contained in the Lease, except that Tenant shall have no obligation to pay Base Rent or to pay any Rent Adjustment (as provided in Section 2 of the Lease) for the Temporary Space during the Initial Term. Landlord shall deliver the Temporary Space in "AS IS" condition after receipt of written notice from Tenant. Tenant shall perform all work necessary in order to equip and furnish the Temporary Space for Tenant's use for

general office purposes in accordance with plans approved by Landlord and in a first-class, good and workmanlike manner. Landlord shall have no obligation to construct any improvements to the Temporary Space or to contribute to the cost of any improvements to the Temporary Space; provided, however, Landlord shall provide an egress door from the Temporary Space vestibule into the common area of the 44th floor in compliance with all applicable law. Upon the termination of the Initial Term, or earlier termination of this Lease, Tenant will surrender possession of the Temporary Space to Landlord broom clean, free of all of Tenant's property and in the same condition as it was as of the commencement of Tenant's occupancy, reasonable wear and tear excepted.

4. RELOCATION OF PREMISES TO 32ND AND 33RD FLOORS DURING EXTENDED TERM.

A. LEASE OF 32ND AND 33RD FLOORS. Commencing on the Extended Term Commencement Date and continuing for the duration of the Extended Term (as hereinafter defined), Landlord hereby leases to Tenant and Tenant hereby agrees to lease 10,553 rentable square feet of space on the 32nd floor and 25,939 rentable square feet of space on the 33rd floor (i.e. the entire 33rd floor) of the Building as shown on EXHIBIT 2 and EXHIBIT 3, respectively, attached hereto and made a part hereof, on the same terms and conditions as contained in the Lease, as modified by this Ninth Amendment, unless sooner terminated as provided in the Lease. The foregoing space on the 32nd and 33rd floors of the Building is referred to collectively as the "Extended Premises". During the Extended Term, the term "Premises" as used in the Lease shall mean and include the Extended Premises, as the same may be expanded as hereinafter provided in Paragraph 10 of this Ninth Amendment, but shall exclude the Initial Premises and the Temporary Premises.

B. EXTENDED TERM. The Lease shall be and hereby is extended for an additional term of fifteen (15) years, commencing on the Extended Term Commencement Date (the "Extended Term") on the same terms and conditions as contained in the Lease, as modified by this Ninth Amendment. Landlord and Tenant hereby acknowledge that Tenant shall lease the entire Extended Premises during the entire Extended Term.

C. BASE RENT DURING EXTENDED TERM. Commencing on the Extended Term Commencement Date and continuing for the Extended Term, Tenant shall pay to Landlord annual Base Rent for the Extended Premises as follows:

| YEARS | RENT PER RENTABLE SQUARE FOOT |
|---|---|
| 1 - 5 | $23.00 per rentable square foot; and |
| 6 - 15 | $27.50 per rentable square foot |

With respect to the Extended Premises, the annual Base Rent as provided above shall be payable as follows:

(i) From the Extended Term Commencement Date through the fifth anniversary thereof, $839,316.00 for each year in equal monthly installments of $69,943.00; and

(ii) From the fifth anniversary of the Extended Term Commencement Date through the fifteenth anniversary thereof, $1,003,530.00 for each year in equal monthly installments of $83,627.50.

(iii) Notwithstanding the foregoing, no annual Base Rent shall be payable for the first eighteen (18) months of the Extended Term.

5. RENT ADJUSTMENT

Section 2 of the Lease captioned "RENT ADJUSTMENT" is amended as follows:

a. by adding at the end of the first paragraph of subsection (a) of Section 2 the following:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, the Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes (as defined in the first paragraph of subsection (a)) shall be the fiscal year 1993, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes during the Extended Term from and after July 1, 1993."

b. subsection (a) of Section 2 is also amended by adding the following at the end of the second paragraph thereof:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, Tenant's Proportionate Share of Ownership Taxes for any fiscal year shall be 2.2843%, the percentage resulting from dividing the number of square feet of rentable area included in the Extended Premises (which will then be 36,492 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet). Tenant's Proportionate Share of Ownership Taxes shall be increased accordingly in the event Tenant exercises any of its options for expansion space as provided in Paragraph 10 of this Ninth Amendment."

c. by adding at the end of subsection (b) of Section 2 the following:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, the Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses (as defined in the first paragraph of subsection (b) shall be the calendar year 1993, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses during the Extended Term from and after January 1, 1994."

6. SERVICES

Section 3 of the Lease captioned "SERVICES" is amended by adding the following at the end of said section:

"During the Extended Term, in addition to the Services required by Section 3 of the Lease, Landlord shall provide the following additional services to Tenant, without additional charge to Tenant:

a. Thermostats shall be set at no more than 74(degree) Fahrenheit when cooling is required and no less than 71(degree) Fahrenheit, or less, if requested by Tenant, when heating is required; it being acknowledged by Tenant that solar exposure of certain portions of the Extended Premises may require the use of blinds to reduce interior temperatures.

b. In connection with the completion of the Work, Landlord shall provide and install new thermostats in the Extended Premises. Perimeter zones shall be controlled at one per bay or one per every two bays as mutually determined by Landlord and Tenant. Building corners shall be subzoned such that each exposure shall have its own zone of control. Subzoned areas shall be individually controlled. Installation of the new thermostats shall be based on the new layouts, new DDC system hardware and new building control systems which Landlord will install in the Building no later than three (3) years from the Extended Term Commencement Date. These new systems shall be made available to Tenant as soon as Building-wide installation of the central elements to the new control systems are completed.

c. Excepting for exterior conditions of extreme cold or extreme heat and humidity, outside air to the floor at interior and exterior zones shall be sufficient to provide the lesser of 20 CFM to each occupant or 0.2 CFM per square foot generally in any particular area of control.

d. In connection with the completion of the Extended Premises by Landlord pursuant to Paragraph 7 of this Ninth Amendment:

(i) a minimum of 5 tons of condenser water shall be provided to the Extended Premises on a 24 hour basis;

(ii) electrical capacity shall be provided to the Extended Premises at 6.5 watts per square foot with the future potential for 8.5 watts per square foot;

(iii) adequate telephone and data/communications riser capacity shall be provided; and

(iv) doors and stair towers off freight lobby and similarly located space at the north end of the Building shall be modified by Landlord to allow for economical multi-tenant use.

Notwithstanding anything to the contrary contained in Section 3(b) of the Lease, Landlord acknowledges that the annual Base Rent for the Extended Premises specified in Paragraph 4 of this Ninth Amendment includes all normal electricity charges for lighting and electrical outlets attributable to the Extended Premises.

7. COMPLETION OF EXTENDED PREMISES BY LANDLORD

A. GENERAL. This Paragraph 7 of the Ninth Amendment sets forth the mutual agreement between Landlord and Tenant as to the production of plans and specifications for and the performance of the leasehold improvements, including without limitation the improvements required to satisfy the provisions of Section 3(d) of the Lease as added by Paragraph 6 of this Ninth Amendment, to be performed in preparing the Extended Premises for Tenant's occupancy (the "Work"). Except as expressly provided herein, Tenant shall accept the Extended Premises "AS IS" as to condition and layout.

B. PLANS.

(i) On or before September 14, 1992, Tenant shall submit to Landlord for Landlord's approval preliminary plans for the Work prepared by a licensed architect or engineer, which plans shall include any drawings and specifications necessary to permit Landlord to price the Work on a preliminary basis. Landlord shall review such plans as submitted within ten (10) business days after the receipt thereof and shall notify Tenant if Landlord approves or disapproves such plans. If Landlord disapproves such plans, Landlord shall specify in writing the reasons for its disapproval of any aspect of such plans. Within five (5) business days of receipt of Landlord's written disapproval, Tenant shall prepare any revisions to such plans which may be necessary as a result of Landlord's disapproval and resubmit such revised plan to Landlord for approval, which approval shall not be unreasonably withheld or delayed. Simultaneously therewith within said ten (10) business day period, Landlord will furnish to Tenant a preliminary cost estimate for all costs and expenses necessary to complete the Work contemplated by the preliminary plans. Landlord shall have no obligation to Tenant with respect to the preliminary cost estimate and shall not be bound in any manner as a result of providing the preliminary cost estimate to Tenant. Thereafter, on or before October 14, 1992, Tenant shall submit to Landlord for Landlord's approval final plans for the Work (stamped by a licensed architect or engineer), which plans shall include all necessary drawings, specifications and documents required for (a) purchase and installation of demountable partitions, (b) carpet selection and layout, (c) architectural layout, finish schedules and like, (d) electrical power distribution, (e) "above ceiling" engineering plans to be prepared as provided in Paragraph 7(B)(ii) below, (f) the plans for all public areas

on the 32nd and 33rd floors to be prepared as provided in Paragraph 7(B)(ii) and any other plans necessary to permit Landlord to price (on a final basis) and to perform the Work. Landlord shall review such final plans as submitted within five (5) business days after the receipt thereof and in all other respects, the procedure for obtaining Landlord's approval of the final plans shall be identical to the procedure, described hereinabove, with respect to obtaining Landlord's approval of the preliminary plans. At such time as the final plans have been approved by Landlord, Landlord and Tenant shall initial such plans. The final plans and specifications initialed by Landlord and Tenant shall be used by Landlord to obtain the Tenant's Cost Quotation (as provided in Paragraph 7(c)(ii) below) and shall be referred to herein as the "Plans". Landlord shall not be deemed unreasonable for withholding approval of any improvements, alterations or additions which (i) do not comply with all applicable laws, ordinances, codes, rules and regulations, (ii) adversely affect any structural, mechanical, plumbing, HVAC, electrical or exterior elements of the Building, or (iii) will require unusual expense to readapt the Extended Premises to normal office use on termination of the Lease or (iv) will increase the cost of construction or of insurance or taxes on the Building or the Extended Premises, unless Tenant agrees in writing to pay all such costs. Approval of the plans shall create no responsibility or liability on Landlord for the accuracy or completeness of such plans, their design sufficiency or compliance with applicable statutes, ordinances or regulations.

(ii) Tenant shall employ an engineer approved by Landlord to prepare any "above ceiling" plans and specifications necessary for completion of the Work, which "above ceiling" plans will set forth any and all HVAC, sprinkler, lighting and plumbing systems. The plans for all public areas, including elevator core area on the 32nd and 33rd floors shall be prepared by Tenant's architect and shall comply with all applicable laws and lawful ordinances, codes, regulations and orders of governmental authority, including without limitation applicable disability access regulations. Any reasonable costs or expenses incurred or paid by Tenant in connection with the preparation of such plans and specifications and all reasonable costs or expenses incurred or paid by Landlord in connection with the review of such plans and specifications shall be a cost of the Work and included in Tenant's Cost Quotation (defined below).

C. TENANT ALLOWANCE; TENANT'S COST QUOTATION.

(i) Landlord will provide Tenant with a tenant improvement allowance for design of the Plans and construction of the Work pursuant to the Plans in the aggregate amount of $44.68 per rentable square foot ($1,630,462.56 based on 36,492 rentable square feet) (the "Tenant Allowance"). The Tenant Allowance shall be paid by Landlord toward the cost of completion of the Work in accordance with the Plans.

The Tenant Allowance shall not include the following costs which shall be paid by Landlord as part of the Work within the Extended Premises:

(a) Landlord shall deliver floors clean and with under floor duct system empty;

(b) Landlord shall provide additional ceiling tiles, at cost, as needed to match existing ceiling tiles;

(c) Landlord shall clean and relamp existing ceiling lighting fixtures as needed;

(d) Landlord shall perform the work and provide the services described in Section 3(d) of the Lease; and

(e) Landlord shall cause the elevator core area and the building standard bathrooms on the 32nd and 33rd floors to comply with the requirements of applicable public access regulations for handicapped or disabled persons.

(ii) Within twenty (20) business days of the approval of the Plans, Landlord shall obtain bids from at least three (3) general contractors selected by Landlord for the performance of the Work, and Landlord will furnish to Tenant a cost quotation from each of the three (3) general contractors for all costs and expenses necessary for completion of the Work pursuant to the Plans, together with Landlord's designation of the cost quotation which Landlord considers to be the best available cost quotation for the completion of the Work (herein "Tenant's Cost Quotation"). Landlord cannot and does not guarantee the accuracy of any cost quotation, including without limitation the Tenant's Cost Quotation. Unless Tenant disapproves the Tenant's Cost Quotation within five (5) business days, Tenant's Cost Quotation shall be deemed accepted and agreed to by Tenant. If within the applicable five (5) business day period,

Landlord receives Tenant's written disapproval of the Tenant's Cost Quotation, then Tenant shall meet with Landlord and the contractor(s) (if necessary) within three (3) business days thereafter to revise Tenant's Cost Quotation. The procedure shall be followed until Tenant's Cost Quotation is approved by Landlord and Tenant in writing.

If the approved Tenant Cost Quotation is equal to or less than the Tenant Allowance, Tenant shall provide Landlord with a signed work order authorizing commencement of the Work in accordance with the Plans and the final Tenant Cost Quotation (see EXHIBIT 4 attached hereto). If the approved Tenant's Cost Quotation is greater than the Tenant Allowance, then, after the Tenant Allowance has been duly disbursed, Landlord shall provide a statement, in reasonable detail, to Tenant by notice to Tenant, not more often than monthly as of the Work proceeds, setting forth the total of all costs incurred by Landlord in excess of the sum of the Tenant Allowance and all Construction Payments (as hereinafter defined) made by Tenant and received by Landlord, and Tenant shall pay such excess to Landlord within ten (10) business days after the giving of such notice. (All such payments made by Tenant to Landlord are referred to herein as "Construction Payments".)

(iii) Landlord and Tenant shall cooperate and use diligent efforts to assure that the Plans and Tenant's Cost Quotation are approved in final form on or before November 12, 1992.

(iv) Upon delivery of Tenant's work order, Landlord shall perform the Work and use reasonable efforts to have the Extended Premises ready for occupancy by February 12, 1993 (herein the "Scheduled Commencement Date"). (The designation of February 12, 1993 as the Scheduled Commencement Date is based upon the assumption that the Plans and the Tenant's Cost Quotation are approved on or before November 12, 1992 as provided hereinabove.) All Work shall be performed by Landlord's designated contractor(s) in accordance with the Plans and Tenant's Cost Quotation. Landlord shall have no obligation to Tenant for defects in design, workmanship or materials, but shall use reasonable efforts to enforce the contractor's obligations thereon and, at Tenant's option, shall assign all warranties received by Landlord with respect to the Work. Any changes to the Plans or Tenant's Cost Quotation may be made only upon written request by Tenant

approved in writing by Landlord, such approval not to be unreasonably withheld or delayed, or as may be required by any governmental agency, in each instance evidenced by a written change order describing the change.

D. COMPLETION OF THE WORK. The Work shall be deemed substantially completed on the date on which Landlord delivers to Tenant either (i) an occupancy permit (permanent or temporary) from the governmental agency responsible for issuing same, provided, however, if such occupancy permit is a temporary one, Landlord shall use reasonable efforts to proceed with and complete all work necessary to satisfy the conditions thereunder and obtain a permanent occupancy permit or (ii) a certification from Landlord's representative, as set forth in Paragraph 7(G) hereof, stating that the Extended Premises are substantially complete and ready for legal occupancy in accordance with the Plans except for so-called "Punch List" items, the completion of which will not substantially interfere with Tenant's ability to occupy, use and enjoy the Extended Premises. Landlord will use due diligence to complete the so-called "Punch List" items. Landlord shall provide Tenant as much notice as circumstances reasonably allow of the date when Landlord expects the Extended Premises to be substantially completed, based upon the progress of the Work.

E. EXTENDED TERM COMMENCEMENT DATE. The "Extended Term Commencement Date" shall be the earliest of (a) the date Tenant takes possession of the Extended Premises and commences business operations thereof, (b) the date the Extended Premises are substantially completed pursuant to Paragraph 7(D) above (provided, however, that such date shall not be earlier than the Scheduled Commencement Date), or (c) the date such substantial completion would have occurred but for delays caused by Tenant or its representatives, agents or employees ("Tenant Delays"), including, without limitation, delays caused by (i) failure to furnish plans or other information in accordance with Paragraph 7(B) above; (ii) Tenant's request for any special, long lead time materials or installations as part of the Work; (iii) Tenant's changes in any drawings, plans or specification; (iv) any changes initiated by reason of Tenant's disapproval of cost proposals or resulting in the preparation of revised cost proposals; (v) field changes to construction work requested or required by Tenant; (vi) the delivery, installation or completion of any Tenant finish work performed by Tenant's employees or agents; or (vii) any other act or omission of Tenant. Immediately after the Extended Term Commencement Date has been determined, the

Extended Term Commencement Date, the expiration date of the Extended Term, the Exercise Date and the Option Term Commencement Date (as defined and determined in accordance with Section 29 of the Lease, as added by Paragraph 9 hereof) and the applicable Expansion Commencement Dates (as defined and determined in accordance with Section 31A of the Lease, as added by Paragraph 10 hereof) shall be confirmed by Landlord and Tenant in writing.

If for any reason Landlord cannot deliver possession of the Extended Premises to Tenant on the Scheduled Commencement Date, or perform any other covenant contained in this Paragraph 7 of this Ninth Amendment, the Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall such failure affect the obligations of Tenant hereunder; provided that if the Extended Premises are not substantially completed pursuant to Paragraph 7(D) on or before February 12, 1994 (which date shall be extended by one day for each day of Tenant Delay) (the "Outside Completion Date"), Tenant may not later than ten (10) days after the Outside Completion Date, give Landlord notice of its intent to terminate this Lease if the Extended Premises are not substantially completed within the next thirty (30) days, and, if said substantial completion does not occur within such period, then Tenant may terminate this Lease by notice to Landlord not later than ten (10) days after the expiration of such thirty-day period. The foregoing right of termination shall be Tenant's sole remedy in the event said substantial completion does not occur. Tenant's failure to give notice within each of the ten-day periods specified above shall be deemed a waiver of Tenant's right to terminate the Lease. If Tenant terminates this Lease under the foregoing provisions, the Initial Term of this Lease shall be extended for a period of six (6) months beyond the Outside Completion Date and shall terminate on the date which is six months beyond the Outside Completion Date.

