

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 22, 1999

REGISTRATION NO. 333-85899

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

CHARLES RIVER ASSOCIATES INCORPORATED  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MASSACHUSETTS  
(STATE OR OTHER JURISDICTION  
OF INCORPORATION OR ORGANIZATION)

04-2372210  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

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:

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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 the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box. [ ]

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, other than securities offered only in connection with dividend or interest  
reinvestment plans, 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, please 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 delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. [ ]

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 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(3)
Common Stock, without par value.....	345,000	\$25.875	\$8,926,875	\$2,482

- (1) Includes 45,000 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(c) under the Securities Act of 1933.
- (3) Does not reflect \$15,289 paid upon the initial filing of the registration statement on August 25, 1999.

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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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The information in this prospectus is not complete and may be changed without notice. Neither Charles River Associates Incorporated nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Prospectus (Not Complete)

Issued September 22, 1999

2,000,000 SHARES

[CRA LOGO] CHARLES RIVER ASSOCIATES INCORPORATED  
COMMON STOCK

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Charles River Associates Incorporated and the selling stockholders are offering shares of stock in a firmly underwritten offering. CRA is offering 200,000 shares and the selling stockholders are offering 1,800,000 shares.

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The common stock is traded on the Nasdaq National Market under the symbol CRAI. On September 20, 1999, the last reported sale price for the common stock on the Nasdaq National Market was \$25.875 per share.

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INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

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	Per Share	Total
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Offering Price.....	\$	\$
Discounts and Commissions to Underwriters.....	\$	\$
Offering Proceeds to CRA.....	\$	\$
Offering Proceeds to the Selling Stockholders....	\$	\$

The offering proceeds to CRA are shown before deducting expenses payable by CRA, estimated at \$350,000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The selling stockholders have granted the underwriters the right to purchase up to an additional 300,000 shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within thirty days after the offering. Banc of America Securities LLC expects to deliver the shares of common stock to investors on \_\_\_\_\_, 1999.

BANC OF AMERICA SECURITIES LLC

WILLIAM BLAIR & COMPANY

SALOMON SMITH BARNEY

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, 1999

YOU SHOULD RELY ONLY ON THE INFORMATION IN THIS PROSPECTUS. NEITHER WE NOR THE SELLING STOCKHOLDERS HAVE AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THE INFORMATION IN THIS PROSPECTUS. WE AND THE SELLING STOCKHOLDERS ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF COMMON STOCK. IN THIS PROSPECTUS, "CRA," "WE," "US" AND "OUR" REFER TO CHARLES RIVER ASSOCIATES INCORPORATED, UNLESS THE CONTEXT OTHERWISE REQUIRES.

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PROSPECTUS SUMMARY

This summary highlights only some of the information in this prospectus. You should read the entire prospectus carefully. Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise their over-allotment option.

CHARLES RIVER ASSOCIATES INCORPORATED

Charles River Associates Incorporated is a leading economic and business consulting firm founded in 1965 that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. We provide original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar acquisitions, new product introductions, major capital investment decisions and complex litigation.

Businesses are operating in an increasingly complex environment. Companies must constantly gather, analyze and use 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 modify their regulatory strategies. As a result, businesses and governments are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Furthermore, corporate litigation has also become more complicated, protracted, expensive and important to the parties involved. Companies and governments are consequently turning to outside consultants for access to the specialized expertise, experience and prestige that are not available to them internally.

We offer two types of services that help companies respond to this changing environment: legal and regulatory consulting and business consulting. Through our legal and regulatory consulting practice, we provide law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues. Through our business consulting practice, we provide services directly to companies seeking assistance with strategic issues that require expertise in economics, finance and business analysis. For example, we provide advice on the following issues:

LEGAL AND REGULATORY CONSULTING

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- competitive effects of acquisitions
- calculations of damages
- measurement of market share and market concentration
- liability analysis in securities fraud cases
- impact of increased regulation

BUSINESS CONSULTING

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- establishment of pricing strategies
- estimation of market demand
- valuation of intellectual property and other assets
- assessment of competitors' actions
- analysis of new sources of supply

We combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries, such as chemicals, electric power and other energies, healthcare, materials, media and telecommunications, retail and wholesale distribution, and transportation.

We have a highly credentialed and experienced staff of employee consultants. As of September 3, 1999, we employed 202 full-time professional consultants, including 63 consultants with Ph.D.s and 38 consultants with other advanced degrees. Our consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. We are extremely selective in our hiring, recruiting individuals from leading universities, industry and government. Many of our consultants are nationally recognized as experts in their fields. To enhance our expertise, we also maintain close working relationships with over 40 renowned academic and industry experts, whom we call outside experts. We have exclusive relationships with 13 of these outside experts.

We have completed more than 3,200 engagements for clients, including major law firms, corporations, government agencies, foreign governments, utilities, and national and international trade associations. During our last three fiscal years, we had over 1,400 engagements for clients that included 63 of the 100 largest U.S. law firms, ranked by The American Lawyer based on 1998 revenues, and 89 Fortune 500 companies, based on 1998 revenues. During that period, our clients included Cravath, Swaine & Moore; Ford Motor

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 Company; Jones, Day, Reavis & Pogue; Procter & Gamble Company Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; and Time Warner Inc.

Since our initial public offering in April 1998, we have acquired The Tilden Group, LLC and Financial Economic Consulting. Both companies add well-known economists whose specialties strengthen and expand our consulting capabilities as well as our geographic scope. In addition, we have opened offices in Toronto, Ontario and Los Angeles, California and have staffed both offices with leading economists and outside experts.

Our revenues and income from operations have increased from \$37.4 million and \$3.7 million in fiscal 1996 to \$53.0 million and \$9.3 million in fiscal 1998, representing compound annual growth rates of 19.1% and 58.1%. Our revenues and income from operations have increased from \$22.7 million and \$4.0 million in the first twenty-four weeks of fiscal 1998 to \$31.2 million and \$5.9 million in the first twenty-four weeks of fiscal 1999, representing period-to-period increases of 37.3% and 48.9%.

Our growth strategy is to:

- attract and retain high quality consultants as employees;
- increase our marketing activities to attract new clients and increase the overall exposure of our employee consultants;
- expand our services and expertise into related areas of business;
- establish relationships with additional outside experts; and
- pursue strategic acquisitions and alliances in order to gain access to additional consultants, new service offerings, additional industry expertise, a broader client base and offices in new geographic locations.

Our principal executive offices are located at 200 Clarendon Street, Boston, Massachusetts 02116 and our telephone number is (617) 425-3000.

#### THE OFFERING

Common stock offered by CRA.....	200,000 shares
Common stock offered by the selling stockholders.....	1,800,000 shares
Common stock to be outstanding after the offering.....	8,668,544 shares
Use of proceeds.....	We intend to use our net proceeds for general corporate purposes, including working capital and possible acquisitions. We will not receive any proceeds from the shares sold by the selling stockholders.
Nasdaq National Market symbol.....	CRAI

The number of shares of common stock to be outstanding after the offering excludes:

- options outstanding at September 20, 1999 to purchase 526,500 shares of common stock;
- options to purchase an additional 443,500 shares of common stock that may be granted under our stock option plan after September 20, 1999; and
- 243,000 shares of common stock issuable under our employee stock purchase plan.

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SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements in this prospectus. The consolidated statement of operations data for the twenty-four weeks ended May 14, 1999 include the results of operations attributable to the acquisition of assets and liabilities of The Tilden Group for the period after December 15, 1998 and the acquisition of assets and liabilities of Financial Economic Consulting for the period after February 25, 1999. The adjusted consolidated balance sheet data as of May 14, 1999 reflect the sale of the 200,000 shares of common stock we are offering at an assumed public offering price of \$25.875 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	FISCAL YEAR ENDED					TWENTY-FOUR WEEKS ENDED	
	NOV. 26, 1994	NOV. 25, 1995	NOV. 30, 1996	NOV. 29, 1997	NOV. 28, 1998	MAY 15, 1998	MAY 14, 1999
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	(53 WEEKS)						
	(IN THOUSANDS, EXCEPT SHARE DATA)						
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:							
Revenues.....	\$26,249	\$31,839	\$37,367	\$44,805	\$52,971	\$22,694	\$31,153
Costs of services.....	16,160	19,760	23,370	28,374	31,695	13,402	18,082
Supplemental compensation (1)....	--	1,212	1,200	1,233	--	--	--
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Gross profit.....	10,089	10,867	12,797	15,198	21,276	9,292	13,071
Income from operations.....	1,885	2,470	3,737	4,689	9,342	3,953	5,887
Net income (2).....	\$ 1,545	\$ 2,414	\$ 3,588	\$ 4,967	\$ 6,365	\$ 2,532	\$ 3,816
	=====	=====	=====	=====	=====	=====	=====
Basic and diluted net income per share.....	\$0.19	\$0.40	\$0.59	\$0.78	\$0.84	\$0.38	\$0.45
	=====	=====	=====	=====	=====	=====	=====
Weighted average number of shares outstanding:							
Basic.....	7,935,512	5,987,384	6,091,384	6,329,007	7,570,493	6,689,906	8,428,242
Diluted.....	7,935,512	5,987,384	6,091,384	6,329,007	7,619,945	6,697,785	8,518,619

AS OF MAY 14, 1999

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ACTUAL      AS ADJUSTED  
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CONSOLIDATED BALANCE SHEET DATA:

Working capital.....	\$27,516	\$32,056
Total assets.....	59,112	63,652
Total long-term debt.....	365	365
Total stockholders' equity.....	42,263	46,803

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(1) Represents discretionary payments of bonus compensation to officers and selected outside experts under a bonus program that we discontinued after fiscal 1997.

(2) From fiscal 1988 until April 1998, we were taxed as an S corporation and did not pay federal and some state income taxes. Net income for fiscal 1998 reflects a one-time additional provision for income taxes of \$1.4 million that we recorded upon the termination of our status as an S corporation. For pro forma information reflecting taxation as a C corporation for fiscal 1998, see the accompanying consolidated financial statements and the related notes.

## RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors in evaluating our business before purchasing any of our common stock. If any of these risks, or other risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition and results of operations could be adversely affected. If that happens, the market price of our common stock could decline, and you may lose all or part of your investment.

## WE DEPEND UPON ONLY A FEW KEY EMPLOYEES TO GENERATE REVENUES

Our business consists primarily of the delivery of professional services and, accordingly, our success depends heavily on the efforts, abilities, business generation capabilities and project execution of our employee consultants. If we lose the services of any consultant or if our consultants fail to generate business or otherwise fail to perform effectively, that could have a material adverse effect on our business, financial condition and results of operations. Our consultants generated engagements that accounted for approximately 79% of our revenues in each of fiscal 1997 and fiscal 1998. Our top five consultants in each of fiscal 1997 and fiscal 1998 generated approximately 33% of our revenues in those years. We do not have any employment or non-competition agreements with our consultants. Each consultant can terminate his or her relationship with us at will and without notice and can begin to compete with us at any time.

## OUR BUSINESS COULD SUFFER IF WE ARE UNABLE TO HIRE ADDITIONAL QUALIFIED CONSULTANTS AS EMPLOYEES

We must hire increasing numbers of highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified consultants could have a material adverse effect on our business, financial condition and results of operations. Relatively few potential employees meet our hiring criteria, and we face significant competition for these employees from our direct competitors, academic institutions, government agencies, research firms, investment banking firms and other enterprises. Many of these competing employers are able to offer potential employees significantly greater compensation and benefits or more attractive lifestyle choices, career paths or geographic locations than we can. Increasing competition for these consultants may also significantly increase our labor costs, which could have a material adverse effect on our margins and results of operations.

## OUR FAILURE TO MANAGE OUR EXPANDING BUSINESS SUCCESSFULLY COULD ADVERSELY AFFECT OUR REVENUES AND RESULTS OF OPERATIONS

Any failure on our part to manage growth successfully could have a material adverse effect on our business, financial condition and results of operations. We have been experiencing significant growth in our revenues and employee base as a result of both internal growth and acquisitions. This growth creates new and increased management, consulting and training responsibilities for our employee consultants. This growth also increases the demands on our internal systems, procedures and controls, and on our managerial, administrative, financial, marketing and other resources. We depend heavily upon the managerial, operational and administrative skills of our officers, particularly James C. Burrows, our President and Chief Executive Officer, to manage this growth. New responsibilities and demands may adversely affect the overall quality of our work. No member of our management team has experience in managing a public company other than CRA. We have also recently opened offices in new geographic locations and may open additional offices in the future. Opening new offices may entail substantial start-up and maintenance costs.

## WE DEPEND ON OUR OUTSIDE EXPERTS

We depend on our existing relationships with our exclusive outside experts. Four of our exclusive outside experts generated engagements that accounted for approximately 18% of our revenues in fiscal 1997, and six outside experts generated engagements that accounted for approximately 19% of our revenues in fiscal 1998. We believe that these outside experts are highly regarded in their fields and that each offers a combination of knowledge, experience and expertise that would be very difficult to replace. We also believe that we have



been able to secure some engagements and attract consultants in part because we could offer the services of these outside experts. Most of these outside experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities whose policies prohibit accepting specified engagements, the pursuit of other interests and retirement. Thirteen of our approximately 40 outside experts have entered agreements with us that restrict their right to compete with us. The limitation or termination of any of their relationships with us or competition from any of them following the termination of their non-competition agreements with us could have a material adverse effect on our business, financial condition and results of operations.

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

#### FLUCTUATIONS IN OUR QUARTERLY REVENUES AND RESULTS OF OPERATIONS COULD DEPRESS THE MARKET PRICE OF OUR COMMON STOCK

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

- the number of weeks in the quarter
- the number, scope and timing of ongoing client engagements
- the extent to which we can reassign employee consultants efficiently from one engagement to the next
- employee hiring
- the extent of discounting or cost overruns
- severe weather conditions and other factors affecting employee productivity.

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

#### ACQUISITIONS MAY DISRUPT OUR OPERATIONS OR ADVERSELY AFFECT OUR RESULTS

We may seek to acquire other businesses, and we may be unable to identify, acquire, successfully integrate or profitably manage any business without substantial expense, delay or other operational or financial problems. In addition, we may be unable to achieve the financial, operational and other benefits we anticipate from any acquisition. In December 1998 we acquired The Tilden Group and in February 1999 we acquired Financial Economic Consulting. Before these recent acquisitions, we had never acquired another business. We may be unable to manage these companies profitably or successfully integrate their operations with our own. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses

we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special risks, such as:

- one-time charges related to the acquisition
- diversion of our management's time, attention and resources
- loss of key acquired personnel
- increased costs to improve or coordinate managerial, operational, financial and administrative systems
- dilutive issuances of equity securities
- the assumption of legal liabilities
- amortization of acquired intangible assets
- difficulties in integrating diverse corporate cultures
- additional conflicts of interests.

The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

#### MAINTAINING OUR PROFESSIONAL REPUTATION IS CRUCIAL TO OUR FUTURE SUCCESS

Our ability to secure new engagements and hire qualified consultants as employees depends heavily on our overall reputation as well as the individual reputations of our consultants and principal outside experts. Because we obtain a majority of our new engagements from existing clients or from referrals by those clients, any client that is dissatisfied with our performance on a single matter could seriously impair our ability to secure new engagements. Any factor that diminishes our reputation or the reputations of any of our personnel or outside experts could make it substantially more difficult for us to compete successfully for both new engagements and qualified consultants. That could have a material adverse effect on our business, financial condition and results of operations.

#### WE DEPEND ON OUR ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

We derived approximately 36% of our revenues in fiscal 1996, 35% in fiscal 1997 and 48% in fiscal 1998 from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number of our engagements in these practice areas could have a material adverse effect on our business, financial condition and results of operations. We derived almost all of these revenues from engagements relating to enforcement of United States antitrust laws. Changes in federal antitrust laws, changes in judicial interpretations of these laws or less vigorous enforcement of these laws as a result of changes in political appointments or priorities or for other reasons could substantially reduce our revenues from engagements in this area. In addition, adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could also adversely impact engagements in which we assist clients in proceedings before the Department of Justice and the Federal Trade Commission.

#### OUR REVENUES COME FROM A LIMITED NUMBER OF LARGE ENGAGEMENTS

We have been deriving a significant portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition and results of operations could suffer. Our ten largest engagements accounted for approximately 28% of our revenues in fiscal 1996, 23% in fiscal 1997 and 29% in fiscal 1998. Our ten largest clients accounted for approximately 42%, 29% and 38% of our revenues in those years. In general, the volume of work we perform for any particular client varies from year to year, and a major client in one year may not hire us again.

#### CLIENTS CAN TERMINATE ENGAGEMENTS WITH US AT ANY TIME

Our engagements generally depend upon disputes, proceedings or transactions that involve our clients. Our clients may decide at any time to seek to resolve the dispute or proceeding or abandon the transaction. Our engagements can therefore terminate suddenly and without advance notice to us. If an engagement is terminated unexpectedly, the employee consultants working on the engagement could be underutilized until we assign them to other projects. Accordingly, the termination or significant reduction in the scope of a single large engagement could have a material adverse effect on our business, financial condition and results of operations.

#### POTENTIAL CONFLICTS OF INTERESTS MAY PRECLUDE US FROM ACCEPTING SOME ENGAGEMENTS

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

#### INTENSE COMPETITION FROM OTHER ECONOMIC AND BUSINESS CONSULTING FIRMS COULD HURT OUR BUSINESS

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

#### OUR ENTRY INTO NEW LINES OF BUSINESS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS

If we attempt to develop new practice areas or lines of business outside our core economic and business consulting services, that effort could have a material adverse effect on our results of operations. For example, in June 1997, we established and purchased a controlling interest in NeuCo LLC, which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. NeuCo has not been and may never be profitable. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience may result in costly decisions that could have a material adverse effect on our business, financial condition and results of operations.

#### OUR ENGAGEMENTS MAY RESULT IN PROFESSIONAL LIABILITY

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

performed negligently or otherwise breached our obligations to the client could expose us to significant liabilities and tarnish our reputation. These outcomes could have a material adverse effect on our business, financial condition and results of operations.

#### "YEAR 2000" PROBLEMS MAY DISRUPT OUR OPERATIONS

Many existing computer systems and software products do not properly recognize dates after December 31, 1999. This "Year 2000" problem could result in system failures or miscalculations causing disruptions of operations. The inability of products, services and systems on which we rely to process dates after December 31, 1999 could seriously harm our business.

We have conducted tests and sought confirmation from our software vendors to determine whether the software we use is Year 2000 compliant. Based on the results of our investigation, we believe that all of our internal software systems are Year 2000 compliant, except for our time-keeping and billing software. We are planning to replace our time-keeping and billing software with software that is Year 2000 compliant in the second half of calendar 1999. However, we may experience delays in implementing the replacement software, which could disrupt our operations, create delays in billing our clients and require us to spend significant amounts of money to correct the problem. Moreover, we may discover undetected Year 2000 errors or defects in our other internal software systems and, if such errors or defects are discovered, the costs of making such systems Year 2000 compliant could have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party vendors that may not be Year 2000 compliant for some of our equipment and services. To date, we have not conducted a Year 2000 review of all of our vendors. Failure of systems maintained by our vendors to operate properly with regard to the Year 2000 and thereafter could require us to incur significant unanticipated expenses to remedy any problems or replace affected vendors and could have a material adverse effect on our business, financial condition and results of operations.

#### WE WILL HAVE BROAD DISCRETION IN USING THE PROCEEDS OF THIS OFFERING

We intend to use all of our proceeds from this offering for working capital and general corporate purposes, including potential acquisitions. Accordingly, we will have broad discretion in using our proceeds. You will not have the opportunity to evaluate the economic, financial or other information that we will use to determine how to use our proceeds.