F. FINAL COST. Within sixty (60) days after the Extended Term Commencement Date, Landlord shall furnish to Tenant a detailed statement outlining the final costs incurred or paid by Landlord in connection with completion of the Work (herein the "Final Cost") and the final amount of the Tenant's Cost Quotation, as adjusted for additional costs required by change orders in the Work requested or agreed to by Tenant (the "Adjusted Tenant's Cost"). If the Final Cost is less than the Tenant Allowance, and provided Tenant is in full occupancy of the Extended Premises and is not in default of its obligations under the Lease, beyond the expiration of

any applicable grace period, Landlord shall pay to Tenant the difference between the Final Cost and the Adjusted Tenant's Cost (the "Difference"), or a portion thereof as herein provided, within twenty (20) days after delivery of the detailed statement as follows:

(a) Landlord shall pay to Tenant one hundred percent (100%) of the Difference up to the amount, if any, by which the Tenant Allowance exceeds the Adjusted Tenant Cost; and

(b) after payment of any amount due under subsection (a) above, Landlord shall pay to Tenant fifty percent (50%) of the remaining balance, if any, of the Difference and Landlord shall be entitled to retain fifty percent (50%) of the remaining balance of the Difference.

If the Final Cost is greater than the sum of the Tenant Allowance and any Construction Payment paid to Landlord, then Tenant shall immediately pay the difference to Landlord within twenty (20) days of Landlord's written demand therefor.

G. GENERAL.

(i) Tenant approval, authorization, consent or other required action under this Paragraph 7 shall mean such action taken or authorized by Alan R. Willens. Landlord shall have the right to rely on such approval, authorization, consent or other action, until Tenant advises Landlord in writing that some other person has such authority. Landlord approval, authorization, consent or other required action shall mean such action taken or authorized by Lawrence W. Gaboury under this Paragraph 7. Tenant shall have the right to rely on such approval, authorization, consent or other action, until Landlord advises Tenant in writing that some other person has such authority.

(ii) Any failure by Tenant to pay any amounts due under this Paragraph 7 shall have the same effect under the Lease as a failure to pay Base Rent. Any such failure shall constitute an event of default under the Lease, entitling Landlord to all of its remedies under the Lease, at law and in equity.

8. ALTERATIONS

Section 10 of the Lease entitled "ALTERATIONS" is amended as follows:

(a) by adding after the first sentence of said Section 10 of the Lease, the following new sentence:

"Notwithstanding anything contained in this Section 10 to the contrary, so long as Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, at any time during the Extended Term, Tenant shall have the right (a) to install, at Tenant's expense, within the space above the ceiling tiles (and below the ceiling) electrical and/or data/communications wiring within the Extended Premises, provided that such installation shall not interfere with or in any manner adversely affect Landlord's installations within said space and (b) to install, at Tenant's expense, a ceiling system and lighting fixtures within the Extended Premises, provided that prior to performing either of the.foregoing alterations Tenant shall have submitted plans for such alterations to Landlord at least fifteen (15) business days prior to the commencement of construction and shall have obtained Landlord's prior written approval thereof, which, shall not be unreasonably withheld or delayed, and, provided, further that so long as Tenant's plans for the installation of ceiling and lighting systems are substantially similar to the systems presently installed as of the date of this Ninth Amendment on the 32nd and 33rd floors of the Building, Landlord shall not withhold its approval."

(b) by adding at the end of Section 10 of the Lease the following new Section 10A:

"10A INTERNAL STAIRCASE

During the Extended Term of the Lease, provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, Tenant shall have the right to construct an internal staircase for the exclusive use and enjoyment of Tenant, which staircase may connect those portions of the 32nd and 33rd floors occupied by Tenant; provided that the construction of such internal staircase shall be performed by Tenant in compliance with the requirements of Section 10B of the Lease.

At any time commencing six (6) months prior to the expiration of the Extended Term of the Lease or at any time after a default by Tenant under the Lease (which remains uncured beyond any applicable grace period), upon demand from Landlord, Tenant shall pay to Landlord as additional rent, the costs estimated by Landlord to cap the internal staircase constructed by Tenant and to restore the 32nd and 33rd floors to their condition prior to the installation of the internal staircase."

(c) by adding at the end of Section 10 of the Lease the following new Section 10B:

"10B TENANT CONSTRUCTION

Tenant shall not make any alterations, improvements or additions to the Extended Premises, as the same may be expanded, except in accordance with plans and specifications first approved by Landlord. Tenant shall submit to Landlord all plans and specifications for Tenant's construction of any alterations, improvements or additions to any space Tenant leases pursuant to the terms of the Lease for Landlord's prior written approval thereof, which, shall not be unreasonably withheld or delayed. Landlord shall review such plans and specifications as submitted within fifteen (15) business days after the receipt thereof and shall notify Tenant if Landlord approves or disapproves such plans and specifications. If Landlord disapproves such plans, Landlord shall specify the reasons for its disapproval of any aspect of such plans. Tenant shall prepare any revisions to such plans and specifications which may be necessary as a result of Landlord's disapproval and complete and revise the same so that the plans are satisfactory to, and have been approved by, Landlord within seven (7) business days after Landlord's request for revisions of the same. Landlord and Tenant shall initial the plans and specifications after the same have been submitted by Tenant and approved by Landlord. Tenant agrees that Tenant's construction shall be built in accordance with such final plans and specifications and agrees to cause its architect to certify from time to time that such final plans and specifications meet all federal, state and local governmental requirements, including, without limitation, all applicable zoning laws, building codes, environmental codes, rules, ordinances or regulations, and any applicable laws and regulations regarding accommodations for disabled persons. Landlord shall not be deemed unreasonable for withholding approval of any alterations or additions which (i) do not comply with all applicable laws, ordinances, codes, rules and regulations, (ii) adversely affect any structural,

mechanical, plumbing, HVAC, electrical or exterior elements of the Building, (iii) will require unusual expense to readapt the Extended Premises to normal office use on termination of the Lease or (iv) will increase the cost of construction or of insurance or taxes on the Building or the Extended Premises, unless Tenant agrees in writing to pay all such costs. Tenant shall provide Landlord with a full set of as-built plans for the Extended Premises as so improved upon completion of such improvements.

All construction work in the Extended Premises shall be done by union contractors and laborers, subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed, in a good and workmanlike manner and in compliance with the Lease, as amended, all applicable laws and lawful ordinances, codes, regulations and orders of governmental authority and insurers of the Building or the Extended Premises. Before Tenant begins any work, it shall: secure all licenses and permits necessary therefor; deliver to Landlord a statement of the names of all its contractors and subcontractors and the estimated cost of all labor and material to be furnished by them; if the estimated cost of the work exceeds $250,000.00 and if requested by Landlord, deliver to Landlord a payment and performance bond to secure the performance of the work; and cause each contractor to carry worker's compensation insurance in statutory amounts covering all contractor's and subcontractor's employees and comprehensive public liability insurance with such limits as Landlord may reasonably require and to deliver to Landlord certificates of all such insurance. Tenant agrees to pay promptly when due, and to defend and indemnify Landlord from and against the entire cost of any work done on the Extended Premises by Tenant, its agents, employees or independent contractors, and not to cause or permit any liens for labor or materials performed or furnished in connection therewith to attach to the Extended Premises or the Building and immediately to discharge any such liens which may attach."

9. OPTION TO EXTEND LEASE

Section 29 of the Lease entitled "OPTION TO EXTEND LEASE" is deleted in its entirety and the following substituted therefor:

"29. OPTION TO EXTEND EXTENDED TERM

Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any

applicable grace period, either at the time Tenant exercises the extension option described below or on the commencement date of the Option Term (as defined below), and provided no more than twenty-five (25%) percent of the Extended Premises shall be subject to subleases, either at the time Tenant exercises the extension option described below or on the commencement date of the Option Term, and provided Tenant shall not have assigned this Lease, Tenant shall have the right and option to extend the Extended Term hereof for one (1) additional period of five (5) years (such five-year period to be referred to hereinafter as the "Option Term"), provided that Tenant shall give written notice to Landlord of the exercise thereof not later than twelve (12) months prior to the expiration of the Extended Term of this Lease (the "Exercise Date"). Tenant's notice of extension shall be accompanied by then current financial statements of Tenant, audited (if audited statements have been recently prepared on behalf of Tenant) or otherwise certified as being true and correct by the chief financial officer of Tenant. If any such financial statements or other statements prepared in respect of Tenant's financial condition shall disclose, in Landlord's reasonable judgment, that Tenant does not have sufficient creditworthiness, net worth, or financial ability to perform the obligations under this Lease on the part of Tenant to be performed during the Option Term, at any time within fifteen (15) business days after Landlord's receipt of such financial statements, Landlord shall have the right to terminate this Lease upon notice to Tenant which termination shall be effective upon the expiration of the Extended Term of this Lease, and Tenant's option of extension shall be deemed to be void and without effect. The foregoing right of Landlord to terminate this Lease shall not be construed as waiving any default of Tenant which then exists or which might arise prior to the expiration of the term of this Lease.

If said option is duly exercised as aforesaid, the Extended Term of this Lease with respect to the Extended Premises shall be automatically extended for said Option Term commencing on the date immediately following the expiration of the original Extended Term (the "Option Term Commencement Date") upon all the same terms and conditions contained in the Lease except that Base Rent shall be determined as hereinafter provided. In the event that the aforesaid option to extend is duly exercised, all references contained in this Lease to the Extended Term hereof, whether by number of years or number of months, shall be construed to refer to the original Extended Term hereof as extended by the exercise of the aforesaid option, whether or not specific reference

thereto is made in this Ninth Amendment. In exercising its option hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise its options to extend on or before the Exercise Date specified above shall constitute a waiver by Tenant of all rights under such option.

Base Rent during the Option Term shall be equal to the then Fair Rental Value for the Extended Premises (as defined and determined below).

For purposes of this Section 29 of the Lease, "Fair Rental Value" shall mean the annual fair rental for the Extended Premises that would be agreed upon between a landlord and a tenant executing a lease in a comparable building of comparable age for comparable square footage located in Boston for a comparable term in light of all of the other business terms of the Lease, assuming the following:

(a) the landlord and tenant are well informed and well advised and each is acting in what it considers its own best interests;

(b) the rental shall reflect the condition of the Extended Premises and all residual value of any improvements to the Extended Premises;

(c) the method by which square footage is measured is similar to the method used to measure the Extended Premises; and

(d) the creditworthiness of the tenant is similar to the creditworthiness of Tenant at the time the option to extend the Lease is exercised.

For purposes of this Section 29, the determination of the Fair Rental Value specified above shall include consideration of all adjustments, if any, for Ownership Taxes and Operating Expenses attributable to the Extended Premises. Effective as of the Option Term Commencement Date and for the duration of the Option Term, the base year for determining Tenant's Proportionate Share of Ownership Taxes shall be the most recent complete fiscal year ending immediately prior to the Option Term Commencement Date and the base year for determining Tenant's rent adjustment for Operating Expenses shall be the most recent complete calendar year ending immediately prior to the Option Term Commencement Date. For example, if the Option Term Commencement Date occurs on

February 13, 2008, the base year for determining Tenant's Proportionate Share of Ownership Taxes will be fiscal year 2007 (i.e., June 1, 2006 through July 31, 2007) and the base year for determining Tenant's rent adjustment for Operating Expenses will be calendar year 2007.

During the ninety (90) days prior to the Exercise Date, Tenant may request Landlord to designate the fair rental value for the Option Term. Within thirty (30) days after such request, Landlord shall give written notice to Tenant of the aforesaid annual fair rental value of the Extended Premises for each of the years in the Option Term. The amount so designated by Landlord shall be the annual Base Rent for the Option Term unless, within thirty (30) days after Landlord shall have given such notice, Tenant shall give notice to Landlord demanding arbitration of such fair rental value, in which event such fair rental value shall be determined by arbitration pursuant to the provisions of Section 30 of this Lease."

10. OPTIONS TO EXPAND

Section 31 of the Lease entitled "INCLUSION OF ADDITIONAL SPACE IN THE PREMISES" is deleted in its entirety and the following substituted therefor:

"31. TENANT'S OPTIONS TO EXPAND

A. EXPANSION BLOCK OPTIONS. Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, either at the time Tenant exercises the expansion options described below or on the commencement date of the Lease with respect to such expansion premises, Tenant shall have the following options to expand the Extended Premises. For purposes of this Lease, an "Expansion Block" shall mean the five areas located on the 32nd floor of the Building, shown and numbered on the plan attached hereto as EXHIBIT 5, as follows:

Expansion Block 1, containing 1,998 rentable square feet;

Expansion Block 2, containing 2,604 rentable square feet;

Expansion Block 3, containing 3,613 rentable square feet;

Expansion Block 4, containing 3,497 rentable square feet;

Expansion Block 5, containing 4,075 rentable square feet;

In the event that one or more of the aforesaid options to expand is duly exercised, all references contained in this Lease to the Extended Premises hereof shall be construed to refer to the original Extended Premises hereof as expanded by the exercise of the aforesaid option(s), whether or not specific reference thereto is made in this Ninth Amendment. In exercising its options hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise any of its options to expand on or before the date specified below shall constitute a waiver by Tenant of all rights under such option. At each time Tenant leases expansion premises pursuant to the provisions of this Section 31(A), Tenant's Proportionate Share of Ownership Taxes shall be increased as provided in Paragraph 5 of the Ninth Amendment and Tenant's obligations to pay adjustments for Operating Expenses shall be adjusted as provided in Section 2(b) of the Lease and the base year for determining Tenant's Proportionate Share of Ownership Taxes shall be fiscal year 1993 and for determining Tenant's rent adjustment for Operating Expenses shall be calendar year 1993 as provided in Paragraph 5 of the Ninth Amendment.

(i) TENANT'S FIRST OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "First Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "First Expansion Premises") commencing on the first day of that month which is eighteen (18) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "First Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the First Expansion Commencement Date shall occur on July 1, 1994. Tenant will give Landlord written notice of Tenant's election to exercise the First Option, which notice shall designate the First Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the First Expansion Commencement Date. The First Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be

determined as hereinafter provided. Upon the commencement of the Lease for the First Expansion Premises, the First Expansion Premises shall automatically become a part of the Extended Premises.

(ii) TENANT'S SECOND OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Second Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Second Expansion Premises") commencing on the first day of that month which is thirty-six (36) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Second Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Second Expansion Commencement Date shall occur on January 1, 1996. Tenant will give Landlord written notice of Tenant's election to exercise the Second Option, which notice shall designate the Second Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Second Expansion Commencement Date. The Second Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Second Expansion Premises, the Second Expansion Premises shall automatically become a part of the Extended Premises.

(iii) TENANT'S THIRD OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Third Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Third Expansion Premises") commencing on the first day of that month which is fifty-four (54) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Third Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Third Expansion Commencement Date shall occur on July 1, 1997. Tenant will give Landlord written notice of Tenant's election to exercise the Third Option, which notice shall designate the Third Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Third Expansion

Commencement Date. The Third Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Third Expansion Premises, the Third Expansion Premises shall automatically become a part of the Extended Premises.

(iv) TENANT'S FOURTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Fourth Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Fourth Expansion Premises") commencing on the first day of that month which is seventy-two (72) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Fourth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Fourth Expansion Commencement Date shall occur on January 1, 1999. Tenant will give Landlord written notice of Tenant's election to exercise the Fourth Option, which notice shall designate the Fourth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Fourth Expansion Commencement Date. The Fourth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Fourth Expansion Premises, the Fourth Expansion Premises shall automatically become a part of the Extended Premises.

(v) TENANT'S FIFTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Fifth Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Fifth Expansion Premises") commencing on the first day of that month which is ninety (90) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Fifth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Fifth Expansion Commencement Date shall occur on July 1, 2000. Tenant will give Landlord written notice of Tenant's election to exercise the Fifth

Option, which notice shall designate the Fifth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Fifth Expansion Commencement Date. The Fifth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Fifth Expansion Premises, the Fifth Expansion Premises shall automatically become a part of the Extended Premises.

(vi) TENANT'S SIXTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Sixth Option") to lease one Expansion Block located on the 32nd floor of the Building, provided that the Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Sixth Expansion Premises") commencing on the first day of that month which is one hundred and eight (108) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Sixth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Sixth Expansion Commencement Date shall occur on January 1, 2002. Tenant will give Landlord written notice of Tenant's election to exercise the Sixth Option, which notice shall designate the Sixth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Sixth Expansion Commencement Date. The Sixth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Sixth Expansion Premises, the Sixth Expansion Premises shall automatically become a part of the Extended Premises.

(vii) LIMITATIONS ON EXPANSION BLOCK OPTIONS.

(a) Notwithstanding anything contained in this Section 31(A) to the contrary, Tenant shall be entitled to exercise its options under this Section 31(A) only in strict numerical order of ascendancy, commencing with Expansion Block 1 and continuing in sequence thereafter with Expansion Blocks 2, 3, 4 and 5.

(b) Notwithstanding anything contained in this Section 31(A) to the contrary, Tenant shall be entitled to exercise its options under this Section 31(A) only up to

the Maximum Option Premises; such that once Tenant has exercised its options under this Section 31(A) to expand the Extended Premises to include the Maximum Option Premises, Tenant shall have no further option rights to expand the Extended Premises under this Section 31(A). For purposes of this Lease, the "Maximum Option Premises" shall be an aggregate maximum of five (5) Expansion Blocks, subject to reduction as provided hereinafter. Tenant's election not to exercise any one (1) of the options set forth in subsections (i) through (vi) of this Section 31(A) shall not affect the Maximum Option Premises or the right of Tenant to exercise any subsequent option(s); thereafter, however, each time Tenant does not exercise a subsequent option at the times provided above, the Maximum Expansion Premises shall be reduced in strict numerical order of descent by one Expansion Block for each subsequent option which Tenant fails to exercise, commencing with the elimination of Expansion Block 5 and continuing in sequence thereafter with Expansion Blocks 4, 3, 2 and 1. For example, if Tenant fails to exercise the First Option, the Maximum Expansion Premises shall remain five (5) Expansion Blocks; thereafter, however, if Tenant does not exercise the Second Option, the Maximum Expansion Premises shall be reduced to four (4) Expansion Blocks, eliminating Expansion Block 5.

(viii) BASE RENT FOR EXPANSION PREMISES. Base Rent for each Expansion Premises during the Extended Term (but not including the Option Term) shall be equal to ninety percent (90%) of the then Fair Rental Value for the applicable Expansion Premises as determined pursuant to Section 31D below. Base Rent for all Expansion Premises, which shall be included within the Extended Premises, during the Option Term shall be determined in accordance with the provisions of Paragraph 9 of the Ninth Amendment.

(ix) EXPANSION TERMS COTERMINOUS WITH TERM FOR ORIGINAL EXTENDED PREMISES. In the event Tenant elects to exercise any expansion options as set forth in subsections (i) through (vi) of this Section 31(A), Landlord and Tenant agree to execute a written confirmation of such exercise and to document all changes to the Lease, as amended, resulting from the exercise of such option(s). The parties hereby acknowledge that the termination of the term of any such expansion premises shall be co-terminus with the term for the original Extended Premises.

B. ADDITIONAL EXPANSION OPTION. Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, either at the time Tenant exercises the option described below or on the commencement date of the Lease with respect to the Additional Expansion Space (as defined below), and provided that Tenant has exercised its option to extend the Extended Term as provided in Paragraph 9 of the Ninth Amendment, and provided Tenant has exercised its options under Section 31(A) hereof so as to expand the Extended Premises to include an aggregate of not less than five (5) Expansion Blocks, and provided Tenant has not assigned this Lease or sublet all or any portion of the Extended Premises, as so expanded, Tenant shall have the additional option (the "Additional Option") to lease during the Option Term either the entire 31st floor of the Building (containing approximately 26,316 rentable square feet of space) or the entire 34th floor of the Building (consisting of approximately 26,375 rentable square feet of space), as designated by Landlord, (the "Additional Expansion Premises") commencing on the Option Term Commencement Date. If Tenant elects to exercise the Additional Option, simultaneously with the giving of Tenant's Notice to extend the Extended Term, Tenant will give Landlord written notice of Tenant's election to exercise the Additional Option at least twelve (12) months, but not more than fourteen (14) months, prior to the Option Term Commencement Date. During the ninety (90) days prior to the exercise date of the Additional Option, Tenant may request Landlord to designate the Additional Expansion Premises. Within thirty (30) days after such request, Landlord shall give written notice to Tenant designating the location of the Additional Expansion Premises (i.e. either the 31st floor or the 34th floor of the Building). If Tenant fails to request Landlord for such designation prior to Tenant's exercise of the Additional Option, within thirty (30) days after receipt of Tenant's notice of exercise, Landlord shall give written notice to Tenant so designating the location of the Additional Expansion Premises. The Additional Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that Base Rent for the Additional Expansion Premises, which shall be included with the Extended Premises, shall be determined in accordance with the provisions of Paragraph 9 of the Ninth Amendment. Upon the commencement of the term of the Lease for the Additional Expansion Premises, the Additional Expansion Premises shall automatically become a part of the Extended Premises.

In the event that the Additional Option is duly exercised, Landlord and Tenant agree to enter into an amendment to this Lease to confirm such exercise and to document all changes to the Lease, as amended, resulting from the exercise of such option and all references contained in this Lease to the Extended Premises shall be construed to refer to the original Extended Premises, as expanded pursuant to Section 31(A) hereof, as further expanded by the exercise of the aforesaid Additional Option, whether or not specific reference thereto is made in the Ninth Amendment. In exercising its option hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise the Additional Option on or before the date specified above shall constitute a waiver by Tenant of all rights under such option. At such time as Tenant leases the Additional Expansion Premises pursuant to the provisions of this Section 31(B), Tenant's Proportionate Share of Ownership Taxes shall be increased as provided in Paragraph 5 of the Ninth Amendment and Tenant's obligations to pay rent adjustments for Operating Expenses shall be adjusted as provided in Section 2(b) of the Lease.

C. DELIVERY OF EXPANSION PREMISES; CONSTRUCTION OF IMPROVEMENTS. Landlord shall deliver each expansion premises, whether pursuant to Section 31(A) or 31(B), in "AS-IS" condition on the applicable commencement date, vacant, broom-clean and free and clear of all leases and occupancies; except that prior to the delivery of each expansion premises, Landlord, at Landlord's expense, shall remove all telephone and electrical outlets, hauserman partitions, including wood doors, all carpets and with underfloor duct systems empty. Tenant shall perform all work necessary in order to equip and furnish each such expansion premises for Tenant's use in accordance with plans approved by Landlord and in a first class, good and workmanlike manner. All construction performed by Tenant shall be in accordance with the requirements of Section 10B of the Lease. Landlord shall have no obligation to construct any improvements for any expansion premises or to contribute to the cost of any improvements for any such expansion premises.

D. DETERMINATION OF FAIR RENTAL VALUE. For purposes of Section 31(A) of the Lease, "Fair Rental Value" shall mean the annual fair rental for the applicable expansion premises that would be agreed upon between a landlord and a tenant executing a lease in a comparable

building of comparable age for comparable square footage located in Boston for a comparable term in light of all the other business terms of the Lease, assuming the following:

(i) the landlord and tenant are well informed and well advised and each is acting in what it considers its own best interests;

(ii) the rental rate shall take into consideration the condition of the expansion premises and all residual value of any improvements to the expansion premises;

(iii) the method by which square footage is measured is similar to the measure used in the Lease;

(iv) the creditworthiness of the tenant is similar to the creditworthiness of Tenant at the time the option to extend the Lease is exercised; and

(v) unless Landlord and Tenant mutually agree upon an acceptable tenant allowance prior to the commencement of arbitration to determine Fair Rental Value, (in which event, the provisions of this Section 31(D)(v) shall not apply), the rental rate shall take into consideration that Tenant elected to receive a reduction in annual base rent in an amount equal to the value of the building standard tenant leasehold improvement allowance that would have been otherwise available to the Tenant in an amount then being offered by Landlord to other tenants in the Building or as otherwise being offered by landlords in comparable buildings of comparable age for comparable square footage in Boston for a comparable term.

During the ninety (90) days prior to the applicable exercise date for each of Tenant's expansion options, Tenant may request Landlord to designate the fair rental value for the applicable expansion premises. Within thirty (30) days after such request, Landlord shall give written notice to Tenant designating the aforesaid annual fair rental value of the applicable expansion premises for each of the years in the original Extended Term (but not including the Option Term). The amount so designated by Landlord shall be the annual Base Rent for the applicable expansion premises during the original Extended Term unless, within thirty (30) days after Landlord shall have given such notice, Tenant shall give notice to Landlord demanding arbitration of such fair rental value, in which event such fair rental value shall be determined by arbitration pursuant to the provisions of Section 30 of the Lease."

11. STORAGE SPACE

Commencing on the Extended Term Commencement Date and continuing for the duration of the Extended Term, Landlord hereby leases to Tenant and Tenant hereby agrees to lease 1,390 rentable square feet of storage space (the "Heath Storage Space") on the eighth floor of the Heath Building as shown on EXHIBIT 6 attached hereto and made a part hereof, on the same terms and conditions as contained in the Lease (as modified by this Ninth Amendment), unless sooner terminated as provided in the Lease. The Heath Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Said Space is being demised to Tenant in "AS-IS' condition. Tenant shall use the Heath Storage Space only for storage associated with the use of the Extended Premises. Tenant shall be responsible for securing such space to Tenant's satisfaction. Tenant's use of the Heath Storage Space shall be at Tenant's sole risk and Landlord shall not be liable for any damage or theft of items stored therein nor shall Landlord have any liability to Tenant for failure to adequately secure the Heath Storage Space. A fire, casualty or condemnation with respect to the Heath Storage Space shall not affect Tenant's obligations with respect to the Extended Premises.

Tenant will have access to the Heath Storage Space on not more than 24 hours notice and when possible on demand.

The term of the lease for the Heath Storage Space shall run concurrently with the Term of the Lease for the Extended Premises. During the original Extended Term, Tenant shall pay rent in advance on or before the first day of each month in the amount of (i) $13,899.96 per annum ($10.00 per square foot in equal monthly installments of $1,158.33) during lease years one through five of the Extended Term and (ii) $18,070.00 per annum ($13.00 per square foot in equal monthly installments of $1,505.83) during lease years six through fifteen of the Extended Term. There will be no increase for Operating Expenses or Ownership Taxes with respect to the Heath Storage Space.

Tenant shall have the option to extend the lease for the Heath Storage Space to run concurrently with the option to extend the Lease for the Extended Premises as provided in Paragraph 9 of this Ninth Amendment. The rent for such

option period shall be the fair market of the Heath Storage Space, determined in a manner similar to that prescribed for Fair Rental Value in Paragraph 9 of this Ninth Amendment.

Landlord shall use reasonable efforts, but shall have no obligation under the Lease, to provide additional storage space to Tenant in amounts that are proportional to the amounts of space leased by Tenant at such time as Tenant exercises each of Tenant's expansion options as provided in Paragraph 10 of this Ninth Amendment. Landlord reserves the right to relocate the Heath Storage Space, and any additional storage space which Landlord may provide to Tenant hereunder to other storage space located within either the Building, the Health Building or the 200 Berkeley Street Building. In the event Landlord elects to relocate any such storage space, Landlord shall give Tenant at least thirty (30) days prior written notice thereof and Landlord, at Landlord's expense, shall be responsible to build a cage, with standard lock, around the relocated storage space and to relocate all of Tenant's stored property to the relocated storage space; provided Tenant may, not later than ten (10) days after receipt of Landlord's written notice, terminate the lease of all such storage space which is subject to Landlord's relocation notice. This right of termination shall be Tenant's sole remedy in the event Landlord elects to relocate any such storage space. Tenant's failure to give notice within the ten-day period specified above shall be deemed a waiver of Tenant's right to terminate the relocation of such storage space. Tenant shall lease any additional storage space or any relocated storage space from Landlord on the same terms and conditions as provided for the Heath Storage Space in this Paragraph 11.

12. PARKING

Landlord hereby agrees to make available to Tenant throughout the Extended Term of the Lease, and any extensions thereof, one (1) parking permit for the John Hancock Place 100 Clarendon Street, Boston (the "Hancock Garage") Garage, per 1,500 square feet of rentable square feet of the Extended Premises in the Building (or 24 parking spaces based upon 36,492 rentable square feet for the original Extended Premises). Tenant shall pay rent, in advance on the first day of each and every calendar month for each parking permit held by Tenant, at the prevailing market rate which Landlord or the operator of the Hancock Garage establishes, as the

same may be changed from time to time. In the event Tenant occupies any expansion premises in the Building during the Extended Term, or any extensions thereof, Landlord will lease to Tenant one (1) additional parking permit per 1,500 square feet of rentable square feet of such expansion premises.

If pursuant to any existing or future law, regulation or other governmental action, the use of the Hancock Garage is restricted for the parking of cars for the type of use contemplated by this Paragraph 12, Tenant agrees that Landlord may reduce or terminate completely the above parking arrangements provided such reductions are made pro rata with other tenants of the Building.

Notwithstanding anything to the contrary contained herein, all parking permits provided to Tenant pursuant to the terms of this Paragraph 12 shall be used solely by the officers, employees or agents of Tenant or any permitted assignees or sublessees of Tenant as provided herein. Tenant shall not sublease, assign or otherwise transfer its rights in any parking permit it receives from Landlord to any third party including, without limitation, any other tenant in the Building.

13. SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

In the event Landlord shall mortgage or otherwise encumber the Building, this Lease shall automatically be subject and subordinate at all times in lien and priority to any ground lease, mortgage or deed of trust (collectively a "Mortgage") which covers the Building, and to all renewals, modifications, consolidations and extensions thereof provided that the holder of any such Mortgage acknowledges that Tenant's quiet enjoyment hereunder shall not be disturbed nor shall its rights under the Lease be terminated during the term of the Lease, unless Tenant fails to perform its obligations under the Lease. Upon written request of Landlord or the holder of a Mortgage, Tenant shall, within twenty (20) days of such request, deliver a recordable instrument or other documents in the form customarily requested by the holder of such Mortgage, subordinating Tenant's rights under the Lease to the lien of the Mortgage, provided that such holder of a Mortgage acknowledges that Tenant's quiet enjoyment hereunder shall not be disturbed nor shall its rights under the Lease be terminated during the term of the Lease, unless Tenant fails to perform its obligations under the Lease. Landlord shall have the right to subordinate any Mortgage to the Lease.

14. INSURANCE

Landlord shall insure the Building against damage by fire and standard extended coverage perils, and shall carry public liability insurance, all in such reasonable amounts with such reasonable deductible as would be carried by a prudent owner of an office building of similar age and design in the vicinity of the Building. Landlord may carry any other forms of insurance as it or any holder of a Mortgage may deem advisable. Tenant shall have no right to any proceeds from such policies. Landlord shall not be obligated to carry insurance on any of Tenant's property, nor shall Landlord be obligated to repair or replace any of Tenant's property.

Tenant shall maintain a policy or policies of comprehensive general liability insurance with the premiums thereon fully paid in advance, issued by and binding upon an insurance company authorized to transact business in the Commonwealth of Massachusetts and of good financial standing, said insurance to afford minimum protection of not less than $5,000,000.00 in respect to personal injury or death in respect of any one occurrence and of not less than $2,000,000.00 for property damage in any one occurrence; provided, however, that Tenant shall carry such greater limits of coverage as Landlord may reasonably request from time to time if such limits are customarily carried by office tenants in first-class office buildings in Boston, Massachusetts.

Notwithstanding anything to the contrary contained herein, Tenant acknowledges and agrees that, for so long as John Hancock Mutual Life Insurance Company owns the Building, John Hancock Mutual Life Insurance Company shall not be required to maintain any insurance pursuant to the provisions of this Paragraph 14.

Notwithstanding anything to the contrary contained herein (particularly in Section 23 of the Lease), Landlord and Tenant each hereby waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on account of loss by or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is of a nature which is to be insured against under this Lease or which is, in fact, insured against under any insurance policy that either may have in force at the time of the loss or damage. Each party shall notify its insurers

that the foregoing waiver is contained in the Lease. Landlord and Tenant shall cause each insurance policy obtained by each of them to provide that the insurer waives all right of recovery by way of subrogation against either Landlord or Tenant in connection with any loss or damage covered by such policy. In the event John Hancock Mutual Life Insurance Company does not maintain insurance with an independent insurance company but self-insures as provided in the preceding paragraph, John Hancock Mutual Life Insurance shall waive any claim against Tenant to the extent any independent insurance company would have so waived such claim pursuant to the provisions of this paragraph.

15. ENVIRONMENTAL COMPLIANCE

Tenant shall not cause or permit any hazardous or toxic wastes, hazardous or toxic substances or hazardous or toxic materials (collectively, "Hazardous Materials") to be used, generated, stored or disposed of on, under or about or transported to or from, the Extended Premises (collectively, "Hazardous Materials Activities") without first receiving Landlord's written consent, which may be withheld for any reason and revoked at any time. If Landlord consents to any such Hazardous Materials Activities, Tenant shall conduct them in strict compliance (at Tenant's expense) with all applicable Regulations, as hereinafter defined, and using all necessary and appropriate precautions. Landlord shall not be liable to Tenant for any loss, cost, expense, claims, damage or liability arising out of any Hazardous Material Activities by Tenant, Tenant's employees, agents, contractors, licensees, customers or invitees, whether or not consented to by Landlord. Tenant shall indemnify, defend with counsel acceptable to Landlord, and hold Landlord harmless from and against any and all loss, costs, expenses, claims, damages or liabilities arising out of Tenant's Hazardous Materials Activities. For purposes hereof, Hazardous Materials shall include but not be limited to substances defined as "hazardous substances", "toxic substances", or "hazardous wastes" in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the federal Hazardous Materials Transportation Act, as amended; and the federal Resource Conservation and Recovery Act, as amended ("RCRA"); those substances defined as "hazardous wastes" in the Massachusetts Hazardous Waste Facility Siting Act, as amended (Massachusetts General Laws Chapter 21D); those substances defined as "hazardous materials" or "oil" in Massachusetts General Laws Chapter 21E, as amended; and as such substances are defined in any regulations adopted and publications promulgated pursuant to said laws (collectively,

"Regulations"). Prior to using, storing or maintaining any Hazardous Materials on or about the Extended Premises, Tenant shall provide Landlord with a list of the types and quantities thereof, and shall update such list as necessary for continued accuracy. Tenant shall also provide Landlord with a copy of any Hazardous Materials inventory statement required by any applicable Regulations, and any update filed in accordance with any applicable Regulations. If Tenant's activities violate or create a risk of violation of any Regulations, Tenant shall cease such activities immediately upon notice from Landlord. Tenant shall immediately notify Landlord both by telephone and in writing of any spill or unauthorized discharge of Hazardous Materials or of any condition constituting an "imminent hazard" under any Regulations. Landlord, Landlord's representatives and employees may enter the Extended Premises at any reasonable time during the term of the Lease to inspect Tenant's compliance herewith, and may disclose any violation of any Regulations to any governmental agency with jurisdiction. Nothing herein contained shall prohibit Tenant from using, storing, generating or disposing of customary quantities of cleaning fluid and office supplies which may constitute Hazardous Materials but which are customarily present in premises devoted to office use, provided that such use is in compliance with all Regulations and shall be subject to all of the other provisions of this Paragraph 15 of the Ninth Amendment.

16. LEASE MEMORANDUM

Landlord and Tenant shall, concurrently with the execution of this Ninth Amendment, enter into a Memorandum of Lease for the purpose of recording the same and thereby giving notice to third parties of Tenant's interest under the Lease, as amended, which Memorandum of Lease shall be recorded promptly after execution of such Ninth Amendment.

17. ADDITIONAL AMENDMENTS TO THE LEASE

Section 27(i) and Section 27(j) of the Lease are deleted in their entirety.