#### THE PRICE OF OUR COMMON STOCK MAY BE VOLATILE

Many factors may cause the market price of our common stock to fluctuate significantly, including the following:

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

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, stockholders often institute securities class action litigation against the company. Any such litigation against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

#### OUR CHARTER AND BY-LAWS AND MASSACHUSETTS LAW MAY DETER TAKE-OVERS

Our articles of organization and by-laws and Massachusetts law contain provisions that could have anti-takeover effects and that could discourage, delay or prevent a change in control of CRA or an acquisition of CRA at a price that many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of CRA to take some 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 our common stock.

#### FORWARD-LOOKING STATEMENTS

Statements in this prospectus or in the documents we incorporate by reference that are not purely historical, such as statements regarding our expectations, beliefs, estimates, intentions, plans and strategies regarding the future, are forward-looking statements. These statements are only predictions, and they involve risks, uncertainties and assumptions that could cause our actual results to differ materially from the results we express in the forward-looking statements. The sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" include important factors that could cause or contribute to these differences. We cannot guarantee the results expressed in any forward-looking statement, and accordingly you should not place undue reliance on these statements. We have based all forward-looking statements on information available to us on the date of this prospectus, and we have no obligation to update any forward-looking statement.

## USE OF PROCEEDS

CRA estimates that its net proceeds from the sale of the 200,000 shares of common stock it is offering will be approximately \$4.5 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by CRA and assuming a public offering price of \$25.875 per share.

CRA intends to use its net proceeds from the offering for general corporate purposes, including working capital and possible acquisitions of and investments in complementary businesses. CRA currently has no agreement or understanding regarding any acquisition or investment. Pending these uses, CRA intends to invest its net proceeds from the offering in investment-grade, short-term, interest-bearing instruments. CRA will not receive any proceeds from the sale of shares of common stock by the selling stockholders. For risks associated with our use of proceeds, see "Risk Factors -- We will have broad discretion in using the proceeds of this offering."

## PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

CRA first offered its common stock to the public on April 23, 1998. Since that time, the common stock has been quoted on the Nasdaq National Market under the symbol CRAI. The following table sets forth, for the periods indicated, the high and low sale prices for the common stock as reported on the Nasdaq National Market.

	PRICE RANGE OF COMMON STOCK	
	HIGH	LOW
FISCAL YEAR ENDED NOVEMBER 28, 1998:		
Second Quarter (from April 23, 1998).....	\$26.625	\$20.750
Third Quarter.....	29.750	22.750
Fourth Quarter.....	25.750	19.000
FISCAL YEAR ENDING NOVEMBER 27, 1999:		
First Quarter.....	\$30.750	\$18.125
Second Quarter.....	28.375	21.250
Third Quarter.....	29.625	18.125
Fourth Quarter (through September 20, 1999).....	27.000	24.500

On September 20, 1999, the closing sale price of the common stock as reported on the Nasdaq National Market was \$25.875 per share. On that date, CRA had approximately 59 holders of record of the common stock. This number does not include stockholders for whom shares were held in a "nominee" or "street" name.

Before its initial public offering on April 23, 1998, CRA made periodic distributions to its stockholders in amounts equal to their aggregate tax liabilities associated with CRA's taxable earnings as an S corporation attributable to them, as well as other dividend distributions.

CRA currently intends to retain any future earnings to finance its operations and therefore does not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of CRA's bank line of credit place restrictions on CRA's ability to pay cash dividends on its common stock.

## CAPITALIZATION

The following table sets forth CRA's capitalization as of May 14, 1999 on an actual basis and as adjusted to reflect the sale of 200,000 shares of common stock by CRA, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by CRA and assuming a public offering price of \$25.875 per share. You should read this information in conjunction with CRA's consolidated financial statements and the related notes beginning on page F-1.

Amounts representing common stock outstanding at May 14, 1999 exclude the following:

- options outstanding at May 14, 1999 to purchase 445,500 shares of common stock;
- options to purchase an additional 524,500 shares of common stock that have been or may be granted under CRA's stock option plan after May 14, 1999; and
- 243,000 shares of common stock issuable under CRA's stock purchase plan.

	AS OF MAY 14, 1999	
	----- ACTUAL	AS ADJUSTED -----
	(IN THOUSANDS, EXCEPT SHARE DATA)	
Current portion of notes payable to former stockholders.....	\$ 401 =====	\$ 401 =====
Notes payable to former stockholders, net of current portion, and notes payable to minority interest.....	\$ 365	\$ 365
Stockholders' equity:		
Preferred Stock, no par value; 1,000,000 shares authorized; none outstanding, actual and as adjusted...	--	--
Common Stock, no par value; 25,000,000 shares authorized; 8,468,544 shares outstanding, actual; 8,668,544 shares outstanding, as adjusted.....	34,906	39,446
Deferred compensation.....	(95)	(95)
Retained earnings.....	7,452 -----	7,452 -----
Total stockholders' equity.....	42,263	46,803
Total capitalization.....	\$42,628 =====	\$47,168 =====

For information on the notes payable described in this table, see note 4 of notes to consolidated financial statements.

## SELECTED CONSOLIDATED FINANCIAL DATA

CRA has derived the following selected consolidated financial data as of November 29, 1997 and November 28, 1998 and for each of the fiscal years in the three-year period ended November 28, 1998 from its consolidated financial statements included in this prospectus beginning on page F-1, which have been audited by Ernst & Young LLP, independent auditors. CRA has derived the following selected consolidated financial data as of November 26, 1994, November 25, 1995 and November 30, 1996 and for the fiscal years ended November 26, 1994 and November 25, 1995 from its consolidated financial statements not included in this prospectus, which have also been audited by Ernst & Young LLP. CRA has derived the following selected consolidated financial data as of May 14, 1999 and for the twenty-four weeks ended May 15, 1998 and May 14, 1999 from its unaudited consolidated financial statements. CRA has prepared its unaudited consolidated financial statements on the same basis as its audited financial statements. In the opinion of CRA's management, the unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information. The results of operations for the twenty-four weeks ended May 14, 1999 are not necessarily indicative of future operating results. You should read the selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and CRA's consolidated financial statements and related notes beginning on pages 17 and F-1.

The statement of operations data for the twenty-four weeks ended May 14, 1999 include the results of operations attributable to the acquisition of assets and liabilities of The Tilden Group for the period after December 15, 1998 and the acquisition of assets and liabilities of Financial Economic Consulting for the period after February 25, 1999.

	FISCAL YEAR ENDED					TWENTY-FOUR WEEKS ENDED	
	NOV. 26, 1994	NOV. 25, 1995	NOV. 30, 1996	NOV. 29, 1997	NOV. 28, 1998	MAY 15, 1998	MAY 14, 1999
	(53 WEEKS) (IN THOUSANDS, EXCEPT SHARE DATA)						
<b>CONSOLIDATED STATEMENTS OF OPERATIONS DATA:</b>							
Revenues.....	\$26,249	\$31,839	\$37,367	\$44,805	\$52,971	\$22,694	\$31,153
Costs of services.....	16,160	19,760	23,370	28,374	31,695	13,402	18,082
Supplemental compensation (1).....	--	1,212	1,200	1,233	--	--	--
Gross profit.....	10,089	10,867	12,797	15,198	21,276	9,292	13,071
General and administrative.....	8,204	8,397	9,060	10,509	11,934	5,339	7,184
Income from operations.....	1,885	2,470	3,737	4,689	9,342	3,953	5,887
Interest income, net.....	106	118	124	302	975	226	463
Income before provision for income taxes and minority interest.....	1,991	2,588	3,861	4,991	10,317	4,179	6,350
Provision for income taxes (2).....	(446)	(174)	(273)	(306)	(4,262)	(1,780)	(2,567)
Income before minority interest.....	1,545	2,414	3,588	4,685	6,055	2,399	3,783
Minority interest.....	--	--	--	282	310	133	33
Net income (2).....	\$ 1,545	\$ 2,414	\$ 3,588	\$ 4,967	\$ 6,365	\$ 2,532	\$ 3,816
Basic and diluted net income per share.....	\$0.19	\$0.40	\$0.59	\$0.78	\$0.84	\$0.38	\$0.45
<b>Weighted average number of shares outstanding:</b>							
Basic.....	7,935,512	5,987,384	6,091,384	6,329,007	7,570,493	6,689,906	8,428,242
Diluted.....	7,935,512	5,987,384	6,091,384	6,329,007	7,619,945	6,697,785	8,518,619



	NOV. 26, 1994	NOV. 25, 1995	NOV. 30, 1996	NOV. 29, 1997	NOV. 28, 1998	MAY 14, 1999
	-----	-----	-----	-----	-----	-----

(IN THOUSANDS)

## CONSOLIDATED BALANCE SHEETS DATA:

Working capital.....	\$ 2,908	\$ 4,782	\$ 6,554	\$ 7,658	\$32,890	\$27,516
Total assets.....	10,057	12,307	15,468	20,435	53,335	59,112
Total long-term debt.....	222	324	550	707	542	365
Total stockholders' equity.....	2,697	4,282	6,202	8,536	34,628	42,263

(1) Represents discretionary payments of bonus compensation to officers and selected outside experts under a bonus program that CRA discontinued after fiscal 1997. For information on this bonus program, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview" and note 7 of notes to consolidated financial statements.

(2) From fiscal 1988 until April 1998, CRA was taxed as an S corporation and did not pay federal and some state income taxes. The provision for income taxes in fiscal 1998 includes a one-time additional provision for income taxes of \$1.4 million that CRA recorded upon the termination of its status as an S corporation. For pro forma information reflecting taxation as a C corporation for fiscal 1998, see the accompanying consolidated financial statements and the related notes.