18. FURNISHING OF FINANCIAL CERTIFICATES

Within ten (10) business days of Landlord's written request, but no more often than one time per year except as otherwise provided below, the Tenant named herein and any permitted assignee or sublessee of the Lease, as amended, shall promptly furnish from time to time to Landlord or any existing or proposed mortgagee or purchaser of the Building and/or the Property, a certificate stating, if true, that the net worth of such entity (expressed in a dollar amount) is, as of the date of such certificate, in excess of the total lease payments left to be paid under the Lease, including any extensions thereof, or, if such net worth is less than the total lease payments, the approximate amount of such difference.

Notwithstanding the one time per year limitation provided above, Landlord shall also be permitted to request Tenant, and any permitted assignee or sublessee, to provide such a certificate upon each of the following events:

a. Tenant exercises an option to extend the term of the Lease as provided in Paragraph 9 of this Ninth Amendment;

b. Landlord plans to sell or refinance the Building, provided that such certificate is obtained in connection with the closing of such sale or refinancing.

Any certificate provided in accordance with the terms of this Paragraph 18 shall be certified as being true and correct by the chief financial officer of the Tenant named herein or of any proposed or permitted assignee or sublessee of all or any portion of the Premises.

EXCEPT AS HEREIN EXPRESSLY MODIFIED all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Ninth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Ninth Amendment shall prevail.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Ninth Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Title: Second Vice President

TENANT:
CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ Allan R. Willens
---
Title: Exec. V.P.
Allan R. Willens

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
Building Management and Construction
John Hancock Place
Post Office Box 111
Boston, Massachusetts 02117

[logo]

DENNIS W. KALETA
Director

July 7, 1993

David L. Loeser
Vice President
Charles River Associates, Inc.
John Hancock Tower
Boston, MA 02117

Re: Lease dated March 1, 1978 (as amended) between John Hancock Mutual Life Insurance Company, "Landlord" and Charles River Associates, Inc., "Tenant" for space located in the John Hancock Tower (herein the "Lease")

Dear David:

Pursuant to Section 7E - EXTENDED TERM COMMENCEMENT DATE of the Ninth Amendment of Lease dated September 2, 1992, Landlord and Tenant hereby ratify and confirm the following dates. All defined terms herein shall have the same meaning and definitions as provided for in the lease, and all references to specific paragraphs shall refer to the paragraphs of the Ninth Amendment.

1. Pursuant to Paragraph 7E, the Extended Term Commencement Date is April 26, 1993.

2. Pursuant to Paragraph 4B, the Extended Term expires on April 25, 2008.

3. Pursuant to Section 29 of Paragraph 9, the Exercise date of the Option Term shall be April 25, 2007, the Option Term Commencement Date shall be April 26, 2008 and the Expiration Date of the Option Term shall be April 25, 2013.

4. Pursuant to Section 31.A.(i) of Paragraph 10, the First Expansion Commencement Date is September 1, 1994 and Tenant must give Landlord written notice of Tenant's election to exercise the First Option no earlier than July 1, 1993 and no later than September 1, 1993.

5. Pursuant to Section 31.A.(ii) of Paragraph 10, the Second Expansion Commencement Date is March 1, 1996 and Tenant must give Landlord written notice of Tenant's election to exercise the Second Option no earlier than January l, 1995 and no later than March 1, 1995.

6. Pursuant to Section 31.A.(iii) of Paragraph 10, the Third Expansion Commencement Date is September 1, 1997 and Tenant must give Landlord written notice of Tenant's election to exercise the Third Option no earlier than July 1, 1995 and no later than September 1, 1996.

7. Pursuant to Section 31.A.(iv) of Paragraph 10, the Fourth Expansion Commencement Date is March 1, 1999, and Tenant must give Landlord written notice of Tenant's election to exercise the Fourth Option no earlier than January 1, 1998 and no later than March 1, 1998.

8. Pursuant to Section 31.A.(v) of Paragraph 10, the Fifth Expansion Commencement Date is September 1, 2000 and Tenant must give Landlord written notice of Tenant's election to exercise the Fifth Option no earlier than July 1, 1999 and no later than September 1, 1999.

9. Pursuant to Section 31.A.(vi) of Paragraph 10, the Sixth Expansion Commencement Date is March 1, 2002 and Tenant must give Landlord written notice of Tenant's election to exercise the Sixth Option no earlier than January 1, 2001 and no later than March 1, 2001.

10. Pursuant to Section 31.B. of Paragraph 10, Tenant must give Landlord written notice of Tenant's election to exercise the Additional Option no earlier than February 25, 2007 and no later than April 25, 2007, and such notice must be given simultaneously with the giving of Tenant's notice to extend the Term pursuant to Section 29 of Paragraph 9.

11. Time remains of the essence.

Please acknowledge your agreement with the above-referenced dates by executing the duplicate copy of this letter and returning same directly to me. Thank you for your assistance.

Very truly yours,

/s/ Dennis W. Kaleta

ACKNOWLEDGED AND AGREED TO:
CHARLES RIVER ASSOCIATES, INC.

By: /s/ David L. Loeser
    ---

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

# TENTH AMENDMENT OF LEASE

THIS TENTH AMENDMENT OF LEASE, made and entered into a of this 24th day of August, 1995, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990, Eighth Amendment of Lease dated December 31, 1991 and Ninth Amendment of Lease dated September 2, 1992 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, pursuant to a letter dated February 27, 1995 Tenant exercised its Second Option to Lease Expansion Block 1 located on the 32nd floor containing 1,998 rentable square feet, and more particularly designated as "Expansion Block 1" on SCHEDULE 1 attached hereto and incorporated by reference ("Expansion Block 1"), commencing March 1 1996, all pursuant to Section 31(A)(ii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 1; and

WHEREAS, the parties hereto are mutually desirous of amending the Lease so as to provide for the above.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INCLUSION OF EXPANSION BLOCK 1. Effective as of March 1, 1996, the Lease shall be amended so as to include in the Premises, Expansion Block 1 as designated on SCHEDULE 1. The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 1 (1,998 rentable square feet).

2. EXPANSION BLOCK 1 BASE RENT. Effective March 1, 1996 and continuing through February 28, 1998, the Base Rent for Expansion Block 1 shall be at an annual rate of $53,946.00 (1,998 rentable square feet at $27.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $4,495.50. From March 1, 1998 and continuing through February 28, 2004, the Base Rent for Expansion Block 1 shall be at an annual rate of $59,940.00 (1,998 rentable square feet at $30.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $4,995.00. From March 1, 2004 and continuing through April 25, 2008 (i.e., the expiration of the Extended Term), the Base Rent for Expansion Block 1 shall be $60,939.00 (1,998 rentable square feet at $30.50 per square foot), payable by Tenant to Landlord in equal monthly installments of $5,078.25. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.

3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 1 shall be calendar year 1996, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 1 from and after January 1, 1997. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 shall be the fiscal year 1997, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 from and after July 1, 1997. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 for any fiscal year shall be .1251%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 1 (1,998 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).

3. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 1, at Tenant's sole

expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 1 or in the lobby/reception area on the 32nd floor in the aggregate amount of $69,930.00 ($35.00 per rentable square foot)(the "Tenant Allowance"). During construction of the improvements in Expansion Block 1 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 1 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion. Block 1 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 1 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

5. MISCELLANEOUS. Except as herein expressly modified all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Tenth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Tenth Amendment shall prevail. Terms not defined herein, but defined in the Lease, shall have the meanings given in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Tenth Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Lawrence W. Gaboury
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ David L. Loeser
---
Title: Vice President and Treasurer

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

ELEVENTH AMENDMENT OF LEASE

THIS ELEVENTH AMENDMENT OF LEASE, made and entered into as of this 25 day of November, 1996, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990, Eighth Amendment of Lease dated December 31 1991, Ninth Amendment of Lease dated September 2, 1992 and Tenth Amendment of Lease dated August 24, 1995 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, pursuant to a letter dated August 16, 1996 Tenant exercised its Third Option to Lease Expansion Block 2 located on the 32nd floor containing 2,604 rentable square feet, and more particularly designated as "Expansion Block 2" on EXHIBIT "5" attached hereto and incorporated by reference ("Expansion Block 2"), commencing February 1, 1997, all pursuant to Section 31(A)(iii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 2; and

WHEREAS, the parties hereto are mutually desirous of amending the Lease so as to provide for the above.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INCLUSION OF EXPANSION BLOCK 2. Effective as of February 1, 1997, the Lease shall be amended so as to include in the Premises, Expansion Block 2 as designated on EXHIBIT "5". The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 2 (2,604 rentable square feet).

2. EXPANSION BLOCK 2 BASE RENT. Providing Tenant is not in default beyond any applicable grace period, Tenant shall not be obligated to pay Base Rent for Expansion Block 2 during the months of February and March of 1997. Effective April 1, 1997 and continuing through April 25, 2008 (i.e., the expiration of the Extended Term), the Base Rent for Expansion Block 2 shall be $80,724.00 (2,604 rentable square feet at $31.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $6,727.00. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.

3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 2 shall be calendar year 1996, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 2 from and after April 1, 1997. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 shall be the fiscal year 1997, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 from and after July 1, 1997. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 for any fiscal year shall be .163%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 2 (2,604 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).

3. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 2, at Tenant's sole expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 2 in the aggregate amount of $70,308.00 ($27.00 per rentable square foot) (the "Tenant Allowance"). During construction of the improvements in Expansion Block 2 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is

not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 2 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion Block 2 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 2 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

5. MISCELLANEOUS. Except as herein expressly modified all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Eleventh Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Eleventh Amendment shall prevail. Terms not defined herein, but defined in the Lease, shall have the meanings given in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Eleventh Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Lawrence W. Gaboury
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ Laurel E. Morrison
---
Title: Controller

EXHIBIT 10.7

600 THIRTEENTH STREET

LEASE

between

DEUTSCHE IMMOBILIEN FONDS AKTIENGESELLSCHAFT

("LANDLORD")

and

CHARLES RIVER ASSOCIATES, INC.

("TENANT")

Date: March 6, 1997

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EXHIBITS

600 THIRTEENTH STREET

LEASE

This Lease made and entered into as of March 6, 1997 (the "Effective Date"), between DEUTSCHE IMMOBILIEN FONDS AKTIENGESELLSCHAFT, a German stock corporation ("Landlord"), whose address for purposes hereof is c/o Hines Interests Limited Partnership, 555 Thirteenth Street, N.W., Suite 1020 East, Washington, D.C. 20004-1109 (Attention: William B. Alsup, III), and CHARLES RIVER ASSOCIATES, INC., a Massachusetts corporation ("Tenant"). Tenant's address for purposes hereof until commencement of the term of this Lease Agreement shall be 1001 Pennsylvania Avenue, N.W., Suite 750 North, Washington, D.C. 20004, (Attention: George C. Eads, Vice President) and thereafter shall be the Project (hereinafter defined).

WITNESSETH:

I.

1.01. LEASED PREMISES. (a) Subject to and upon the terms, provisions and conditions hereinafter set forth, and each in consideration of the duties, covenants and obligations of the other hereunder, Landlord does hereby lease to Tenant and Tenant does hereby lease from Landlord those certain premises (the "Leased Premises") in the office building project (the "Project") known as 600 Thirteenth Street, to be constructed on the land at Thirteenth Street, N.W. between F and G Streets, N.W. in Washington, D.C., more particularly described in EXHIBIT A (the "Land") such Leased Premises being more particularly described as follows:

> Approximately 20,852 square feet of Net Rentable Area encompassing the entirety of the Usable Area on Floor 7 of the Project, as reflected on the floor plan of such Leased Premises attached hereto and made a part hereof as EXHIBIT A-1.

(b) The term "Net Rentable Area" shall refer to the area or areas of space within the Project determined as follows:

> (i) The Net Rentable Area of an entire floor leased, or held for lease, to a single tenant is (A) all area within the exterior walls of the floor in question (measured from the inside surface of the outer glass and extensions of the plane thereof in nonglass areas), excluding (1) vertical penetrations such as

building stairs, fire towers, elevator shafts, flues, vents, stacks, pipe shafts and vertical ducts ("Vertical Service Areas") and (2) any General Common Areas (as hereinafter defined) located on said floor, plus (B) a pro-rata portion of the square footage of the Project's elevator machine rooms, main mechanical and electrical rooms, public lobbies, and other areas not leased or held for lease within the Project but which are necessary or desirable for the proper utilization of the Project or to provide customary services to the Project ("General Common Areas"); provided, however, the Net Rentable Area shall not exceed 108% of the Usable Area (as defined below).

(ii) The Net Rentable Area of each portion leased, or held for lease, of a floor leased, or held for lease, to more than a single tenant is (A) all area within the perimeter walls of the portion in question (measured from the midpoint of corridor walls or demising walls and measured in the case of exterior walls from the inside surface of the outer glass and extensions of the plane thereof in nonglass areas), excluding any Vertical Service Areas, plus (B) a pro-rata portion of the square footage of any Common Areas (as defined below) on such floor, plus (C) a pro-rata portion of the square footage of the General Common Areas; provided, however, the Net Rentable Area of such portion of a floor shall not exceed 108% of the sum of (x) the Usable Area, plus (y) the portion of the elevator foyers and public corridors on such floor included in the Net Rentable Area of such portion of a floor.

"Common Areas" means any areas on a floor devoted to elevator foyers, public corridors, freight elevator and fire vestibules, restrooms, telephone and equipment rooms, electrical closets and other similar facilities for the use of all tenants on such floor. No deduction from Net Rentable Area shall be made for columns or projections necessary to the Project. The term "Vertical Service Areas" shall not include special stairs or elevators serving only specific tenants, and thus the same shall be included in computing the areas referred to in clause (A) of each of the foregoing subparagraphs. The term "Usable Area" means (x) for an entire floor leased, or held for lease, to a single tenant, the Net Rentable Area less the sum of (1) the portion of General Common Areas included therein and (2) any Common Areas on such floor other than the elevator foyer, and (y) for each portion of a floor leased or held for lease, to more than a single tenant, the Net Rentable Area of such portion of a floor less the portion of General Common Areas and Common Areas included therein.

The Net Rentable Area in the Leased Premises has been calculated on the basis of the foregoing definition and is hereby stipulated for all purposes hereof to be 20,852 square feet.

1.02. INITIAL LEASEHOLD IMPROVEMENTS. Landlord and Tenant shall each comply with the provisions of the tenant improvement work schedule attached hereto and made a part hereof as EXHIBIT C.

II.

2.01. TERM. (a) Subject to and upon the terms and conditions set forth herein, including EXHIBIT C, the term of this Lease shall commence on the Commencement Date (as defined in EXHIBIT C) and shall expire on September 30. 2005 (the "Initial Term"). Landlord and Tenant shall execute a declaration of Lease Commencement, in a form provided by Landlord, mutually confirming the Commencement Date as determined pursuant to the terms of this Lease. Failure of Tenant to execute such a declaration, or state Tenant's objection to information contained in such declaration, within ten (10) days after delivery of such declaration to Tenant shall be deemed confirmation of and agreement with the information set forth in such declaration.

(b) (i) As long as Tenant is not in default hereunder, and subject to the further provisions hereof, Tenant is hereby granted the option (subject and subordinate to any expansion rights or rights of first opportunity (collectively, the "MWE Rights") granted prior to the date of this Lease to the tenant (the "MWE Tenant") under that certain Lease dated March 4, 1996 between Landlord, as landlord, and McDermott, Will & Emery, as tenant) to renew this Lease as to the entire Leased Premises for two (2) successive periods (the "Renewal Terms"), the first of which is for a period of two (2) years commencing at the expiration of the Initial Term (the "First Renewal Term"), the second of which is for a period of five (5) years commencing at the expiration of the First Renewal Term (the "Second Renewal Term").

(ii) Any such renewal of this Lease shall be upon the same terms and conditions of this Lease, except: (A) the annual Base Rental rate for the First Renewal Term shall be $32.29 per square foot of Net Rentable Area for the first twelve months of the First Renewal Term and $33.10 per square foot of Net Rentable Area for the second twelve months of the First Renewal Term; and (B) the annual Base Rental rate for the Second Renewal Term shall be the fair market rental rate as of the commencement of the Second Renewal Term for comparable space in comparable buildings in downtown Washington, D.C. taking into account any concessions and allowances then being offered by landlords to achieve said rate (the "Market Rate").

(iii) Landlord will provide Tenant written notice ("Landlord's Notice"), as to the availability of the Leased Premises for the First Renewal Term (and, if

Tenant exercises its option for the First Renewal Term, the Second Renewal Term) within ten (10) days following Landlord's receipt of written notice from the MWE Tenant as to election with respect to the MWE Rights but no earlier than twelve months prior to the expiration of the Initial Term or First Renewal Term, as the case may be; however, Landlord must provide such notice to Tenant at least nine (9) months prior to the expiration of the Initial Term or the First Renewal Term, as the case may be. If Landlord's Notice states that the MWE Tenant did not exercise the MWE Rights then Tenant must exercise its option to renew by delivering written notice to Landlord ("Tenant's Renewal Notice") within thirty (30) days after receipt of Landlord's Notice.

(iv) Within ten (10) days following Landlord's receipt of Tenant's Renewal Notice for the Second Renewal Term, Landlord will provide Tenant with Landlord's written determination of the Market Rate ("Landlord's Market Rate Notice"). If Landlord's determination of the Market Rate is not acceptable to Tenant, Tenant shall so notify Landlord in writing within twenty (20) days following Tenant's receipt of Landlord's Market Rate Notice and subsequent to said written notice by Tenant, Landlord and Tenant shall make a good faith effort to agree upon a mutually acceptable Market Rate. If Landlord and Tenant are unable to agree upon a mutually acceptable Market Rate within forty-five (45) days following Tenant's receipt of Landlord's Market Rate Notice, Tenant may elect to have the Market Rate determined in accordance with Section 2.01(b)(v) by giving Landlord written notice ("Tenant's Election Notice") thereof within ten (10) days after the expiration of such forty-five (45) day period. If Tenant fails to deliver Tenant's Election Notice within such ten (10) day period, the Market Rate shall be deemed to be the rate set forth in Landlord's Market Rate Notice.