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

OVERVIEW

CRA 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, CRA provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar acquisitions, new product introductions, major capital investment decisions and complex litigation. CRA offers two types of services: legal and regulatory consulting and business consulting. CRA estimates that it derived approximately 70% of its revenues in fiscal 1998 from legal and regulatory consulting and approximately 30% from business consulting.

CRA derives revenues principally from professional services rendered by its employee consultants. In most instances, CRA charges clients on a time-and-materials basis and recognizes revenues in the period when CRA provides its services. CRA charges consultants' time at hourly rates, which vary from consultant to consultant depending on a consultant's position, experience and expertise, and other factors. Outside experts may or may not bill clients directly for their services. As a result, CRA generates substantially all of its professional services fees from the work of its own full-time consultants. Factors that affect CRA's professional services fees include the number and scope of client engagements, the number of consultants employed by CRA, the consultants' billing rates, and the number of hours worked by the consultants. In addition to professional services fees, a portion of CRA'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.

CRA's costs of services include the salaries, bonuses and benefits of CRA's employee consultants. CRA currently has one bonus program. This program awards discretionary bonuses based on CRA's revenues and profitability and individual performance. During fiscal 1995, fiscal 1996 and fiscal 1997, CRA also had another bonus program, which consisted of discretionary payments to officers and selected outside experts based primarily on CRA's cash flows. These bonus payments are shown as "supplemental compensation" in CRA's statements of income. CRA discontinued this bonus program after fiscal 1997. Costs of services also include out-of-pocket and other expenses that are billed to clients, and the salaries, bonuses and benefits of support staff whose time is billed directly to clients, such as librarians, editors and computer programmers. CRA's gross profit, which equals revenues less costs of services and supplemental compensation, is affected by changes in the mix of revenues. CRA experiences significantly higher gross margins on revenues from professional services fees than on revenues from expenses billed to clients. General and administrative expenses include salaries, bonuses and benefits of CRA's administrative and support staff, bonuses to outside experts for generating new business, office rent, and marketing and other costs.

In June 1997, CRA invested approximately \$650,000 for a majority interest in NeuCo LLC. NeuCo was established by CRA 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. CRA's financial statements are consolidated with the financial statements of NeuCo. NeuCo sustained net losses after taxes of approximately \$564,000 in the period from inception (June 19, 1997) to November 29, 1997, \$619,000 in fiscal 1998 and \$238,000 in the twenty-four weeks ended May 14, 1999. NeuCo may never become profitable. The portion of this loss allocable to NeuCo's minority owners is shown as "minority interest" in CRA's statements of income, and that amount, together with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" in CRA's balance sheets. In addition, in December 1998, CRA loaned NeuCo \$370,000 and the affiliate of Commonwealth Energy Systems loaned NeuCo \$130,000. The amount owed to the affiliate of Commonwealth Energy Systems is shown as "note payable to minority interest holder" in CRA's balance sheets.

On December 15, 1998, CRA acquired assets and assumed specified liabilities of The Tilden Group for an aggregate of \$9.6 million in cash and common stock. CRA acquired accounts receivable, work in process, fixed assets and the goodwill of The Tilden Group, and maintains The Tilden Group's Oakland, California

office staffed by ten former consultants of The Tilden Group. CRA has accounted for this acquisition as a purchase transaction and will amortize the goodwill acquired in the transaction over a period of 20 years.

On February 25, 1999, CRA acquired assets and assumed specified liabilities of Financial Economic Consulting, or FinEcon, for an aggregate of \$3.2 million in cash and common stock. CRA acquired accounts receivable, work in process, fixed assets and the goodwill of FinEcon, and maintains FinEcon's Los Angeles, California office staffed by ten former FinEcon consultants. CRA has accounted for this acquisition as a purchase transaction and will amortize the goodwill acquired in the transaction over a period of 20 years.

From fiscal 1988 until April 1998, CRA was taxed as an S corporation and did not pay federal and some state income taxes.

CRA's fiscal year ends on the last Saturday in November and, accordingly, CRA's fiscal year will periodically contain 53 weeks rather than 52 weeks. For example, fiscal 1996 contained 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, CRA 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 CRA's results of operations are not necessarily meaningful if the quarters being compared have different lengths.

The terms "fiscal 1994," "fiscal 1995," "fiscal 1997," "fiscal 1998" and "fiscal 1999" refer to the 52-week periods ended November 26, 1994, November 25, 1995, November 29, 1997, November 28, 1998 and November 27, 1999, respectively, and the term "fiscal 1996" refers to the 53-week period ended November 30, 1996.

#### RECENT FINANCIAL RESULTS

Revenues for the third quarter ended September 3, 1999 were \$23.5 million. This represents an increase of 42.6% as compared to revenues of \$16.5 million for the third quarter of fiscal 1998. The increase in revenues was due primarily to an increase in the number of employee consultants, an increase in consulting services for new and existing clients during the period and, to a lesser extent, increased billing rates of CRA's consultants. Income from operations for the third quarter of fiscal 1999 was \$4.5 million as compared to income from operations for the third quarter of fiscal 1998 of \$2.8 million. Net income for the third quarter of fiscal 1999 was \$2.8 million, or \$0.33 per share on a basic basis and \$0.32 per share on a diluted basis. By comparison, net income for the third quarter of fiscal 1998 was \$2.0 million, or \$0.24 per share on a basic and diluted basis. CRA's third quarter consists of 16 weeks; its other three quarters consist of 12 weeks each.

Information with respect to the third quarter of fiscal 1999 is based upon CRA's preliminary and unaudited financial statements, which remain subject to change. The results of operations for the third quarter of fiscal 1999 or any other quarter are not necessarily indicative of the results to be expected for any future period.

## RESULTS OF OPERATIONS

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

	FISCAL YEAR ENDED			TWENTY-FOUR WEEKS ENDED	
	NOV. 30, 1996	NOV. 29, 1997	NOV. 28, 1998	MAY 15, 1998	MAY 14, 1999
	-----			-----	
	(53 WEEKS)				
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services.....	62.6	63.3	59.8	59.1	58.0
Supplemental compensation.....	3.2	2.8	--	--	--
	-----			-----	
Gross profit.....	34.2	33.9	40.2	40.9	42.0
General and administrative.....	24.2	23.5	22.5	23.5	23.1
	-----			-----	
Income from operations.....	10.0	10.4	17.7	17.4	18.9
Interest income, net.....	0.3	0.7	1.8	1.0	1.5
	-----			-----	
Income before provision for income taxes and minority interest.....	10.3	11.1	19.5	18.4	20.4
Provision for income taxes.....	(0.7)	(0.7)	(8.1)	(7.8)	(8.3)
	-----			-----	
Income before minority interest.....	9.6	10.4	11.4	10.6	12.1
Minority interest.....	--	0.6	0.6	0.6	0.1
	-----			-----	
Net income.....	9.6%	11.0%	12.0%	11.2%	12.2%
	=====			=====	

TWENTY-FOUR WEEKS ENDED MAY 14, 1999 COMPARED TO TWENTY-FOUR WEEKS ENDED MAY 15, 1998

**Revenues.** Revenues increased by \$8.5 million, or 37.3%, from \$22.7 million for the twenty-four weeks ended May 15, 1998 to \$31.2 million for the twenty-four weeks ended May 14, 1999. The increase in revenues was due primarily to an increase in the number of employee consultants, an increase in consulting services performed for new and existing clients during the period and, to a lesser extent, increased billing rates of CRA's consultants. The acquisition of personnel from The Tilden Group and, to a lesser extent, FinEcon, also contributed to CRA's increase in revenue during the second quarter of fiscal 1999. CRA experienced revenue increases during the twenty-four weeks ended May 14, 1999 in its legal and regulatory consulting services, specifically in its newly formed practice in international trade, as well as in its finance and environment practice areas.

**Costs of Services.** Costs of services increased by \$4.7 million, or 34.9%, from \$13.4 million in the twenty-four weeks ended May 15, 1998 to \$18.1 million in the twenty-four weeks ended May 14, 1999. As a percentage of revenues, costs of services decreased slightly from 59.1% in the twenty-four weeks ended May 15, 1998 to 58.0% in the twenty-four weeks ended May 14, 1999. The decrease as a percentage of revenues was due primarily to a relative decrease in bonuses paid to employee consultants who source business to CRA. Also, CRA's consulting staff did not increase at as fast a rate as the rate of increase of revenues in the twenty-four weeks ended May 14, 1999.

**General and Administrative.** General and administrative expenses increased by \$1.9 million, or 34.6%, from \$5.3 million in the twenty-four weeks ended May 15, 1998 to \$7.2 million in the twenty-four weeks ended May 14, 1999. As a percentage of revenues, general and administrative expenses decreased from 23.5% in the twenty-four weeks ended May 15, 1998 to 23.1% in the twenty-four weeks ended May 14, 1999. The dollar increase in general and administrative expenses resulted from bonus payments to outside experts, increased rents due to internal growth and amortization costs related to acquired businesses. The number of outside experts has increased as a result of acquisitions.

**Interest Income, Net.** Net interest income increased from \$226,000 in the twenty-four weeks ended May 15, 1998 to \$463,000 in the twenty-four weeks ended May 14, 1999. This increase resulted primarily

from interest earned on the proceeds of CRA's initial public offering. This increase was offset slightly by interest payments made as part of the acquisition of The Tilden Group.

**Provision for Income Taxes.** Provision for income taxes increased from \$1.8 million in the twenty-four weeks ended May 15, 1998 to \$2.6 million in the twenty-four weeks ended May 14, 1999. The provision for the twenty-four weeks ended May 15, 1998 consists of \$364,000, reflecting taxation as an S corporation for 150 days and taxation as a C corporation for 18 days, and \$1.4 million for the change in tax status to a C corporation, while the provision for the first two quarters of fiscal 1999 reflects taxation as a C corporation for the entire period.

**Minority Interest.** In June 1997, CRA established and purchased a controlling interest in NeuCo, which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. Minority interest in the loss of NeuCo decreased from \$133,000 in the twenty-four weeks ended May 15, 1998 to \$33,000 in the twenty-four weeks ended May 14, 1999 due to CRA's inability to allocate continued losses of NeuCo to the minority interest holders as their minority interest accounts have been reduced to zero.