(v) If Tenant timely elects to have the Market Rate determined in accordance with this Section 2.01(b), the Market Rate shall be determined by a board of three (3) licensed real estate brokers, one of whom shall be named by Landlord, one by Tenant, and the two so named shall select a third. Each member of the board of brokers shall be licensed in the District of Columbia as a real estate broker (i) specializing in the field of commercial leasing in the central business district of Washington, D.C., having no less than ten (10) years experience in such field, and recognized as ethical and reputable within the field, (ii) being unaffiliated with Landlord or Tenant, and (iii) not engaged by either Landlord or Tenant as of the date of such selection or determination. Landlord and Tenant shall make their appointments promptly within five (5) days after Tenant's Election Notice is given. The two brokers selected by Landlord and Tenant shall promptly select a third broker within ten (10) days after they both have been appointed, and each broker, within thirty (30) days after the third broker is selected, shall submit its determination of the Market Rate. The Market Rate shall be the determination that is between the highest and lowest determination;

provided, however, if two determinations are the same, then such determination shall be the Market Rate. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker.

(vi) Upon any renewal of the Lease pursuant to the terms of this Section 2.01(b), Landlord and Tenant shall execute and deliver an amendment to the Lease confirming the same.

2.02. USE. The Leased Premises are to be used and occupied solely for general office purposes and for no other purpose.

2.03. RENTAL.

(a) Tenant hereby agrees to pay, as base annual rental ("Base Rental") for the lease and use of the Leased Premises, an annual amount per square foot of Net Rentable Area of the Leased Premises, as specified below, multiplied by the Net Rentable Area of the Leased Premises:

| Year | Base Rental (per square foot) |
|---|---|
| 1 | $26.50 |
| 2 | $27.16 |
| 3 | $27.84 |
| 4 | $28.54 |
| 5 | $29.25 |
| 6 | $29.98 |
| 7 | $30.73 |
| 8 (partial) | $31.50 |

The years specified above ("Lease Years") constitute successive twelve (12) month periods during the term following the Commencement Date, beginning on the Commencement Date.

(b) Tenant shall also pay, as additional rent (i) Tenant's proportionate share (as defined in Section 2.03(e) hereof) of Basic Operating Cost (as defined in Section 2.04(b) hereof), and (ii) all other sums of money as shall become due and payable by Tenant to Landlord under this Lease. Landlord shall have the same remedies for default in the payment of any additional rent as are available to Landlord in the case of default in the payment of Base Rental.

(c) Base Rental, together with Tenant's proportionate share of any Estimated Basic Operating Cost (as defined in Section 2.04(a) hereof), shall be due and payable in twelve (12) equal installments in advance on the first day of each calendar month during each Lease Year (as to Base Rental) and each calendar year (as to Estimated Basic Operating Cost) during the initial term and any extensions or renewals thereof. Tenant hereby agrees to so pay such rent, as well as all additional rent, to Landlord at such address as may be designated by Landlord without demand and without any reduction, abatement, counterclaim or setoff (except as set forth in Sections 2.03(f), 3.02(c), 5.01 and 5.05). If the term of this Lease commences on any day other than the first day of a month, then the Base Rental and other additional rental provided for herein for such month shall be prorated and the installment or installments so prorated shall be paid in advance.

(d) If this Lease shall not specifically provide the date by which any item or component of additional rent shall be due and payable, the same shall be due and payable ten (10) days after Landlord's invoice or demand therefor. All past due installments of rent, after expiration of the notice and cure periods provided under Section 5.09 of this Lease, shall bear interest from the date due until paid at the lesser of the following rates (the "Interest Rate"): the maximum rate permitted by applicable law or two percent (2%) above the prime commercial lending rate announced by The Chase Manhattan Bank, N.A. at its principal office in effect from time to time, such interest rate to change automatically, effective as of the date of each change in such prime rate. Tenant's obligation to pay the rent due under this Lease for the term of this Lease shall survive the expiration or termination of this Lease.

(e) The term "Tenant's proportionate share" shall mean, for any year, that percentage found by dividing

(i) the average (computed on a daily basis) Net Rentable Area of the Leased Premises during the portion of the Lease term occurring in such year, by

(ii) the greater of (A) 95% of the average (computed on a daily basis) Net Rentable Area of the office space in the Project during such year, or (B) the average (computed on a daily basis) Net Rentable Area of the office space in the Project actually occupied during such year.

(f) Notwithstanding anything contained in this Section 2.03 to the contrary, Tenant shall not be required to pay the installments of Base Rental and Tenant's proportionate share of Basic Operating Cost (or Estimated Basic Operating Cost) for the first

two (2) months of the Initial Term of this Lease (the "First Abatement Period"), and with regard to 4,567 square feet of Net Rentable Area of the Leased Premises, Tenant shall not be required to pay the installments of Base Rental and Tenant's proportionate share of Basic Operating Cost (or Estimated Basic Operating Cost) for the first five (5) months following the First Abatement Period (the "Second Abatement Period"); provided, that Tenant shall be obligated to pay all other sums of money due and payable by Tenant to Landlord under this Lease during the Abatement Periods.

2.04. BASIC OPERATING COST.

(a) The estimated Basic Operating Cost ("Estimated Basic Operating Cost") for any particular calendar year shall be the Basic Operating Cost for such calendar year as reasonably estimated by Landlord prior to commencement of such calendar year (and prior to the Commencement Date with respect to the first calendar year of the Lease term).

(b) The term "Basic Operating Cost" means all operating expenses of the Project (including the Land), computed on the accrual basis and determined in accordance with generally accepted accounting principles consistently applied. The term "operating expenses" shall mean all reasonable expenses and costs (but excluding charges separately billed to specific tenants) of every kind and nature (in view of the standard set forth in Section 3.01) which Landlord shall pay or become obligated to pay for the ownership, management, maintenance and operation of the Project, including but not limited to, the following:

(i) The wages, salaries and related expenses of all on-site and, to the extent of their involvement in the Project, off-site personnel engaged in the operation and maintenance and security of the Project, and the costs of a property management office in the Project.

(ii) The costs of all supplies and materials used in the operation and maintenance of the Project.

(iii) The costs of all utilities for the Project, including (A) water, (B) sewer, (C) gas, (D) steam, (E) electricity, and (F) power for heating, lighting, air conditioning and ventilating.

(iv) The costs of all maintenance and service agreements for the Project and the equipment therein, including janitorial services, heating, air

conditioning and ventilation systems, access control system, trash hauling, window cleaning and elevator systems.

(v) The costs of accounting and other professional services, including the costs of audits by certified public accountants.

(vi) The Office Space Portion (as defined below) of the costs of all insurance maintained on or with respect to the Project and Landlord's and the property management company's personal property used in connection therewith, including but not limited to, all-risk property insurance (including coverage for the replacement cost of the building standard improvements described on EXHIBIT B ("Building Standard Improvements") and the Building Shell), liability insurance and rental abatement insurance.

(vii) The costs of repairs, replacements and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant or other third parties).

(viii) The costs of any and all maintenance related to public areas, including sidewalks and landscaping on the Land or related to the Project.

(ix) The Office Space Portion of all taxes, assessments, sewer and vault rents, service payments in lieu of taxes, excises, levies, fees or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind which are assessed, levied, charged, confirmed or imposed by any public authority or taxing district upon the Project, the Land, the operation of the Project or the rent provided for in this Lease. It is agreed that Tenant will be responsible for and pay, all ad valorem taxes on Tenant's Personal Property (as defined below). As used in this Lease, the term "Personal Property" means (A) tangible personal property including, furniture, furnishings, trade fixtures and business equipment of a tenant or occupant for the conduct of its business, and (B) documents, files, papers, computer or other information storage media or materials, any books and records, library materials, or any computer programs or software.

(x) Amortization on a straight line basis of the cost, together with reasonable financing charges, of capital investment items which are made for the primary purpose of reducing operating costs (but only if Landlord reasonably expects the annual reduction in Basic Operating Cost to exceed the annual amortized cost of any such capital investment item) or complying with the laws, rules or regulations

of any governmental authority which are enacted after the Effective Date of this Lease. All such costs shall be amortized over the useful life of the capital investment items with the useful life and amortization schedule being determined in accordance with generally accepted accounting principles (in no event to extend beyond the useful life of the Project).

(xi) The management fees payable for the management of the Project; provided, however, for purposes of this Lease, Tenant's proportionate share thereof shall be equal to the sum of (i) three percent (3%) of Tenant's Base Rental plus (ii) three percent (3%) of Tenant's proportionate share of Basic Operating Cost (exclusive of this item (xi)).

The term "Office Space Portion" means a fraction, the numerator of which is the Net Rentable Area of office space in the Project and the denominator of which is the sum of (1) the total Net Rentable Area of the office space in the Project plus (2) the total Usable Area of any commercial space in the Project.

(c) Notwithstanding the foregoing provisions of Section 2.04(b), the following shall be excluded or deducted from Basic Operating Cost:

(i) the costs related to the garage portion of the Project (except that no separate allocation to the garage portion shall be made for insurance and taxes, as identified in Sections 2.04(b)(vi) and (ix), and Basic Operating Cost shall include the Office Space Portion of the total tax and insurance costs for the entire Project);

(ii) the costs and expenses of all utilities and inspection, maintenance, service and repair of the Usable Area of any commercial space;

(iii) payments of principal and interest on debt or amortization payments on any mortgage and rental or any other payments under any ground lease or other underlying lease, except as may be amortized pursuant to Section 2.04(b)(x) and except to the extent a portion of such rental payments represent the payment of taxes or insurance under any such mortgages, ground lease or underlying lease (or payments in lieu thereof);

(iv) any non-cash items, including but not limited to deductions for income tax purposes on account of depreciation and amortization (except as provided in Section 2.04(b)(x));

(v) leasing commissions, brokerage fees, legal fees and other similar costs incurred in connection with procuring tenants for the Project;

(vi) costs of preparing space in the Project for occupancy by tenants;

(vii) advertising and promotional expenses (excluding costs of bulletins and newsletters distributed to tenants of the Project or prospective tenants);

(viii) professional fees incurred by Landlord in the preparation of leases or in disputes with tenants;

(ix) costs and expenses related solely to ownership (as distinguished from operation, management and maintenance), or the transfer of ownership, of the Project, except as expressly provided in Section 2.04(b)(ix);

(x) costs of renovating, decorating, special cleaning or other material services provided to other tenants of the Project at no additional cost which are not available to Tenant;

(xi) costs included in Basic Operating Cost for which Landlord receives a refund or reimbursement;

(xii) fines or penalties incurred by Landlord to the extent such fines or penalties are not the result of an act (or failure to act) of Tenant;

(xiii) costs incurred as a part of the original construction of the Project including the costs of correcting defects in the original construction of the Project (but not the costs of ordinary and customary repair for normal wear and tear):

(xiv) salaries, benefits and other compensation paid to officers, directors and executive employees above the level of senior property manager (other than the management fee); and

(xv) except for the management fee, any fees or costs for services or materials of a related person or entity of Landlord to the extent that any such amount exceeds the competitive amount payable for comparable services or materials of comparable quality provided by unrelated persons or entities of comparable skill, competence and experience.

(xvi) costs incurred to correct violations of laws, rules or regulations in effect as of the Effective Date of this Lease:

(xvii) costs for capital improvements, except as expressly permitted under Section 2.04(b)(x);

(xviii) costs incurred to cleanup, contain, abate, remove or otherwise remedy asbestos or hazardous waste (as determined by federal, state or local laws or regulations) from the Project unless the condition requiring such remediation is caused by Tenant, its agents, invitees or subtenants;

(xix) income, franchise, gift, transfer, profit, excise, estate, inheritance capital gain or capital stock taxes; provided, however, that if at any time during the term of this Lease the present method of taxation or assessment on real estate and the improvements thereon shall be assessed or imposed as a substitute for, in addition to, or in lieu of, taxes, assessments, levies, impositions or charges in effect as of the Effective Date of this Lease, any taxes, assessments, levies, impositions or charges assessed or imposed, wholly or partially, as a capital levy or otherwise, on the rents received from the Project or the rents reserved herein or any part thereof, then such assessments, levies, impositions or charges, to the extent so levied, assessed or imposed with respect to the Project, shall be deemed to be included in Basic Operating Cost;

(xxi) costs of purchasing paintings, sculptures or other art work for display in the Project;

(xxii) rentals and related expenses incurred in leasing equipment ordinarily considered of a capital nature;

(xxiii) reserves for repairs, maintenance and replacements;

(xxiv) damages paid or payable by Landlord as a result of Landlord's willful misconduct or a final nonappealable judgment against Landlord resulting from Landlord's negligence; and

(xxv) costs arising from a breach of this Lease by Landlord or a breach by Landlord of any other lease in the Project to the extent such costs would not have been incurred if such breach had not incurred.

(d) Notwithstanding any other provision herein to the contrary, in the event 95% of the Net Rentable Area of office space in the Project is not occupied and fully provided with building standard services during any part of any calendar year, Basic Operating Cost for such year shall be computed, using reasonable projections, as though 95% of the Net Rentable Area of office space in the Project had been so occupied and provided with building standard services for the entire calendar year. Landlord agrees that any such computation will be limited to an adjustment of only those components of Basic Operating Cost that are affected by variations in occupancy levels and Landlord further agrees that the Annual Statement will reflect any such adjustments.

(e) Subject to the standard set forth in Section 3.01 of this Lease, Landlord shall use reasonable efforts to control Basic Operating Costs.

2.05. RECONCILIATION OF BASIC OPERATING COST.

(a) In the event that the Basic Operating Cost for any calendar year during the term of this Lease exceeds the Estimated Basic Operating Cost for such calendar year, Tenant shall pay to Landlord, as additional rent for such year, an amount (the "Basic Operating Cost Underpayment") equal to Tenant's proportionate share of the difference between the Basic Operating Cost for that year and the Estimated Basic Operating Cost.

(b) In the event that the Basic Operating Cost for any calendar year during the term of this Lease is less than the Estimated Basic Operating Cost for such calendar year, Landlord shall refund to Tenant an amount (the "Basic Operating Cost Overpayment") equal to Tenant's proportionate share of the difference between the Basic Operating Cost for that year and the Estimated Basic Operating Cost.

(c) If this Lease shall commence on other than the first day of a calendar year or if this Lease shall terminate on other than the last day of a calendar year, Tenant's liability for Estimated Basic Operating Cost for such calendar year, as well as Tenant's or Landlord's liability under Section 2.05(a) or 2.05(b), shall be computed on a pro-rata basis.

(d) Landlord shall, within one hundred twenty (120) days after the end of any calendar year, all or any portion of which falls during the term of this Lease, determine the Basic Operating Cost for such calendar year. If Section 2.05(a) shall be applicable, Tenant shall pay the Basic Operating Cost Underpayment to Landlord within thirty (30) days of receipt of an invoice therefor, accompanied by a copy of a reasonably detailed statement of Basic Operating Cost for the calendar year and Tenant's proportionate share thereof (the "Annual Statement"). Landlord shall prepare the Annual Statement based on an audit of the

operating expenses of the Project prepared by an independent nationally recognized firm containing certified public accountants and shall certify to Tenant that the Annual Statement has been prepared in accordance with the terms of this Lease. If Section 2.05(b) shall be applicable, Landlord shall refund the Basic Operating Cost Overpayment to Tenant within thirty (30) days of sending the Annual Statement to Tenant.

(e) Tenant shall have the right to inspect Landlord's books and records with respect to all or any Basic Operating Cost; provided that such right, as well as Tenant's to dispute the payment of any Basic Operating Cost item, shall expire on December 31 of the year following the year to which such item relates. Landlord agrees that Tenant shall receive Tenant's proportionate share of any adjustments to Basic Operating Cost as established by any audit or review conducted by any other tenant of the Project during the term of this Lease. Tenant may engage an independent nationally recognized firm containing certified public accountants to audit Landlord's books and records with respect to all or any Basic Operating Cost for a calendar year if Tenant gives Landlord notice of its intention to do so by September 1 of the year following such year so long as Landlord has not notified Tenant prior to such date that the MWE Tenant is performing (or will perform) an audit or inspection with respect thereto. Tenant must conduct such audit in a manner that minimizes disruption to the normal operations of the property management office and must complete such audit and provide Landlord in writing any exceptions to the Annual Statement on or before December 31 of the year following the year to which the audit relates. Landlord and Tenant shall negotiate in good faith to resolve such exceptions. If Landlord and Tenant do not resolve such exceptions and Tenant obtains a final nonappealable judgment that Landlord overstated Basic Operating Cost by more than five percent (5%), Landlord shall refund any Basic Operating Cost overpayment determined thereby and reimburse Tenant for the actual costs of the audit. Tenant's rights under this Section 2.05(e) shall not excuse Tenant from the timely payment of any Basic Operating Cost Underpayment as shown by any Annual Statement.

III.

Landlord covenants and agrees with Tenant:

3.01. STANDARDS OF PROJECT. To manage, operate and maintain the Project in accordance with a standard that will meet or exceed the standard established in other first-class office buildings in downtown Washington, D.C.

3.02. SERVICES TO BE FURNISHED BY LANDLORD.

(a) To furnish Tenant during Tenant's occupancy of the Leased Premises the following building standard services:

(i) Hot and cold water at those points of supply provided for general use of other tenants in the Project.

(ii) Central heating, ventilation and air conditioning ("HVAC") in season, subject to curtailment as required by governmental laws, rules or regulations, in such amounts as necessary, for reasonable comfort under load conditions which do not exceed (A) occupancy of one person per 250 square feet of Usable Area and (B) power consumption for lighting and electrical equipment at a demand load of five (5) watts per square foot of Usable Area. Components of the HVAC system are designed to produce the indoor conditions below noted when the outdoor conditions are as stated:

| | Indoor Conditions | Outdoor Conditions |
|---|---|---|
| Summer | 75(degrees) Fahrenheit dry bulb<br>Relative humidity not to exceed 55% | 95(degrees) Fahrenheit dry bulb<br>78(degrees) Fahrenheit wet bulb |
| Winter | 70(degrees) Fahrenheit dry bulb | 0(degree) Fahrenheit dry bulb |

Landlord shall furnish such service to Tenant between the hours of 8:00 A.M. and 8:00 P.M., Monday through Friday, and 9:00 A.M. and 4:00 P.M., Saturday, excluding the following holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and President's Day. Landlord shall use all reasonable efforts to provide such service to Tenant within the temperature ranges set forth above.