#### FISCAL 1998 COMPARED TO FISCAL 1997

**Revenues.** Revenues increased by \$8.2 million, or 18.2%, from \$44.8 million for fiscal 1997 to \$53.0 million for fiscal 1998. The increase in revenues was due primarily to an increase in consulting services performed for new and existing clients during the period and an increase in the number of employee consultants and increased billing rates of CRA's consultants. The number of consultants increased from 121 in fiscal 1997 to 145 in fiscal 1998. CRA experienced revenue increases during fiscal 1998 in both its legal and regulatory consulting services and business consulting services, and in particular generated significant revenue increases in its antitrust and mergers and acquisitions practices.

**Costs of Services.** Costs of services increased by \$3.3 million, or 11.7%, from \$28.4 million in fiscal 1997 to \$31.7 million in fiscal 1998. As a percentage of revenues, costs of services decreased from 63.3% in fiscal 1997 to 59.8% in fiscal 1998. The decrease as a percentage of revenues was due primarily to the fact that CRA's consulting staff costs did not increase as quickly as the rate of increase of revenues. In fiscal 1998 as compared to fiscal 1997, utilization rates for CRA's employee consultants was higher, which positively impacted revenues but had no impact on cost of services. In addition, CRA hired more junior consultants, who typically generate higher margins than senior consultants.

**Supplemental Compensation.** Beginning in fiscal 1998, CRA no longer paid supplemental compensation, and consequently, did not have supplemental compensation in fiscal 1998. Supplemental compensation was \$1.2 million in fiscal 1997.

**General and Administrative.** General and administrative expenses increased by \$1.4 million, or 13.6%, from \$10.5 million in fiscal 1997 to \$11.9 million in fiscal 1998. As a percentage of revenues, general and administrative expenses decreased from 23.5% in fiscal 1997 to 22.6% in fiscal 1998. General and administrative expenses decreased as a percentage of revenues primarily because CRA increased its administrative and labor costs at a slower rate than the rate of increase of its employee consultants. In addition, the dollar increase in general and administrative expenses was offset in part by CRA better utilizing existing space and systems.

**Interest Income, Net.** Net interest income increased from \$302,000 in fiscal 1997 to \$975,000 in fiscal 1998. This increase was due primarily to interest earned on the proceeds of CRA's initial public offering.

**Minority Interest.** In June 1997, CRA established and purchased a controlling interest in NeuCo. Minority interest increased from \$282,000 in fiscal 1997 to \$310,000 in fiscal 1998, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

**Provision for Income Taxes.** The provision for income taxes increased from \$306,000 in fiscal 1997 to \$4.3 million in fiscal 1998. The provision for fiscal 1998 consists of \$2.9 million for current year operations,

reflecting taxation as an S corporation for 150 days and taxation as a C corporation for 214 days, and \$1.4 million for deferred tax resulting from the change in tax status to a C corporation.

#### 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 that period. In fiscal 1997, CRA 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, CRA increased the number of its employee consultants from 112 to 121. The increase in revenues during fiscal 1997 was also due in part to increased billing rates of CRA'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 CRA's employee consultants during fiscal 1997, which resulted in part from consultants of CRA spending time developing new practice areas that are complementary to CRA'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. CRA had paid supplemental compensation of \$1.2 million in each of its previous three fiscal years and discontinued these payments after fiscal 1997.

**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 CRA increased its administrative and support staff at a slower rate than the rate of increase of its employee 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 CRA generating more cash from operations during fiscal 1997, which resulted in CRA 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.

## UNAUDITED QUARTERLY RESULTS

The following table presents unaudited quarterly statements of income information for the ten quarters ended May 14, 1999. The information for the first two quarters of fiscal 1999 includes the results of operations attributable to the acquisition of assets and liabilities of The Tilden Group for the period after December 15, 1998. The information for the second quarter of fiscal 1999 includes the results of operations attributable to the acquisition of assets and liabilities of FinEcon for the period after February 25, 1999. The quarterly information for fiscal 1997 and fiscal 1998 is derived from and is qualified by reference to the audited consolidated financial statements included in this prospectus beginning on page F-1. In the opinion of CRA's management, this information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the 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. Accordingly, quarter-to-quarter comparisons of CRA's results of operations are not necessarily meaningful if the quarters being compared have different lengths. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period. For risks associated with fluctuations in our quarterly revenues and results of operations, see "Risk Factors -- Fluctuations in our quarterly revenues and results of operations could depress the market price of our common stock."

	FISCAL 1997				FISCAL 1998				FISCAL 1999	
	QUARTER ENDED									
	FEB. 21, 1997	MAY 16, 1997	SEPT. 5, 1997	NOV. 29, 1997	FEB. 20, 1998	MAY 15, 1998	SEPT. 4, 1998	NOV. 28, 1998	FEB. 19, 1999	MAY 14, 1999
	(16 WEEKS)				(16 WEEKS)					
	(IN THOUSANDS)									
Revenues.....	\$9,648	\$9,171	\$14,498	\$11,488	\$11,137	\$11,557	\$16,465	\$13,812	\$14,413	\$16,740
Costs of services....	6,106	5,912	9,135	7,221	6,486	6,916	9,983	8,310	8,683	9,399
Supplemental compensation.....	280	280	373	300	--	--	--	--	--	--
Gross profit.....	3,262	2,979	4,990	3,967	4,651	4,641	6,482	5,502	5,730	7,341
General and administrative.....	2,134	2,162	3,361	2,852	2,754	2,585	3,657	2,938	3,086	4,098
Income from operations.....	1,128	817	1,629	1,115	1,897	2,056	2,825	2,564	2,644	3,243
Interest income, net.....	9	84	41	168	46	180	383	366	260	203
Income before provision for income taxes and minority interest.....	1,137	901	1,670	1,283	1,943	2,236	3,208	2,930	2,904	3,446
Provision for income taxes:										
Current year operations.....	76	60	112	58	120	244	1,331	1,151	1,182	1,385
Change in tax status.....	--	--	--	--	--	1,416	--	--	--	--
Income before minority interest.....	1,061	841	1,558	1,225	1,823	576	1,877	1,779	1,722	2,061
Minority interest....	--	--	198	84	52	81	109	68	33	--
Net income.....	\$1,061	\$ 841	\$ 1,756	\$ 1,309	\$ 1,875	\$ 657	\$ 1,986	\$ 1,847	\$ 1,755	\$ 2,061
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

## LIQUIDITY AND CAPITAL RESOURCES

CRA's operating activities provided cash of \$2.2 million in fiscal 1996, \$3.6 million in fiscal 1997 and \$13.7 million in fiscal 1998. In fiscal 1996 and fiscal 1997, cash from operating activities was generated primarily from net income earned for the period, which increased from \$3.6 million in fiscal 1996 to \$5.0 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 CRA in fiscal 1996 and fiscal

1997. In fiscal 1998, cash from operating activities resulted primarily from net income of \$6.4 million and an increase in accounts payable and accrued expenses of \$9.4 million, which reflects normal bonus accruals for fiscal 1998. In the twenty-four weeks ended May 14, 1999, net cash used in operating activities was \$2.4 million, consisting primarily of a decrease in accounts payable and accrued expenses, which reflects bonus payments made to employees as well as increases in unbilled services and accounts receivable.

Cash used in investing activities was \$476,000 in fiscal 1996, \$2.3 million in fiscal 1997, \$1.6 million in fiscal 1998 and \$15.1 million in the twenty-four weeks ended May 14, 1999. The increased use of cash for investing activities in fiscal 1997 as compared to fiscal 1996 resulted primarily from CRA's expansion of its three offices during fiscal 1997. Cash used in investing activities for the twenty-four weeks ended May 14, 1999 consisted of \$9.3 million for the acquisitions of The Tilden Group and FinEcon, \$4.9 million for purchase of short-term investments and \$860,000 for purchases of property and equipment.

CRA's financing activities used cash of \$1.3 million in fiscal 1996 and \$708,000 in fiscal 1997. A principal use of cash for financing activities in those years was payment of dividends, which totaled \$1.5 million in fiscal 1996 and \$1.6 million in fiscal 1997. In fiscal 1997, CRA'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 CRA and the investment in NeuCo by minority interest owners. In fiscal 1998, CRA's financing activities provided cash of \$17.9 million. This consisted primarily of the net proceeds of \$29.5 million from the sale of stock in CRA's initial public offering and the collection of notes receivable from shareholders of \$381,000, offset by the previously accrued 1997 tax distribution of \$1.7 million, a \$2.4 million supplemental dividend paid from the proceeds of the initial public offering, and a final \$8.0 million S corporation distribution paid to CRA's stockholders. In the twenty-four weeks ended May 14, 1999, CRA's financing activities used cash of \$115,000 due primarily to payments made on notes payable to former stockholders.

As of May 14, 1999, CRA had cash and cash equivalents of \$14.4 million and working capital of \$27.5 million.

CRA presently has available a \$2.0 million revolving line of credit with BankBoston Corporation, which is secured by CRA's accounts receivable. This line of credit automatically renews each year on June 30 unless earlier terminated by either CRA or BankBoston. No borrowings were outstanding under this line of credit as of May 14, 1999.

In connection with the acquisition of assets and liabilities of The Tilden Group on December 15, 1998, CRA paid \$7.4 million, the cash portion of the purchase price, from its working capital. In connection with the acquisition of assets and liabilities of FinEcon on February 25, 1999, CRA paid \$1.7 million, the cash portion of the purchase price, from its working capital.

CRA believes that its proceeds from the offering, its existing cash balances and credit available under its bank line of credit will be sufficient to meet its working capital and capital expenditure requirements for the next 12 months and for the foreseeable future thereafter.

To date, inflation has not had a material impact on CRA's financial results. Inflation may adversely affect CRA's future financial results.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of May 14, 1999, CRA was exposed to market risks which primarily include changes in U.S. interest rates.

CRA maintains a portion of its cash and cash equivalents in financial instruments with purchased maturities of one year or less and a portion of its short-term investments in financial instruments with purchased maturities of two years or less. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. Due to the relatively short duration of these financial instruments, an immediate increase in interest rates would not have a material effect upon CRA's financial position.



## YEAR 2000 COMPLIANCE

The following information constitutes a "Year 2000 Readiness Disclosure" under the Year 2000 Information and Readiness Disclosure Act.

Many existing computer systems and software products do not properly recognize dates after December 31, 1999. This "Year 2000" problem could result in system failures or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities. The inability of products, services and systems on which CRA relies to process dates after December 31, 1999 could seriously harm CRA's business.

CRA has conducted tests and sought confirmation from software vendors to determine whether the software it uses is Year 2000 compliant. Based on the results of its investigation, CRA believes that all of its internal software systems are Year 2000 compliant, except for its time-keeping and billing software. CRA is planning to replace its time-keeping and billing software with software that is Year 2000 compliant in the second half of calendar 1999. CRA has purchased replacement time-keeping and billing software that has been represented to be Year 2000 compliant. CRA is currently modifying this software to simplify data entry and to customize reports to conform to CRA's current billing practices. CRA expects to have completed, tested and implemented these modifications by the end of October 1999. CRA believes that, with respect to its internal systems, its reasonably likely worst case scenario is that it will not have completed, tested and implemented these modifications on time. In that event, CRA's contingency plan is to use the time-keeping and billing software without the modifications, which will cause CRA to rely on manual methods for some aspects of data entry and bill preparation. CRA believes these manual methods could cause it to incur significant additional labor expenses, but will not cause significant delays in the preparation and mailing of bills to clients.

CRA estimates that the aggregate incremental costs that it has incurred and will incur in order to comply with Year 2000 requirements will not exceed \$200,000. However, CRA may experience delays in implementing the replacement software, which could disrupt its operations, create delays in billing clients and require CRA to spend significant amounts of money to correct the problem. Moreover, CRA may discover undetected Year 2000 errors or defects in its other internal software systems and, if such errors or defects are discovered, the costs of making such systems Year 2000 compliant could have a material adverse effect on CRA's business, financial condition and results of operations.

CRA relies on third-party vendors that may not be Year 2000 compliant for some equipment and services. To date, CRA has not conducted a Year 2000 review of all of its vendors. In many cases, these vendors have no obligation to provide CRA with information regarding their Year 2000 compliance. Failure of systems maintained by CRA's vendors to operate properly with regard to the Year 2000 and thereafter could require CRA to incur significant unanticipated expenses to remedy any problems or replace affected vendors and could have a material adverse effect on CRA's business, financial condition and results of operations. Except as described above, CRA has not developed a contingency plan to address situations that may arise if we or our vendors are unable to achieve Year 2000 compliance. The cost of developing a contingency plan, if necessary, could be significant.

## BUSINESS

## INTRODUCTION

CRA 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, CRA provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar acquisitions, new product introductions, major capital investment decisions and complex litigation.

CRA 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. Through its business consulting practice, CRA provides services directly to companies seeking assistance with strategic issues that require expertise in economics, finance and business analysis. For example, CRA provides advice on the following issues:

## LEGAL AND REGULATORY CONSULTING

## BUSINESS CONSULTING

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>- - competitive effects of acquisitions</li> <li>- - calculations of damages</li> <li>- - measurement of market share and market concentration</li> <li>- - liability analysis in securities fraud cases</li> <li>- - impact of increased regulation</li> </ul> | <ul style="list-style-type: none"> <li>- establishment of pricing strategies</li> <li>- estimation of market demand</li> <li>- valuation of intellectual property and other assets</li> <li>- assessment of competitors' actions</li> <li>- analysis of new sources of supply</li> </ul> |
|--|--|

CRA combines expertise in advanced economic and financial methods with in-depth knowledge of particular industries, such as chemicals, electric power and other energies, healthcare, materials, media and telecommunications, retail and wholesale distribution, and transportation.

CRA's services are provided by its highly credentialed and experienced staff of employee consultants. As of September 3, 1999, CRA employed 202 full-time professional consultants, including 63 consultants with Ph.D.s and 38 consultants with other advanced degrees. CRA's consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. CRA is extremely selective in its hiring of consultants, recruiting individuals from leading universities, industry and government. Many of CRA'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 over 40 renowned academic and industry experts, whom CRA refers to as outside experts. CRA has exclusive relationships with 13 of these outside experts.

CRA has completed more than 3,200 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 CRA has particular expertise in a number of industries, CRA provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, CRA had over 1,400 engagements for clients that included 63 of the 100 largest U.S. law firms, ranked by The American Lawyer based on 1998 revenues, and 89 Fortune 500 companies, based on 1998 revenues. During that period, CRA'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 CRA's revenues in fiscal 1998.

Since CRA's initial public offering in April 1998, CRA has acquired The Tilden Group and FinEcon. Both companies add well-known economists whose specialties strengthen and expand CRA's consulting capabilities as well as its geographic scope. In addition, CRA opened offices in Toronto, Ontario and Los Angeles, California and has staffed both offices with leading economists and outside experts.

CRA's revenues and income from operations have increased from \$37.4 million and \$3.7 million in fiscal 1996 to \$53.0 million and \$9.3 million in fiscal 1998, respectively, representing compound annual growth rates of 19.1% and 58.1%. CRA's revenues and income from operations have increased from \$22.7 million and \$4.0 million in the first twenty-four weeks of fiscal 1998 to \$31.2 million and \$5.9 million in the first twenty-four weeks of fiscal 1999, representing period-to-period increases of 37.3% and 48.9%.

#### INDUSTRY OVERVIEW

Businesses are operating in an increasingly complex environment. 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. The Internet is changing traditional distribution channels, thereby eliminating barriers to entry in many industries, and spurring new competition. At the same time, markets are becoming increasingly global, offering companies the opportunity to expand their presence throughout the world and exposing them to increased competition and the uncertainties of foreign operations. Many industries are rapidly consolidating as companies pursue 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 must constantly gather, analyze and use 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 modify their regulatory strategies. For example, 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, corporate litigation has also become more complicated, protracted, expensive and important to the parties involved.

As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models 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 in complex and high-stakes litigation. As the need for complex economic and financial analysis becomes more widespread, CRA believes that companies and governments are increasingly turning to outside consultants for access to the specialized expertise, experience and prestige that are not available to them internally.

#### COMPETITIVE STRENGTHS

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

**Strong Reputation for High Quality Consulting.** For over 30 years, CRA 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, CRA believes that it has established a strong reputation among leading law firm and business clients as a preferred source of expertise in economics, finance, business and strategy consulting, as evidenced by CRA's high level of repeat business and significant referrals from existing clients. In fiscal 1998, approximately 90% of CRA's revenues resulted from ongoing engagements

and new engagements for existing clients. In addition, CRA 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.

**Highly Educated, Experienced and Versatile Consulting Staff.** CRA believes that its most important asset is its base of full-time employee consultants, particularly its senior consultants. Of CRA's 202 consultants as of September 3, 1999, 102 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 CRA's consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to CRA's ability to apply its resources as needed to meet the demands of its clients. As a result, CRA seeks to hire consultants who not only have strong analytical skills, but who are also creative, intellectually curious and driven to develop expertise in new practice areas and industries.

**Strong Corporate Culture.** CRA believes its success has resulted in part from its strong corporate culture. CRA believes that consultants are attracted to CRA because of its more than 30-year history, its strong reputation, the credentials, experience and reputation of its employee consultants, the opportunity to work on a diverse array of matters, the opportunity to work with a broad group of renowned outside experts, and CRA's collegial atmosphere. CRA believes that its attractiveness as an employer is reflected in its relatively low turnover rate among employees. CRA also believes that these factors make CRA attractive to potential acquisition targets.

**Industry Expertise.** By maintaining expertise in certain industries, CRA is able to offer clients creative and pragmatic advice tailored to their specific markets. This industry 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 and telecommunications, retail and wholesale distribution, and transportation, differentiates CRA 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 CRA to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in other disciplines. CRA emphasizes its diverse capabilities to clients and regularly cross-markets across its service areas. For example, it is not unusual for a client that CRA assists in a litigation matter to later retain CRA for a business consulting matter.

**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, CRA uses outside experts for their specialized expertise, assistance in conceptual problem-solving and expert witness testimony. CRA works regularly with renowned professors at Georgetown University, Harvard University, the Massachusetts Institute of Technology, Northwestern University, Stanford University, the University of California at Berkeley, the University of California at Los Angeles, the University of Toronto, the University of Virginia and other leading universities. Outside experts also generate business for CRA and provide CRA access to other leading academic and industry experts. By establishing affiliations with prestigious outside experts, CRA further enhances its reputation as a leading source of sophisticated economic and financial analysis. Since its initial public offering, CRA has increased the number of its exclusive relationships with outside experts from four to thirteen.

## 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 as Employees.** Since CRA's employee consultants are its most important asset, CRA's ability to attract and retain highly credentialed and experienced consultants both to work on engagements and to generate new business is crucial to its success. In order to attract highly qualified consultants, CRA offers competitive compensation and benefits and has developed a career enhancement program that offers consultants career enrichment opportunities and access to individualized training. CRA grants stock options to selected employees as part of its effort to attract and retain consultants, and offers employees the opportunity to purchase stock in CRA through an employee stock purchase plan.

**Increase Marketing Activities.** Although CRA has historically relied primarily on its reputation and client referrals for new business, it has begun to expand its marketing activities in order to attract new clients and increase the overall exposure of its employee consultants. For example, CRA has increased its presence at selected conferences, seminars and public speaking engagements to generate additional client referrals and leads for new clients. CRA has also increased circulation of its publications to clients, which highlight emerging trends and noteworthy CRA engagements, and has encouraged its consultants to publish articles more frequently in the trade press and academic journals. CRA intends to continue to pursue these and other opportunities to expand its marketing activities.