(iii) Routine maintenance, painting and electric lighting service for all public areas and service areas of the Project consistent with the standard established in Section 3.01.

(iv) Janitorial service (including lavatory supplies) in accordance with EXHIBIT F on a five (5) day week basis; provided however, if Tenant's Improvements require special cleaning in excess of the services set forth in EXHIBIT F, Tenant shall pay the additional cleaning cost, if any, attributable thereto, unless Tenant instructs Landlord in writing not to perform such special cleaning. Landlord

shall provide Tenant notice of the need for any special cleaning of the initial Tenant Improvements prior to the Commencement Date.

(v) Sufficient electricity to serve the Leased Premises for (A) lighting at high voltage (277 volts, single phase) to the extent that the demand load of said lighting does not exceed one and one-half (1.5) watts per square foot of Usable Area and (B) office and other equipment of low electrical consumption at standard voltage (120 volts, single phase) to the extent that the demand load of said equipment does not exceed three and one-half (3.5) watts per square foot of Usable Area. Notwithstanding the foregoing, if Tenant shall install:

(1) any (single) air-conditioning unit having a rated capacity of more than three tons,

(2) any (single) photocopier having a rated electric demand of more than three kilowatts, or

(3) any (single) piece of equipment (other than an air-conditioning unit or photocopier) that has the capacity to consume more than three kilowatt hours of electricity per hour,

(any such unit or piece of equipment being herein called "High Capacity Electric Equipment"), then the electricity consumed by such High Capacity Electric Equipment shall be separately metered (at Tenant's expense) and the cost of such electricity shall be paid separately by Tenant.

(vi) Bulbs, starters and ballasts for building standard light fixtures in the Leased Premises.

(vii) Access control for the Project, which will include (A) perimeter electronic access control with an elevator "lock-off" feature, and (B) on-site manned security, twenty-four (24) hours, seven (7) days a week; provided, however, Landlord shall not be liable to Tenant for losses due to theft or burglary, or for damages done by persons in the Project (including the Land). Tenant shall have access to the Leased Premises (except in the case of an emergency) twenty-four (24) hours per day, seven (7) days per week. Landlord shall furnish to Tenant a reasonable number (not to exceed one per employee occupying the Leased Premises) of access control keys at no cost to Tenant on or prior to the Commencement Date. Any additional keys requested by Tenant shall be paid for by Tenant in an amount equal to Landlord's actual cost.

(viii) Public elevator service, including freight elevator service, servicing the floor(s) on which the Leased Premises are situated, twenty-four (24) hours per day, seven (7) days per week, except in the case of an emergency and routine maintenance and repairs (provided, however, at least one passenger elevator shall be operational at all times other than emergencies).

(b) If Tenant requests any of the services referred to in Section 3.02(a) in amounts in excess of or at times in addition to, those described in Section 3.02(a), Tenant shall pay Landlord as additional rent hereunder Landlord's actual cost of providing such additional services.

(c) Except as otherwise expressly provided in this Section 3.02(c), failure by Landlord to any extent to furnish any services to Tenant, the Leased Premises and the Project, or any cessation thereof, shall not render Landlord liable in any respect for damages to person, property, or otherwise, nor be construed as an eviction of Tenant, nor work an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. If any of the equipment or machinery utilized in supplying the services listed in Section 3.02(a) break down, or for any cause cease to function properly, Landlord shall, however, use reasonable diligence to repair the same promptly. Notwithstanding anything in this Section 3.02(c) to the contrary, if failure to provide the services under Section 3.02(a) for any reason within Landlord's reasonable control shall materially interfere with Tenant's use of the Leased Premises (or a portion thereof) for normal office purposes requiring Tenant to undertake measures out of the ordinary to conduct its business in the Leased Premises (a "Material Interruption") for a period of five (5) consecutive business days, then rent hereunder shall abate in the same proportion as the portion of the Leased Premises affected by the Material Interruption bears to the entire Leased Premises commencing on the sixth (6th) business day thereafter and continuing until the Material Interruption shall cease.

3.03. KEYS AND LOCKS. To furnish Tenant with a reasonable number (not to exceed one per employee occupying the Leased Premises) of keys for each corridor door entering the Leased Premises, and additional keys at a charge by Landlord equal to Landlord's actual cost on an order signed by Tenant. All such keys shall remain the property of Landlord. No additional locks shall be allowed on any door of the Leased Premises without Landlord's written permission, and Tenant shall not make or permit to be made any duplicate keys, except those furnished by Landlord. Upon termination of this Lease, Tenant shall surrender to Landlord all keys to the Leased Premises and give to Landlord the combination of all locks for safes, safe cabinets and vault doors, if any, in the Leased Premises.

3.04. WINDOW COVERINGS. To provide window coverings as standard in the Project at no cost to Tenant. Tenant agrees to use the building standard window coverings on the windows on the exterior of the Project. Any window coverings in addition thereto are subject to Landlord's prior written approval.

3.05. GRAPHICS. To provide and install, at no cost to Tenant, Tenant's name and suite numerals at the main entrance door to the Leased Premises if requested by Tenant. All such letters and numerals shall be in the building standard graphics. All other signs or graphics of Tenant visible in or from the exterior of the Project, public corridors or elevators shall be subject to Landlord's prior written approval. Landlord will, at Landlord's cost, provide initial directory information strips for the initial installation of Tenant's name and the names of such personnel of Tenant as Tenant may request prior to the commencement of the Initial Term in the building directory located on the main floor; provided, however, during the term of this Lease Tenant shall not be entitled to more than Tenant's proportionate share of directory information strips. Any changes to the initial strips shall be made by Landlord at Tenant's request and expense.

3.06. REPAIRS BY LANDLORD. That Landlord shall only be required to make such Improvements or repairs or replacements as may be required for normal maintenance of the Leased Premises, and such additional maintenance as may be necessary because of damages by persons other than Tenant, its agents, employees, invitees or visitors. Except as provided in this Section 3.06, the obligation of Landlord to maintain and repair the Leased Premises shall be limited to any Building Standard Improvements. Except as provided in this Section 3.06, any Improvements other than Building Standard Improvements, at Tenant's written request and expense, will be maintained by Landlord at an amount equal to Landlord's actual cost thereof. Landlord shall maintain and repair (i) the exterior and structural parts of the Project, (ii) the Common Areas and General Common

Areas and (iii) the HVAC, mechanical, electrical and plumbing systems of the Project, excluding separate systems, if any, installed by, or on behalf of, Tenant.

3.07. PEACEFUL ENJOYMENT. That Tenant shall, and may peacefully have, hold and enjoy the Leased Premises, subject to the other terms hereof provided that Tenant pays the rental herein recited and performs all of Tenant's covenants and agreements herein contained. It is understood and agreed that this covenant and any and all other covenants of Landlord contained in this Lease shall be binding upon Landlord and its successors only with respect to breaches occurring during its and their respective ownership of the Landlord's interest hereunder.

3.08. LAWS AND REGULATIONS. To comply with all laws, ordinances, orders, rules and regulations (federal, municipal or promulgated by the other agencies or bodies having any jurisdiction thereof) relating to the Project other than those where compliance is required of Tenant pursuant to this Lease or other tenants of the Project pursuant to their respective leases in the Project.

IV.

Tenant covenants and agrees with Landlord:

4.01. PAYMENTS BY TENANT. To pay all rent and sums provided to be paid to Landlord hereunder at the times and in the manner herein provided.

4.02. DAMAGE TO PROJECT. Subject to the provisions of Section 5.14, at Tenant's own cost and expense, to repair or replace any damage or injury, done to the Project caused by Tenant or Tenant's agents, contractors, employees, invitees or visitors; provided, however, Landlord may, at its option, make such repairs or replacements, and Tenant shall repay Landlord's actual cost thereof to Landlord on demand; provided, however, if such repair or replacement does not affect the structure of the Project, the Common Areas or General Common Areas, or the HVAC, mechanical, electrical, life-safety or plumbing systems of the Project, Landlord shall not make such repairs or replacements unless Tenant has failed to make such repairs or replacements within twenty (20) days after receipt of written notice from Landlord of the need for such repairs or replacements.

4.03. CARE OF THE LEASED PREMISES. Not to commit or allow any waste or damage to be committed on any portion of the Leased Premises or the Project, and at the termination of this Lease, by lapse of time or otherwise, to deliver up the Leased

Premises to Landlord broom clean and in as good condition as such premises existed at the date of occupancy of the Leased Premises, ordinary wear and tear, permitted Alterations, damage from fire or casualty or other damage not required to be repaired or replaced by Tenant excepted.

4.04. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall initially occupy the Leased Premises (excluding the Exempt Sublease Space, as defined in Section 4.04(c) below). In the event Tenant should desire to sublet (or attempt to sublet) the Leased Premises or any part thereof (subletting, for the purposes hereof, including the granting of concessions or licenses for the occupancy thereof) or to assign this Lease, Tenant shall give Landlord written notice thereof ("Tenant's Initial Assignment/Subletting Notice"). Landlord shall then have a period of thirty (30) days following receipt of such Tenant's Initial Assignment/Subletting Notice within which to notify Tenant in writing that Landlord elects (i) to terminate this Lease as to the space so affected effective not more than six (6) months after the date of Tenant's Initial Assignment/Subletting Notice, in which event Tenant will be relieved from and after such date of all further obligations hereunder as to such space, or (ii) to permit Tenant to sublet such space or to assign this Lease, subject, however, to the conditions set forth below. If Landlord should fail to notify Tenant in writing of such election within said thirty (30) day period, Landlord shall be deemed to have elected option (ii) above.

(b) If Landlord elects option (a)(ii) above, the following shall apply (and be conditions thereto):

(i) At the time of any such subletting or assignment, this Lease is in full force and effect and there is no default hereunder on the part of Tenant beyond the applicable notice and cure period, if any.

(ii) The proposed sublessee or assignee must be creditworthy and of a kind and type customarily found in first-class office buildings of high quality in Washington, D.C. Tenant shall notify Landlord of the proposed sublessee or assignee at least thirty (30) days in advance of the subletting or assignment (which notification shall include current financial data with respect to the party proposed) and Landlord shall approve or disapprove the proposed sublessee or assignee within fifteen (15) days of such notice. If such financial data was included in Tenant's Initial Assignment/Subletting Notice, such approval or disapproval shall not be required until fifteen (15) days after Landlord elects option 4.04(a)(ii) above. In no event shall the following be considered as

suitable sublessees under this subsection (b): any governmental body, agency or bureau (of the United States, any state, county, municipality or any subdivision thereof); any foreign government or subdivision thereof; any health care professional or health care service organization; schools or similar organizations, employment agencies; radio, television or other communication stations, restaurants; courier services; and retailers offering retail services from the Leased Premises.

(iii) A copy of the original sublease or assignment (and all amendments thereto) shall be delivered to Landlord within fifteen (15) days from the effective date thereof.

(iv) Any such subletting or assigning shall be subject and subordinate to all the terms, covenants and conditions of this Lease, and any assignee must assume in writing all of the obligations of Tenant under this Lease.

(v) If the aggregate rental, bonus or other consideration paid by the sublessee of any such space or the assignee under the Lease exceeds the sum of (A) Tenant's rent to be paid to Landlord for such space during such period and (B) the out-of-pocket costs and expenses actually incurred by Tenant under or in connection with such sublease or assignment (including costs and expenses of finishing out or renovation of the space involved, cash rental concessions, abated rent, downtime (which for purposes hereof is the period commencing on the later of (1) vacation of the applicable space by Tenant, or (2) the listing of such space for sublease, and ending on the commencement of the term of the applicable sublease) and rental commissions actually paid), then fifty percent (50%) of such excess shall be paid to Landlord within fifteen (15) days after receipt by Tenant.

(vi) Any subletting or assignment by Tenant shall not relieve Tenant of any obligation under this Lease; the granting of any such release shall be at Landlord's sole discretion. At the sole discretion of Landlord, any attempted assignment or sublease by Tenant in violation of the terms of this Section 4.04 shall be void and shall constitute a default hereunder. Any assignment shall be of the entire Lease.

(vii) Any advertising and promotional materials to be distributed in connection with any proposed subletting or assignment permitted herein are

subject to the prior written approval of Landlord, which is not to be unreasonably withheld.

(c) Notwithstanding the provisions of Section 4.04(a) and (b), if Tenant desires to sublease, in one or more transactions, up to an aggregate of 5.000 square feet of Net Rentable Area (the "Exempt Sublease Space") and Tenant continues to occupy (i.e., not subject to subleases) the remainder of the Leased Premises, then Landlord shall not be entitled to exercise its right to terminate the Lease under Section 4.04(a)(i); however all other terms and provisions of Sections 4.04(a) and (b) shall apply.

4.05. ALTERATIONS, IMPROVEMENTS AND TENANT'S PERSONAL PROPERTY.

(a) Not to permit the Leased Premises to be used for any purpose other than that stated in the use clause hereof, or make or allow to be made any Alteration (as defined below) in or to the Leased Premises, without first obtaining the written consent of Landlord, which consent will not be unreasonably withheld as long as such Alteration (i) is not visible from the exterior of the Leased Premises or the Project, and (ii) will not affect the electrical, plumbing, mechanical, HVAC or life-safety systems or structural components of the Project. As used in this Lease, the term "Alteration" means the construction, installation, relocation or removal of any Improvement. As used in this Lease, the term "Improvement" means any addition, improvement or equipment installed in or attached to the Project or to any space therein (including without limitation the Tenant Improvements referred to in EXHIBIT C), regardless of by whom, excluding Tenant's Personal Property and the Personal Property of any other tenant or occupant of the Project. Tenant shall comply with (and shall cause all of its contractors and subcontractors to comply with) the reasonable rules and regulations regarding the prosecution of construction work in the Project as Landlord shall adopt from time to time during the term of this Lease. The preceding notwithstanding, Landlord's consent shall not be required for any Alteration that is of a cosmetic nature such as painting, wallpapering and installing carpeting.

(b) Any Improvements, when made to the Leased Premises, shall at once become the property of Landlord and shall be surrendered to Landlord upon the termination of this Lease by lapse of time or otherwise.

(c) Tenant shall not allow any liens or notices of liens to be filed against the Leased Premises or the Project in connection with any Alterations performed in the Leased Premises. If any such liens or notices of liens shall be filed, Tenant shall immediately cause the same to be released by bonding or other method acceptable to Landlord.

(d) Tenant shall indemnify and hold Landlord harmless from all costs, damages, claims and expenses (including attorneys' fees) arising out of or relating to any Alterations performed in the Leased Premises, including any occasioned by the filing of any lien.

(e) Within thirty (30) days after the completion of any Alterations performed in the Leased Premises, Tenant shall furnish Landlord with a statement of costs thereof and "as built" architectural and engineering working drawings therefor.

(f) Upon termination of this Lease by lapse of time or otherwise, Tenant shall remove all of Tenant's Personal Property. If Tenant fails to remove any thereof upon termination of this Lease, Landlord may have the same removed and any resulting damage repaired at Tenant's expense. In such event, such property will automatically become the property of Landlord and may be disposed of by Landlord in its sole discretion, without any right of reimbursement therefor to Tenant.

4.06. LEGAL USE AND VIOLATIONS OF INSURANCE COVERAGE. Not to occupy or use, or permit any portion of the Leased Premises to be occupied or used for any business or purpose which is unlawful, disreputable or deemed to be extra-hazardous on account of fire, or permit anything to be done which would in any way increase the rate of all-risk property insurance coverage on the Project and/or its contents. Tenant agrees specifically that if Tenant installs food, soft drink or other vending machines within the Leased Premises (i) such vending machines shall be installed only in areas approved by Landlord, (ii) such vending machines shall be solely for the use of Tenant, its personnel and visitors, and (iii) Tenant shall comply, and shall cause all vendors to comply, with Landlord's rules and regulations regarding deliveries or service calls (including pest control) made in connection with such food, soft drink and other vending machines.

4.07. LAWS AND REGULATIONS; RULES OF THE PROJECT.

(a) To comply with all laws, ordinances, orders, rules and regulations (federal, municipal or promulgated by other agencies or bodies having any jurisdiction thereof) relating to the use, condition (provided, however, Tenant shall not be required to make any Alteration to the Project (as opposed to the Tenant Improvements) solely as a result of Tenant's use of the Leased Premises for general office space) or occupancy of the Leased Premises.

(b) To comply with the reasonable and consistently applied rules of the Project adopted by Landlord from time to time for the safety, care and cleanliness of the Leased

Premises and the Project and for preservation of good order therein, all of which will be sent by Landlord to Tenant in writing and shall be thereafter carried out and observed by Tenant.

4.08. ENTRY FOR REPAIRS AND INSPECTION. To permit Landlord or its agents or representatives to enter into and upon any part of the Leased Premises at all reasonable hours to inspect same, clean or make repairs, alterations or additions thereto, as Landlord may deem necessary or desirable, and Tenant shall not be entitled to any abatement or reduction of any sums due under this Lease by reason thereof. Landlord shall use reasonable efforts to minimize any interference to Tenant's ongoing business in connection with any entry by Landlord into the Leased Premises pursuant to this Section 4.08 and, in all instances except emergencies and the delivery of the services to be provided by Landlord under Section 3.02 of this Lease, to provide Tenant with reasonable advance notice of such entry.

4.09. NUISANCE. To conduct its business and control its agents, employees, contractors, invitees and visitors in such manner as not to create any nuisance, or interfere with, annoy or disturb any other tenant or Landlord in its operation of the Project.