**Expand Services.** While CRA 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, CRA recently significantly expanded its legal and regulatory consulting services in international trade, particularly with respect to antidumping, countervailing duty investigations and other international trade disputes. Similarly, CRA believes that it can expand into other related areas of business with its existing employee consultants, most of whom have experience in a wide variety of fields. To encourage the development of new ideas and expertise, CRA fosters an environment that rewards creativity and innovation.

**Establish Relationships with Additional Outside Experts.** CRA intends to continue to establish relationships with additional leading academic and industry experts. Since its initial public offering, CRA has established exclusive relationships with nine additional outside experts. In addition to helping CRA serve its clients better, outside experts often provide CRA with new sources of business and expand CRA's network of academic affiliations. Moreover, CRA believes that affiliations with additional, prestigious outside experts will further enhance its reputation and aid in recruiting consultants. CRA may grant stock options to attract additional outside experts.

**Pursue Strategic Acquisitions and Alliances.** CRA intends to continue 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. For example, CRA acquired The Tilden Group in December 1998 and FinEcon in February 1999. CRA believes the acquisition of complementary businesses and the establishment of strategic alliances will provide it with additional employee consultants, new service offerings, additional industry expertise, a broader client base or offices in new geographic locations.

There can be no assurance that CRA will be successful in any of the elements of its growth strategy.

## SERVICES

CRA offers services in two broad areas: legal and regulatory consulting and business consulting. In its legal and regulatory consulting practice, CRA 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 CRA 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 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, CRA applies advanced analytic techniques in economics and finance to complex engagements for a diverse group of clients.

In its 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. CRA applies a highly analytical, quantitative approach to help companies analyze and respond to market forces and competitive pressures that affect their businesses. CRA 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 industries, CRA 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.

Engagements in CRA's two service areas often involve similar areas of expertise and address related issues, and it is common for CRA's employee consultants to work on engagements in both service areas. CRA estimates that it derived approximately 70% of its revenues in fiscal 1998 from legal and regulatory consulting and approximately 30% from business consulting.

CRA offers its clients a wide range of legal, regulatory and business consulting services, including the following:

#### LEGAL AND REGULATORY CONSULTING

##### AREA OF EXPERTISE -----

##### DESCRIPTION OF SERVICES -----

Antitrust.....	Expert testimony and analysis to support law firms involved in antitrust litigation. Areas of expertise include collusion, price signaling, monopolization, tying, exclusionary conduct, resale price maintenance, predatory pricing and price discrimination.
Mergers and Acquisitions.....	Economic analysis to assist clients in obtaining domestic and foreign regulatory approvals, including in proceedings before the Federal Trade Commission and the Department of Justice. Analysis includes simulating the effects of mergers on prices, estimating demand elasticities, designing and administering customer and consumer surveys, and studying possible acquisition-related synergies.
Finance.....	Valuations of businesses, products, intellectual property, contracts and securities. Expert testimony on valuation theory. Risk assessment for derivative securities. Computations of damages and liability analysis in securities fraud cases.
Intellectual Property.....	Consulting and expert testimony in patent, trademark, copyright, trade secret and unfair competition disputes. Services include valuing property rights and estimating lost profits, reasonable royalties, unjust enrichment and prejudgment interest.
Transfer Pricing.....	Advising clients with foreign operations regarding the establishment of transfer prices to improve tax position. Analysis includes assessment of functions and risks, valuation of intangible assets, and analysis of variations in tax laws. Expert testimony for clients involved in domestic and foreign lawsuits relating to transfer pricing.

## LEGAL AND REGULATORY CONSULTING (CONTINUED)

AREA OF EXPERTISE  
-----DESCRIPTION OF SERVICES  
-----

Environment.....	Expert testimony and consulting for environmental disputes in litigation proceedings and before government agencies. Services include determining responsibility for cleanups, estimating damages for spills, disposals and other environmental injuries, performing regulatory cost-benefit analysis, and developing innovative compliance techniques, such as emissions trading.
International Trade.....	Expert testimony and consulting in international trade disputes. Expertise includes antidumping, countervailing duty examinations and other disputes involving a wide range of industries and numerous countries.
Damages.....	Calculation of damages and critiquing opposing estimates of damages in complex commercial litigation. Analysis of specific economic attributes, such as price and sales volume, using expertise in applied microeconomics and econometrics.

## BUSINESS CONSULTING

AREA OF EXPERTISE  
-----DESCRIPTION OF SERVICES  
-----

Business Strategy.....	Advising clients on investment opportunities, cost-reduction programs, turnaround strategies, risk management, capital investments, diligence investigations, valuations and pricing strategies. Assessment of the strategic and financial fit of acquisition candidates. Analysis includes assessment of competitive advantages, efficiencies and antitrust implications of acquisitions.
Market Analysis.....	Advising clients on product introductions, positioning, pricing strategies, competitive threats and probable market reactions to proposed actions. Analysis includes identifying and understanding market trends, measuring market size, estimating supply and demand balances, analyzing procurement strategies and evaluating the impact of government regulations.
Technology Management.....	Assisting clients in managing industrial technologies from assessment through implementation, including analysis of the development process for products and services. Assessing the commercialization of new technologies by quantifying the costs and benefits of obtaining and implementing new technology. Conducting competitive analyses through statistical comparisons of key factors such as raw materials costs and productivity.

NeuCo. NeuCo, CRA's majority-owned subsidiary, develops and markets 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 maximize the use of their power plants by improving heat rate, reducing emissions, overcoming operating constraints and increasing output capability.

## INDUSTRY EXPERTISE

CRA believes its ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries is one of its key competitive strengths. By maintaining expertise in certain industries, CRA provides clients practical advice that is tailored to their specific markets. This industry

expertise, which CRA developed over decades of providing sophisticated consulting services to a diverse group of clients in many industries, differentiates CRA 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 CRA provides services to clients in a wide variety of industries, it has particular expertise in the following industries:

- Chemicals
- Electric Power and Other Energies
- Healthcare
- Materials
- Media and Telecommunications
- Retail and Wholesale Distribution
- Transportation

#### CLIENT ENGAGEMENTS

The following are examples of CRA's engagements:

##### Legal and Regulatory Consulting

CRA assisted Sprint in evaluating the economic impact of the proposed merger of WorldCom and MCI on the core backbone market, which is the group of providers that are instrumental in ensuring the connectivity upon which other Internet service providers, or ISPs, and ultimately all Internet users, depend. The WorldCom-MCI merger could increase the amount of Internet traffic attributable to the combined network and thereby increase the risk that the merged entity would either discontinue or degrade the quality of interconnection services available to competing core backbone providers, including Sprint. CRA applied sophisticated analytical techniques to issues of network externalities, market concentration and competition. For competitive reasons, the US Department of Justice and the European Commission conditioned approval of the merger on divestiture of either the WorldCom or MCI backbone. To satisfy this condition, MCI sold InternetMCI, including MCI's retail business, to Cable & Wireless.

CRA assisted attorneys representing the three subscription digital audio services that offer direct satellite broadcasts -- Digital Cable Radio (or Music Choice), Digital Music Express, and DiSH CD -- in proceedings before the Copyright Arbitration Royalty Panel, or CARP, to determine licensing royalty rates for the public performance of digital sound recordings under the Digital Performance Right in Sound Recordings Act of 1995. CRA presented analysis and testimony challenging the reasonableness of evidence of economic behavior presented by the Recording Industry Association of America to support a high royalty rate. CRA believes its analysis and testimony persuaded the CARP, and ultimately the Register of Copyrights on review of the CARP proceeding, to approve rates much lower than those proposed by the RIAA.

##### Business Consulting

CRA assisted an international mining company in developing a strategy to enhance shareholder value in prevailing market conditions. CRA was retained to work closely with top management to assess the company's production capabilities, competitive positioning and marketing capabilities, and then to recommend specific actions for cost savings and for growth investments. CRA helped management choose key strategic options and develop a strategy, and then presented the recommendations to the company's board. As a direct result of CRA's industry expertise and market knowledge, the company has embarked on an ambitious implementation schedule and already begun to realize some benefits.

CRA assisted a global producer of commodity surfactants in positioning itself along the chain from feedstock through specialty surfactants. The client faced two decisions: whether it should invest in broadening its position into potentially higher-value specialty products, and whether it was sufficiently positioned in



feedstocks to be a long-term leader. Drawing on its deep knowledge of chemicals processes and markets, CRA examined the scale required to be a viable player, the scope of the product portfolio, the technology requirements and the value of integration. CRA recommended a major effort to improve positioning in upstream integration as the first stage of the strategy. As a second stage, the client developed an investment program in specialty surfactants, focusing on key functions and markets where it could generate value. Today, the client is well positioned across a range of highly valued specialty product areas.

#### HUMAN RESOURCES

On September 3, 1999, CRA had 202 full-time employee consultants, consisting of 37 officers, 65 other senior consultants (either principals or senior associates) and 100 junior consultants (either associates or analysts), and had over 70 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 CRA. Senior associates and associates typically serve as project managers and handle complex research assignments. Analysts gather and analyze data sets and complete statistical programming and library research.

CRA derives most of its revenues directly from the services provided by its full-time employee consultants. CRA'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 CRA's total senior consulting staff of 102 as of September 3, 1999, 56 have Ph.D.s in economics, 7 have Ph.D.s in other disciplines and 28 have other advanced degrees. CRA believes that its financial results, reputation and growth are directly related to the number and quality of its consultants.

CRA is highly selective in its hiring of employee consultants, recruiting primarily from leading universities, industry and government. CRA believes that consultants choose to work at 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 CRA's collegial atmosphere. CRA believes that its attractiveness as an employer is reflected in its relatively low turnover rate among employees. In 1998, CRA restructured its recruiting operations to decentralize hiring and implement a team hiring approach. CRA has designated two or more recruiting teams at each of its principal offices and given each team responsibility for identifying, interviewing and hiring qualified candidates. Teams have specific hiring goals for fiscal 2000. CRA has also expanded the group of leading universities and degree programs from which it selects candidates.