4.10. MORTGAGE. That this Lease is subject and subordinate to any first lien mortgage or deed of trust which may now or hereafter encumber the Project and to all renewals, modifications, consolidations, replacements and extensions thereof; provided that such subordination is conditioned upon Tenant, the holder of such mortgage and Landlord entering into a Subordination, Nondisturbance and Attornment Agreement in the form attached hereto as EXHIBIT E or such other form as is reasonably acceptable to such holder. Landlord shall cause the current mortgagee on the Project to execute an agreement in the form attached as EXHIBIT E. Notwithstanding the foregoing, Tenant agrees that at any time, the holder of a mortgage or deed of trust on the Project may unilaterally subordinate its lien, in whole or in part, to this Lease, effective upon recording such subordination in the Land Records of the District of Columbia.

4.11. ESTOPPEL CERTIFICATE. That, at Landlord's request, Tenant will within ten (10) business days of receipt execute an estoppel certificate certifying as to such facts (if true) as Landlord (or mortgagees or proposed purchasers of the Project) may reasonably request (including, in the case of mortgagees, reasonable notice provisions, term commencement, tenant's acceptance of the premises and the absence of defaults).

4.12. TENANT'S REMEDIES. That Tenant specifically agrees to look solely to Landlord's interest in the Project and Land (including Landlord's interest in rental income and proceeds from any sale of Landlord's interest less the costs of such sale and less any

portion of such proceeds applied to mortgage indebtedness or operating expenses of the Project) for the recovery of any judgment from Landlord, its partners (if any), directors, officers, employees, agents or representatives (collectively, the "Landlord Parties") it being agreed that the Landlord Parties shall never be personally liable for any such judgment. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against the Landlord Parties, or to maintain any suit or action in connection with enforcement of collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord. If Tenant obtains a final nonappealable money judgment against Landlord and such judgment remains unpaid for a period of sixty (60) days after notice thereof is given to Landlord and any mortgagee, Tenant may setoff such amount against the rent next due under this Lease.

4.13. LIGHT AND AIR. That this Lease does not grant Tenant any easement concerning light, air or view and the hindrance, elimination or shutting off of light, air or view by any structure erected on lands other than the Land, shall in no way affect Tenant's obligations under this Lease or give rise to any liability of Landlord to Tenant with respect thereto.

V.

Landlord and Tenant mutually covenant and agree as follows:

5.01. CONDEMNATION. If the Leased Premises or a substantial portion of the Project shall be taken or condemned for any public purpose to such an extent as to render the Leased Premises unusable for the normal conduct of Tenant's business ("Untenantable"), this Lease shall, at the option of either party, cease and terminate as of the date of such taking or condemnation. Each party shall notify the other of its election to terminate within thirty (30) days after receipt of notice of such taking or condemnation. If only a portion thereof shall be so taken so as not to render the remainder Untenantable, all rent shall abate with respect to the portion so taken. All proceeds from any taking or condemnation of the Leased Premises or the Project shall belong to and be paid to Landlord; provided that, in the event of a condemnation, nothing hereunder shall restrict the right of Tenant to claim separately for moving expenses or for any other items so long as any such separate claim by Tenant does not result in any reduction of Landlord's award.

5.02. DAMAGES FROM CERTAIN CAUSES. None of the Landlord Parties shall be liable or responsible to Tenant for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, strike, insurrection, war,

court order, requisition or order of governmental body, or authority, or for any other causes beyond Landlord's control. All goods, property or personal effects stored or placed by Tenant in or about the Project shall be at the sole risk of Tenant.

5.03. [INTENTIONALLY DELETED].

5.04. HOLDING OVER. In the event of holding over by Tenant after expiration or termination of this Lease without the consent of Landlord, Tenant shall pay, as Base Rental, (i) for the first ninety (90) days after expiration or termination of this Lease, 150% of the Base Rental which Tenant was obligated to pay for the month immediately preceding the end of the term of this Lease for each month or any part thereof of any such holdover period (plus any additional rent), and (ii) after the first ninety (90) days after the expiration or termination of this Lease, 200% of the Base Rental which Tenant was obligated to pay for the month immediately preceding the end of the term of this Lease for each month or any part thereof of any such holdover period (plus any additional rent). No holding over by Tenant after the term of this Lease shall operate to extend the Lease term. In the event of any unauthorized holding over, Tenant shall indemnify Landlord against all claims for damages by any other lessee to whom Landlord may have leased all or any part of the Leased Premises covered hereby. Any holding over with the consent of Landlord in writing shall thereafter constitute this Lease a lease from month to month on the terms agreed upon by Landlord and Tenant.

5.05. CASUALTY. (a) In the event of a fire or other casualty in the Leased Premises, Tenant shall immediately give notice thereof to Landlord.

(b) If the Leased Premises (or access thereto) or a substantial portion of the Project (or access thereto) shall be partially destroyed by fire or other casualty so as to render the Leased Premises Untenantable in whole or in part, the rental provided for herein shall abate thereafter as to the portion of the Leased Premises rendered Untenantable until such time as the Leased Premises are made tenantable (or access restored). Landlord agrees to commence and prosecute the repair of all casualty damage (regardless of the extent of the damage) promptly and with all due diligence. Notwithstanding the foregoing, in the event such destruction results in the Leased Premises being Untenantable in whole or in substantial part for a period reasonably estimated by a responsible, experienced and qualified contractor selected by Landlord ("Landlord's Contractor") to be nine (9) months or longer after the casualty, or in the event of total or substantial damage or destruction of the Project from any cause (for which the period to restore is reasonably estimated by Landlord's Contractor to be nine (9) months or longer after the casualty), then Landlord shall have the right to terminate this Lease and all rent owed up to the time of such destruction or termination shall

be paid by Tenant (it being understood that Tenant shall pay rent on all tenantable space until termination of this Lease). Landlord shall give Tenant written notice of its decisions, estimates or elections under this Section 5.05 as soon as reasonably practicable, but no later than sixty (60) days after any such damage or destruction.

(c) In the event of destruction to the Leased Premises (or access thereto) or a substantial portion of the Project (or access thereto) resulting in the Leased Premises being Untenantable in whole or in substantial part for a period reasonably estimated by Landlord's Contractor to be nine (9) months or longer after the date of the casualty and Landlord has not terminated this Lease as provided in Section 5.05(b), then Tenant shall have the right, within thirty (30) days after Landlord delivers the estimate to Tenant of time to restore, to terminate this Lease by written notice to Landlord. In the event that Landlord's Contractor estimates that the Leased Premises can be made tenantable within nine (9) months after the date of the casualty, but the Leased Premises have not been made tenantable within one (1) year after the date of the casualty subject to any delays caused by Tenant or outside the reasonable control of Landlord, then Tenant shall have a second right to terminate this Lease by providing written notice thereof to Landlord within fifteen (15) days following the end of the one (1) year period described above.

(d) Notwithstanding anything contained in this Section 5.05, Landlord shall be obligated to restore or rebuild only the portion of the Leased Premises which consists of Building Shell and Building Standard Improvements, and nothing herein shall be construed to obligate Landlord under any circumstances to repair or restore any other Improvements.

5.06. ATTORNEYS' FEES. In the event Landlord or Tenant defaults in the performance of any of the terms, covenants, agreements or conditions contained in this Lease and the non-defaulting party places the enforcement of this Lease, or any part thereof (including the collection of any rent due, or to become due hereunder, or recovery of the possession of the Leased Premises), in the hands of an attorney, or files suit upon the same, the non-prevailing party agrees, to the extent permitted by applicable law, to pay the prevailing party all reasonable attorneys' fees incurred by the prevailing party.

5.07. AMENDMENTS. This Lease may not be altered, changed or amended, except by an instrument in writing, signed by both parties hereto.

5.08. ASSIGNMENTS BY LANDLORD. Landlord or any successor-in-interest to Landlord shall have the right to transfer and assign, in whole or in part, all its rights and obligations hereunder and in the Project and property referred to herein, and in such event and upon the transferee Landlord's assumption in writing of transferor Landlord's

obligations thereafter accruing hereunder (any such transferee to have the benefit of, and be subject to, the provisions of Section 4.12), no further liability or obligation shall thereafter accrue against transferor Landlord hereunder. Notwithstanding the foregoing provisions of this Section 5.08, if the purchaser or transferee shall also assume the Landlord's obligations theretofore accrued hereunder then (i) the seller or transferor shall be released from any liability to Tenant with respect to such obligations and (ii) the parenthetical provision of Section 4.12 shall not be applicable to such seller or transferor. Upon request by transferor Landlord, Tenant agrees to execute a certificate certifying such facts (if true) as transferor Landlord may reasonably require in connection with any such assignment by transferor Landlord.

5.09. DEFAULT BY TENANT. If default shall be made in the payment of any sum to be paid by Tenant under this Lease, and such default shall continue for ten (10) days after notice thereof (however, Landlord shall not be required to provide such notice more than once per calendar year during the term of this Lease, the second (2nd) such nonpayment during any calendar year constituting default without the requirement of notice), or default shall be made in the performance of any of the other covenants or conditions which Tenant is required to observe and to perform, and such default shall continue for twenty(20) days after notice thereof, or if the interest of Tenant under this Lease shall be levied on under execution or other legal process, or if any petition shall be filed by or against Tenant to declare Tenant as bankrupt or to delay, reduce or modify Tenant's capital structure if Tenant be a corporation or other entity, or if Tenant be declared insolvent according to law, or if any assignment of Tenant's property shall be made for the benefit of creditors, or if a receiver or trustee is appointed for Tenant or its property, or if Tenant shall vacate (for more than ninety (90) days except in the case of Tenant listing such space for sublease) the Leased Premises during the term of this Lease or any renewals or extensions thereof, or, at the option of Landlord, if Tenant shall assign this Lease or sublet any portion of the Leased Premises except as permitted herein, or (if Tenant is a corporation) Tenant shall cease to exist as a corporation in the state of its incorporation, or (if Tenant is a partnership or other entity) Tenant shall be dissolved or otherwise liquidated, then Landlord may treat the occurrence of any one or more of the foregoing events as a breach of this Lease (provided that no such levy, execution, legal process or petition filed against Tenant by a party other than Landlord shall constitute a breach of this Lease if Tenant shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within sixty (60) days from the date of its creation, service or filing) and thereupon, at Landlord's option, Landlord may have any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity:

(a) Landlord may terminate this Lease and forthwith repossess the Leased Premises without demand or notice of any kind to Tenant (including any notice to quit) and remove all persons or property therefrom, and be entitled to recover forthwith as damages a sum of money equal to the total of (i) the cost of recovering the Leased Premises, (ii) the unpaid rent owed at the time of termination, plus interest thereon from the due date at the Interest Rate, (iii) an amount (if a positive number) equal to (A) the then present value (determined by discounting future amounts at the Government Obligation Rate) of the balance of the rent for the remainder of the term, less (B) the then present value (determined by discounting future amounts at the Government Obligation Rate) of the Fair Market Rent of the Leased Premises for said period and (iv) any other sum of money and damages owed by Tenant to Landlord. As used herein, the term "Government Obligation Rate" means the yield to maturity, as of the date of termination of this Lease, of United States government securities having a final maturity closest to the scheduled expiration date of this Lease, as published in the WALL STREET JOURNAL or other recognized source. As used herein, "Fair Market Rent" means the rent that a willing landlord under no compulsion would agree to accept, and a willing tenant under no compulsion would agree to pay, for the balance of the term of this Lease, after deducting therefrom all market concessions and anticipated costs in leasing the Leased Premises (including an allowance for the period of time in which the Leased Premises is anticipated to be vacant), in each case, as reasonably allocated to the balance of the term of this Lease.

(b) Landlord may terminate Tenant's right of possession (but not the Lease) and may repossess the Leased Premises by any lawful means without demand or notice of any kind to Tenant (including any notice to quit) and without terminating this Lease, and remove all persons or property therefrom, using such force as may be necessary and legally permissible (Tenant hereby waiving any claim by reason of such lawful reentry, repossession or removal or by issuance of any distress warrant or writ or sequestration). In such case, Landlord shall make reasonable efforts (it being agreed that "reasonable efforts" shall not require Landlord to make any effort to relet the Leased Premises or any portion thereof in preference to any unleased space in the Project or space leased or subleased by Landlord in the Project) to relet for the account of Tenant for such rent and upon such terms as shall be satisfactory to Landlord. For the purpose of such reletting Landlord is authorized to decorate or to make any repairs, changes, alterations or additions in or to the Leased Premises that may be appropriate, and (i) if, despite such reasonable efforts to relet, Landlord is not able to relet the Leased Premises, or (ii) if relet and a sufficient sum shall not be realized from such reletting (after paying the unpaid amounts due hereunder earned but unpaid at the time of reletting plus interest thereon at the maximum rate permitted

by applicable law, the cost of recovering possession, all of the costs and expenses of such decorations, repairs, changes, alterations and additions and all other expenses of such reletting and of the collection of the rent accruing therefrom) to satisfy the rent provided for in this Lease to be paid, then Tenant shall pay to Landlord as damages a sum equal to the amount of the rental reserved in this Lease for such period or periods or if the Leased Premises have been relet, Tenant shall satisfy and pay any such deficiency upon demand therefor from time to time. Tenant agrees that Landlord may file suit to recover any sums falling due under the terms of this Section 5.09 from time to time on one or more occasions without Landlord being obligated to wait until expiration of the term of this Lease, and that no delivery or recovery of any portion due Landlord hereunder shall be any defense in any action to recover any amount not theretofore reduced to judgment in favor of Landlord, nor shall such reletting be construed as an election on the part of Landlord to terminate this Lease unless a written notice of such intention be given to Tenant by Landlord. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

5.10. NON-WAIVER. Failure of Landlord or Tenant to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but Landlord or Tenant shall have the right to declare any such default at any time thereafter.

5.11. PROPERTY INSURANCE. Landlord shall maintain "all-risk" property insurance on the Project (excluding all Improvements in leasable areas of the Project other than Building Shell and Building Standard Improvements) for the full replacement cost thereof (exclusive of foundation, footings and excavation costs) with customary deductibles for projects of the size and scope of the Project. Said insurance shall be maintained with an insurance company authorized to insure properties in the District of Columbia. If the annual premiums to Landlord for such property insurance exceed the standard premium rates because of the nature of Tenant's operations, contents or Improvements (to the extent in excess of Building Standard Improvements) or because the same result in extra hazardous exposure, then Tenant shall upon receipt of copies of appropriate premium invoices reimburse Landlord for such increases in such premiums. Tenant shall maintain at its expense all-risk property insurance (including sprinkler leakage and water damage coverage) on all of Tenant's Personal Property located in the Leased Premises and on all Improvements not required to be insured by Landlord above for the full replacement cost thereof. Said insurance shall be maintained with an insurance company authorized to insure property in the District of Columbia.

5.12. LIABILITY INSURANCE. Landlord and Tenant shall each maintain a policy or policies of commercial general liability insurance (including personal injury and contractual liability coverage) with the premiums thereon fully paid in advance, issued by and binding upon an insurance company of good financial standing, such insurance to afford minimum protection of not less than $2,000,000.00 per occurrence combined single limit bodily injury and property damage.

5.13. HOLD HARMLESS. The Landlord Parties shall not be liable to Tenant, or to Tenant's agents, servants, employees, contractors, customers or invitees for any damage to person or property caused by any act, omission or neglect of Tenant, its agents, servants, employees or contractors and Tenant agrees to hold the Landlord Parties harmless from all claims for any such damage. Neither Tenant, nor any officer, director, shareholder, agent, contractor or employee of Tenant, shall be liable to Landlord, or to Landlord's agents, servants, employees, customers or invitees for any damage to person or property caused by any act, omission or neglect of the Landlord Parties and Landlord agrees to indemnify and hold Tenant and each officer, director, shareholder, agent, contractor or employee of Tenant harmless from all claims for such damage.

5.14. WAIVER OF SUBROGATION. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant each hereby waives any and all rights of recovery, claim, action or cause-of-action, against the other, its agents (including partners, both general and limited), officers, directors, shareholders, employees or representatives, for any loss or damage that may occur to the Leased Premises, or any Improvements therein, or the Project or Land of which the Leased Premises are a part, or any Improvements therein, or any personal property of such party therein, by reason of fire, the elements or any other cause which could be insured against under the terms of an all-risk property insurance policy, regardless of cause or origin, including negligence of the other party hereto, its partners, agents, contractors, officers or employees, and covenants that no insurer shall hold any right of subrogation against such other party. Each party shall have the policies required under Section 5.11 of this Lease endorsed with a waiver of subrogation clause whereby the insurance provider's right of subrogation is waived with respect to the other party hereto.

5.15. PARKING. At all times during the Lease term, Landlord agrees to furnish to Tenant, and Tenant agrees to take, 17 permits to park automobiles in the Project garage on an unassigned basis. The parking permits may be used by Tenant or any subtenant of Tenant (and their respective employees) only. As rental for the parking permits from and after the Commencement Date, Tenant covenants and agrees to pay Landlord as additional rent a monthly amount equal to Landlord's published rate per parking permit as it may exist from time to time for monthly contract parking in the garage (and such published rate shall

be within the range of rates then in effect at other first class office buildings in downtown Washington, D.C. of comparable quality to the Project), multiplied by the number of parking permits to be furnished to Tenant as provided above, payable on the first day of each and every calendar month during the Lease term monthly in advance. Such monthly parking charge may be changed no more frequently than once in any 12-month period.

5.16. SEVERABILITY. If any term or provision of this Lease, or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. Each provision of this Lease shall be valid and shall be enforceable to the extent permitted by law.

5.17. NOTICES. All notices, demands, consents and approvals which may or are required to be given by either party to the other hereunder shall be in writing and shall be personally delivered or sent by recognized overnight courier, charges prepaid, or by certified mail, return receipt requested, postage prepaid, and, in each case, addressed to the party to be notified at the address for such party specified in this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days' notice to the notifying party. If notice is sent by hand, it shall be deemed duly given on the day of delivery; if sent by overnight courier, it shall be deemed duly given one (1) business day after proper deposit with such overnight courier; and if sent by certified mail, it shall be deemed given on the date of receipt (or refusal of receipt) as verified by the return receipt therefor.

5.18. SUCCESSORS. This Lease shall be binding upon and inure to the benefit of Landlord, its successors and assigns, and shall be binding upon and inure to the benefit of Tenant, its successors and, to the extent assignment may be approved by Landlord hereunder, Tenant's assigns.

5.19. ENTIRETY. This instrument and any attached addenda or exhibits constitute the entire agreement between Landlord and Tenant. No prior or contemporaneous promises, inducements, representations or agreements, oral or otherwise, between the parties hereto not embodied herein shall be binding or have any force or effect. Tenant will make no claim on account of any representations whatsoever, whether made by any renting agent, broker, officer or other representative of Landlord or which may be contained in any circular, prospectus or advertisement relating to the Leased Premises or the Project, or otherwise, unless the same is specifically set forth in the Lease.

5.20. BROKERS. Landlord agrees to pay to CB Commercial Real Estate Group, Inc. ("Broker") the brokerage commission payable in connection with this Lease pursuant to the terms of a separate agreement between Landlord and Broker. Tenant hereby warrants and represents that it has not dealt with any other brokers or intermediaries entitled to any compensation in connection with this Lease or Tenant's occupancy of space in the Project. Each party hereby agrees to hold the other party, its partners and representatives harmless from any and all claims, liabilities, costs and expenses (including reasonable attorneys' fees) arising from any claim for any commissions or other fees by any other broker or agent acting or purporting to have acted on behalf of such party.

5.21. MISCELLANEOUS.

(a) Time is of the essence with respect to Landlord's and Tenant's rights and obligations under this Lease.

(b) The words "include" and "including" shall be construed for purposes of this Lease as being followed by the phrase "without limitation."

(c) All rights and remedies of Landlord under this Lease shall be cumulative and none shall exclude any other rights or remedies allowed by law.

(d) This Lease is declared to be a District of Columbia contract, and all of the terms hereof shall be construed according to the laws of the District of Columbia.

(e) Landlord and Tenant hereby waive trial by jury in any action, proceeding, or counterclaim arising out of or in any way connected with this Lease.

(f) Landlord hereby (i) submits to the personal jurisdiction of any court sitting in the District of Columbia with respect to all claims and controversies arising out of this Lease or the enforcement thereof and (ii) appoints the agent for service of process for the property management company as Landlord's agent for service of process in any such claim or controversy, and agrees that service upon such agent shall constitute personal service upon Landlord so long as notice of such service is given in accordance with the provisions of Section 5.17.

(g) This Lease may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument.

(h) Nothing contained in this Lease shall be construed to create a partnership, joint venture or other relationship between Landlord and Tenant other than that of landlord and tenant.

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal by their duly authorized officials or agents as of the date aforesaid and Landlord appoints Dr. Dieter Brunner and Mr. Jurgen Ehrlich as its true and lawful attorneys-in-fact to execute and deliver this Lease and Tenant appoints George C. Eads as its true and lawful attorney-in-fact to execute and deliver this Lease.

LANDLORD

DEUTSCHE IMMOBILIEN FONDS
AKTIENGESELLSCHAFT

By: /s/ Dr. Dieter Brunner [SEAL]
---
Dr. Dieter Brunner, Vorstand
---

By: /s/ Jurgen Ehrlich [SEAL]
---
Jurgen Ehrlich, Vorstand
---

TENANT

CHARLES RIVER ASSOCIATES, INC.

By: /s/ George C. Eads [SEAL]
---
Name: George C. Eads
---
Title: Vice President
---

SUBORDINATION, NONDISTURBANCE AND
ATTORNMENT AGREEMENT

THIS AGREEMENT made as of the 7th day of March, 1997 by, between and among DG Bank Deutsche Genossenschaftsbank. having an office at 009 Fifth Avenue, New York, New York 10017-1021 ("BENEFICIARY"), Deutsche Immobilien Fonds Aktiengesellschaft, a German stock corporation, having an office at c/o Hines Interests Limited Partnership, 555 Thirteenth Street, N.W., Suite 1020 East, Washington, D.C. 20004-1109 ("LANDLORD"), and Charles River Associates, Inc., a Massachusetts corporation, having an office at 1001 Pennsylvania Avenue, N.W., Suite 750 North, Washington, D.C. 20004 ("TENANT").

RECITALS

A. Tenant has entered into a Lease dated March 6, 1997, between Landlord, as landlord, and Tenant, as tenant, (said lease, as heretofore amended or supplemented and as hereafter amended and supplemented with the approval of Beneficiary, is hereinafter called the "LEASE"), with respect to certain premises (the "DEMISED PREMISES") located at the address commonly known as 600 Thirteenth Street, N.W., Washington, D.C., which is more particularly described in EXHIBIT A.

B. Beneficiary has made a loan to Landlord secured by a deed of trust or mortgage (said deed of trust, mortgage and all renewals, modifications, supplements, amendments, consolidations, replacements, substitutions, additions and extensions and any deeds of trust or mortgages with which any thereof may be consolidated or spread, being hereinafter called the "MORTGAGE") more particularly described in Exhibit B, and a Collateral Assignment of Leases and Rents (said assignments, and all renewals, modifications, supplements, amendments, consolidations, replacements, substitutions, additions and extensions and any assignments with which any thereof may be consolidated or spread, being hereinafter called the "Assignment"), covering, among other things, the real estate (the "MORTGAGED PREMISES") of which the Demised Premises are a part and Landlord's interest in the Lease.

C. To induce Tenant to subordinate the Lease to the Mortgage and Assignment, as more particularly set forth in this Agreement, Beneficiary, Landlord and Tenant desire to enter into this Agreement upon the terms, covenants and conditions contained herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the agreements of the parties contained herein, the parties hereto agree as follows:

1. The Lease and all of Tenant's rights thereunder are and shall be, at all times and in all respects, subject and subordinate to the Mortgage and the lien created thereby, and to

the Assignment. This provision shall be self-operative and no further instrument shall be required to confirm or perfect such subordination. At the request of Beneficiary, however, Tenant shall execute and deliver such other documents and take such other action as Beneficiary reasonably requests to perfect, confirm or effectuate such subordination. The Mortgage may be amended from time to time without the consent of Tenant.

2. Provided that Tenant complies with this Agreement, (a) Tenant shall not be named as a party in any action or proceeding to enforce the Mortgage or the Assignment (unless such joinder shall be required under applicable law and in which case Beneficiary shall not seek affirmative relief from Tenant in such action or proceeding), nor shall the Lease be cut off or terminated nor Tenant's possession thereunder be disturbed in any such action or proceeding, and (b) subject to the provisions of PARAGRAPH 4 of this Agreement. Beneficiary shall recognize the Lease and Tenant's rights thereunder, unless, at the time of the commencement of a foreclosure action by Beneficiary the Lease shall have been terminated or Tenant shall be in default under the Lease beyond the applicable periods of grace and notice, if any, provided for in the Lease with respect to the default in question.

3. Upon any foreclosure of the Mortgage or enforcement of the Assignment or other acquisition of the Mortgaged Premises (including, without limitation, conveyance in lieu of foreclosure), Tenant, upon receiving written notice from Beneficiary of such foreclosure, enforcement or other acquisition, shall attorn to Beneficiary or any other party acquiring the Mortgaged Premises or so succeeding to Landlord's rights ("SUCCESSOR LANDLORD") and shall recognize Successor landlord as its landlord under the Lease; and Tenant shall promptly execute and deliver any requisite or appropriate instrument that Successor Landlord may request in writing to evidence further said attornment.

4. Upon any foreclosure of the Mortgage or enforcement of the Assignment or other acquisition of the Mortgaged Premises, the Lease shall continue as a direct lease between Successor Landlord and Tenant upon all terms, covenants and conditions thereof as are then applicable, except that Successor Landlord shall not be (a) liable for any previous act or omission of any prior landlord (including Landlord) under the Lease, whether prior to or after such foreclosure, enforcement or other acquisition, (b) subject to any offsets, set-offs, defenses, claims or counterclaims that Tenant may have against any prior landlord (including Landlord), (c) bound by any payment of rent or other charges under the Lease made more than 30 days prior to its due date unless such payment shall have been expressly approved in writing by Beneficiary, (d) bound by any amendment, modification, extension, expansion, termination, cancellation or surrender of the Lease (other than in accordance with the provisions of the Lease) unless the same shall have been expressly approved in writing by the Beneficiary. Notwithstanding the foregoing, the Successor Landlord shall be liable for the payment of Landlord's Contribution under EXHIBIT C in accordance with Paragraph 3(e) of EXHIBIT C.

5. The attornment provided in PARAGRAPH 3 of this Agreement shall inure to the benefit of any Successor Landlord (including, without limitation, Beneficiary), shall be self-operative, and no further instrument shall be required to give effect to such attornment. Tenant, however, upon demand of any Successor Landlord (including, without limitation, Beneficiary), agrees to execute, from time to time, instruments in confirmation of such attornment, reasonably

satisfactory to such Successor Landlord, acknowledging such attornment and setting forth the terms and conditions of its tenancy. Nothing contained in this PARAGRAPH 5 shall be construed to impair any right otherwise exercisable by such Successor Landlord.

6. Beneficiary agrees that, unless the Lease is terminated pursuant to Section 5.05 of the Lease, all insurance proceeds shall be made available for repair and restoration in accordance with said Section, notwithstanding any provision of the Mortgage or the Assignment to the contrary.

7. From and after the date hereof, Tenant shall send to the Beneficiary a copy of any notice of default or notice in connection with the commencement of any action to terminate the Lease on account of such a default at the same time such notice is sent to Landlord under the Lease and Tenant agrees that, notwithstanding any provision of the Lease to the contrary, no such notice shall be deemed to have been given unless Beneficiary shall have been given such notice and no such notice in connection with the commencement of an action to terminate this Lease on account of such a default shall be effective unless Beneficiary shall have been given such and shall have failed to cure such default as hereinafter provided. Such notices shall be sent by certified or registered mail, postage prepaid, return receipt requested, to Beneficiary at the following address (or at such other address as Beneficiary shall specify in a written notice to Tenant at the address specified above for Tenant or at such other address as Tenant shall have specified by notice to the Beneficiary):

609 Fifth Avenue
New York, New York 10017
Telecopy: 212-945-1556
Attention: Linda J. O'Connell

Any such notice shall be deemed to be given to Beneficiary on the earlier to occur of (a) the day of receipt (as evidenced by a receipt signed by Beneficiary or the refusal to accept delivery, by Beneficiary) or (b) three (3) business days after deposit in the mail. With respect to the commencement by Tenant of any action to terminate the Lease, Beneficiary shall have the right (but not the obligation) to cure any default on the part of Landlord which is the basis for such action within a reasonable time (including the time required for Beneficiary to obtain possession of the Mortgaged Premises if such possession is necessary to effect such cure) after receipt by Beneficiary of the notice from Tenant with respect to such action. The foregoing cure right shall not apply to any termination of the Lease pursuant to Paragraph 4(d) of EXHIBIT C to the Lease.

8. Anything herein or in the Lease to the contrary notwithstanding, in the event that Successor Landlord (including, without limitation, Beneficiary) shall acquire title to the Mortgaged Premises, the Successor Landlord shall be entitled to the benefit and protection of Section 4.12 of the Lease.

9. Landlord and Tenant hereby agree for the benefit of Beneficiary, and knowing that Beneficiary will rely on the same, as follows:

That neither this Agreement, the Assignment nor anything to the contrary in the Lease shall, prior to Beneficiary's acquisition of Landlord's interest in and possession of the Mortgaged Premises, (i) operate to give rise to or create any responsibility, or liability for the control, care, management or repair of the Mortgaged Premises upon Beneficiary, or (ii) impose responsibility for the carrying out by Beneficiary of any of the covenants, terms or conditions of the Lease, nor shall said instruments operate, prior to Beneficiary's acquisition of Landlord's interest in and possession of the Mortgage Premises, to make Beneficiary responsible or liable for any waste committed on the Mortgaged Premises by any party whomsoever, or for any dangerous or defective condition of the Mortgaged Premises, or for any negligence in the management, upkeep, repair or control of the Mortgaged Premises resulting in loss, injury or death to Tenant or any licensee, invitee, guest, employee, agent or stranger.

10. Tenant acknowledges that it has notice that Landlord's interest under the Lease and the rent and all other sums due thereunder have been assigned to Beneficiary pursuant to the Assignment as part of the security for the obligations secured by the Mortgage and the Assignment. Notice from Beneficiary to Tenant directing payment of rent and all other sums due under the Lease shall have the same effect under the Lease as notice to Tenant from Landlord thereunder, and Tenant agrees to be bound by such notice from Beneficiary, notwithstanding the existence or non-existence of a default under the Mortgage or the Assignment or any dispute with respect thereto between Landlord and Beneficiary. In the event of any inconsistency between a notice from Landlord and a notice from Beneficiary directing payment of rent and other sums due under the Lease, the notice from Beneficiary shall govern; PROVIDED, HOWEVER, that nothing contained herein shall restrict any rights of Landlord under the documents evidencing and securing the obligations secured by the Mortgage and the Assignment. Tenant shall not be in default under the Lease if Tenant delivers payments of rent and other sums due under the Lease to or as directed by Beneficiary, notwithstanding any dispute between Landlord and Beneficiary which may arise as to the existence or non-existence of a default under the Mortgage or the Assignment or as to Beneficiary's authority to notify Tenant to direct payments to or as directed by Beneficiary.

11. Landlord hereby consents to the terms and provisions of this Agreement including, without limitation, PARAGRAPHS 9 AND 10 hereof.

12. This Agreement may not be modified, amended or terminated except by a writing duly executed by the party against whom the same is sought to be asserted. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

13. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

14. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

15. This Agreement shall be governed by and construed under the laws of the District of Columbia.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

BENEFICIARY:

ATTEST: DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

By: /s/ Linda J. O'Connell [SEAL]
Name: LINDA J. O'CONNELL
Title: Vice President

By: /s/ Wolfgang Bollmann [SEAL]
Name: WOLFGANG BOLLMANN
Title: Senior President

TENANT:

ATTEST: CHARLES RIVER ASSOCIATES, INC.

By: /s/ George C. Eads [SEAL]
Name: George C. Eads
Title: Vice President

LANDLORD:

DEUTSCHE IMMOBILIEN FONDS
AKTIENGESELLSCHAFT

By: /s/ Dr. Brunner [SEAL]
Name: Dr. Brunner
Title: EO

By: /s/ J. Ehrlich [SEAL]
Name: J. Ehrlich
Title: EO

STATE OF New York
COUNTY OF New York

This instrument was acknowledged before me on March 7, 1997 by Wolfgang Bollmann as Senior Vice President of DG Bank Deutsche Genossenschaftsbank, on behalf of such bank.

/s/ [Illegible]
---
Notary Public

[Notarial Seal]

My Commission Expires: 9-30-97

STATE OF New York
COUNTY OF New York

This instrument was acknowledged before me on March 7, 1997 by Linda J. O'Connell as Vice President of DG Bank Deutsche Genossenschaftsbank, on behalf of such bank.

/s/ [Illegible]
---
Notary Public

[Notarial Seal]

My Commission Expires: 9-30-97

STATE OF Washington, D.C.
COUNTY OF District of Columbia

This instrument was acknowledged before me on March 7, 1997 by George C. Eads as Vice President of Charles River Assoc., a Massachusetts Corp., on behalf of such Corporation.

/s/ Sheila M. Jenkins
---
Notary Public

[Notarial Seal]

My Commission Expires: April 30, 1999

STATE OF
COUNTY OF District of Columbia

This instrument was acknowledged before me on April 1, 1997 by Dieter Brunner as Executive Officer of Deutsche Immobilien Fonds Aktiengesellschaft, a German stock corporation, on behalf of such corporation.

/s/ Dawn C. Marcus
---
Notary Public

[Notarial Seal]

My Commission Expires: Jan. 1, 2001

STATE OF
COUNTY OF District of Columbia

This instrument was acknowledged before me on April 1, 1997 by Jurgen Ehrlich as Executive Officer of Deutsche Immobilien Fonds Aktiengesellschaft, a German stock corporation, on behalf of such corporation.

/s/ Dawn C. Marcus
---
Notary Public

[Notarial Seal]

My Commission Expires: Jan. 1, 2001

EXHIBIT 16.1

[PMN LOGO]

February 24, 1998

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Charles River Associates Incorporated
Registration Statement on Form S-1

Ladies and Gentlemen:

We have read the paragraph under the heading "Change in Independent Auditors" included in the Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission by Charles River Associates Incorporated and agree with the statements made therein.

Very truly yours,

/s/ Parent, McLaughlin & Nangle

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

JK/ab

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

| Name of Subsidiary | Jurisdiction of Organization |
| --- | --- |
| NeuCo LLC | Massachusetts |

Exhibit 23.1

Consent of Ernst & Young LLP, Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated February 25, 1998, in the Registration Statement on Form S-1 and related Prospectus of Charles River Associates Incorporated for the registration of 2,188,000 shares of its common stock.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 25, 1998

5
U.S. DOLLARS

| | |
|---|---|
| YEAR | |
| | NOV-29-1997 |
| | DEC-01-1996 |
| | NOV-29-1997 |
| | 1 |
| | 2,054 |
| | 0 |
| | 14,871 |
| | 394 |
| | 0 |
| | 17,205 |
| | 2,890 |
| | 3,152 |
| | 20,435 |
| | 9,473 |
| | 0 |
| | 0 |
| | 0 |
| | 1,977 |
| | (1,211) |
| | 20,435 |
| | 44,805 |
| | 44,805 |
| | 29,607 |
| | 40,116 |
| | 0 |
| | 0 |
| | 0 |
| | 4,991 |
| | 306 |
| | 0 |
| | 0 |
| | 0 |
| | 0 |
| | 4,967 |
| | .49 |
| | .49 |

Net income before minority interest is $4,685 and
minority interest of $282 for net income of $4,967.
Net of allowance for doubtful accounts of $394.
Net of accumulated depreciation and amortization
of $3,152.
Fiscal year is on the last Saturday in November
each year
Pro forma calculation based on Pro forma net
income of $3,134