CRA's training and career development program for its employee 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. CRA also encourages its consultants to pursue their academic interests by writing articles for economic and other journals.

Each of CRA's senior employee consultants has signed a non-solicitation agreement which generally prohibits the employee from soliciting CRA's clients for a period of six months following termination of the person's employment with CRA and from soliciting CRA's employees for a period of two years after termination of the person's employment. In order to align each officer's interest with the overall interests and profitability of CRA, CRA has adopted a policy requiring each of its officers to have an equity interest in CRA. All of CRA's senior consultants who were stockholders of CRA before its initial public offering are parties to a stock restriction agreement that prohibits them from selling or otherwise transferring shares of

common stock held immediately before the initial public offering except under certain circumstances. For more information on this agreement, see "Principal and Selling Stockholders -- Stock Restriction Agreement."

In addition, CRA works closely with a select group of approximately 40 outside experts from leading universities and industry, who supplement the work of CRA's employee consultants and generate business for CRA. In fiscal 1998, six of CRA's outside experts generated engagements that accounted for approximately 19% of CRA's revenues. CRA believes that outside experts choose to work with CRA 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. Thirteen outside experts have entered into agreements with CRA that restrict their right to compete with CRA.

#### MARKETING

CRA relies to a significant extent on the efforts of its employee consultants, particularly its officers and principals, to market CRA's services. CRA encourages its consultants to generate new business from both existing and new clients, and rewards its consultants with increased compensation and promotions for obtaining new business. In pursuing new business, CRA'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 CRA'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. On occasion, consultants work with one or more outside experts to market CRA's services.

CRA supplements the personal marketing efforts of its employee consultants with firm-wide initiatives. Historically, CRA relied primarily on its reputation and client referrals for new business. Since 1995, CRA has increased its marketing activities. CRA regularly organizes seminars for existing and potential clients featuring panel members that include CRA's consultants, outside experts and leading government officials. CRA has an extensive set of brochures organized around CRA's service areas, which outline CRA's experience and capabilities. In 1998, CRA increased the frequency with which it 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, CRA 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, CRA derives much of its new business from referrals by existing clients. CRA 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, CRA 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 CRA that it conduct business ethically and in accordance with industry standards and CRA's own rigorous professional standards. CRA carefully considers the pursuit of each specific market, client and engagement. Before CRA accepts a new client or engagement, CRA determines whether a conflict of interests exists by circulating a client development report among its officers and by checking its internal client database.

#### COMPETITION

The market for economic and business consulting services is intensely competitive, highly fragmented and subject to rapid change. In general, there are few barriers to entry into CRA's markets, and CRA expects to face additional competition from new entrants into the economic and business consulting industries. In the legal and regulatory consulting market, CRA competes primarily with other economic consulting firms and individual academics. CRA believes that the principal competitive factors in this market are reputation, analytical ability, industry expertise and service. In the business consulting market, CRA 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. CRA believes that the principal competitive factors in this market are reputation, industry expertise, analytical ability, service and price. Many of CRA's competitors have national and international reputations as well as significantly greater personnel, financial, managerial, technical and marketing resources than CRA. Some of CRA's competitors also have a significantly broader geographic presence than CRA. CRA may be unable to compete successfully with its existing competitors or with any new competitors.

#### FACILITIES

In the aggregate, CRA leases approximately 90,000 square feet of office space in the following offices: CRA's headquarters in Boston, Massachusetts; two offices in Los Angeles, California; and one office in each of Oakland, California; Palo Alto, California; Toronto, Ontario; and Washington, D.C. All of CRA's offices are electronically linked together and have access to CRA's core consulting tools. CRA believes that its existing facilities are adequate to meet its current requirements and that suitable space will be available as needed.

#### LEGAL PROCEEDINGS

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

## MANAGEMENT

## EXECUTIVE OFFICERS AND DIRECTORS

CRA's executive officers and directors are as follows:

NAME - - - - -	AGE ---	POSITION -----
Franklin M. Fisher (1)(2).....	64	Chairman of the Board
Rowland T. Moriarty (1)(2).....	52	Vice Chairman of the Board
James C. Burrows.....	55	President, Chief Executive Officer and Director
Laurel E. Morrison.....	48	Chief Financial Officer, Vice President, Finance and Administration, and Treasurer
William B. Burnett (2).....	50	Vice President and Director
Firoze E. Katrak (3).....	48	Vice President and Director
Carl Kaysen (1)(3).....	79	Director
Garth Saloner (2)(3).....	44	Director
Steven C. Salop.....	52	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 CRA 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. He received his Ph.D. in economics from Harvard University in 1960.

Rowland T. Moriarty has served as a director of CRA since 1986 and as Vice Chairman of the board of directors since December 1992. Dr. Moriarty is also Chairman of the board of managers and a member 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 Trammell Crow Corporation.

James C. Burrows joined CRA in 1967 and has served as its President and Chief Executive Officer since March 1995 and as a director since April 1993. Dr. Burrows has also served as a manager of NeuCo since June 1997. Since December 1992, Dr. Burrows has directed CRA's legal and regulatory consulting practice. From 1971 to March 1995, Dr. Burrows served as a Vice President of CRA and from June 1987 to December 1992 also directed CRA'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 CRA since December 1996 and as a manager of NeuCo since January 1999. Ms. Morrison served as Controller of CRA 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.

William B. Burnett joined CRA 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. Before joining Glassman-Oliver, Mr. Burnett served in the Bureau of Economics at the Federal Trade Commission from 1976 to 1982. Mr. Burnett received his M.A. in economics from Cornell University in 1975.

Firoze E. Katrak has served as Vice President of CRA since 1986 and as a director of CRA since April 1993. Since June 1987, he has served as head of CRA'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 CRA since that time.

Carl Kaysen has served as a director of CRA 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.

Garth Saloner has served as a director of CRA since December 1998. Dr. Saloner has served as Robert A. Magowan Professor of Strategic Management and Economics at the Graduate School of Business at Stanford University since September 1992. He also served as Associate Dean for Academic Affairs and Director of Research and Curriculum Development at the Stanford business school from July 1993 to August 1996. Before joining the faculty at Stanford in 1990, Dr. Saloner taught at the Massachusetts Institute of Technology and the Sloan School of Management at MIT. Dr. Saloner received his Ph.D. in economics, business and public policy from Stanford University. He also earned an M.B.A. from the University of the Witwatersrand. Dr. Saloner is a director of Brilliant Digital Entertainment, Inc. and QRS Corporation.

Steven C. Salop has served as a director of CRA since September 1998. Dr. Salop has been Professor of Economics and Law at the Georgetown University Law Center since August 1982. Dr. Salop previously served on the board of directors from June 1993 to April 1998. Dr. Salop received his Ph.D. in economics from Yale University in 1972.

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. Mr. Burnett, Dr. Moriarty and Dr. Salop serve as Class I directors; their terms of office expire in 2002. Drs. Katrak, Kaysen and Saloner 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 CRA are elected by and serve at the discretion of the board of directors.

The board of directors has a compensation committee, an audit committee and a governance committee. The compensation committee provides recommendations to the board of directors concerning salaries and incentive compensation for employees of and consultants to CRA. The audit committee reviews the scope and results of the audit and other services provided by CRA's independent auditors. The governance committee nominates persons to serve as directors of CRA.

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

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of CRA's common stock as of September 20, 1999 and as adjusted to reflect the sale by CRA and the selling stockholders of the shares of common stock offered by this prospectus by:

- each person known by CRA to be the beneficial owner of more than five percent of the common stock;
- each of CRA's directors;
- each of CRA's executive officers;
- all directors and executive officers of CRA as a group; and
- each selling stockholder.

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. The total number of shares of common stock outstanding as of September 20, 1999 was 8,468,544. The number of shares of common stock deemed outstanding after the offering includes the additional 200,000 shares that CRA is offering.

NAME	SHARES BENEFICIALLY OWNED BEFORE OFFERING		NUMBER OF SHARES TO BE OFFERED	SHARES TO BE BENEFICIALLY OWNED AFTER OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
<b>5% STOCKHOLDERS, DIRECTORS AND EXECUTIVE OFFICERS:</b>					
James C. Burrows (1)	624,603	7.4%	140,206	484,397	5.6%
Steven C. Salop (2)	533,000	6.3	196,428	336,572	3.9
Franklin M. Fisher (3)	386,247	4.6	90,167	296,080	3.4
Rowland T. Moriarty (4)	374,720	4.4	133,372	241,348	2.8
William B. Burnett (5)	274,489	3.2	91,483	183,006	2.1
Firoze E. Katrak (6)	267,602	3.2	90,339	177,263	2.0
Carl Kaysen (7)	63,714	*	19,821	43,893	*
Laurel E. Morrison (8)	29,000	*	11,041	17,959	*
Garth Saloner (9)	--	--	--	--	--
All directors and executive officers as a group (9 persons) (10)	2,553,375	30.1	772,857	1,780,518	20.5
<b>OTHER SELLING STOCKHOLDERS (11):</b>					
Richard S. Ruback (12)	280,800	3.3	101,294	179,506	2.1
Jagdish C. Agarwal	180,659	2.1	60,988	119,671	1.4
Thomas R. Overstreet	180,659	2.1	60,988	119,671	1.4
Alan R. Willens (13)	163,450	1.9	55,178	108,272	1.2
Stanley M. Besen (14)	158,075	1.9	53,363	104,712	1.2
Michael A. Kemp	158,075	1.9	21,775	136,300	1.6
Bridger M. Mitchell	158,075	1.9	45,000	113,075	1.3
Deloris R. Wright	158,075	1.9	53,363	104,712	1.2
Kenneth L. Grinnell as Trustee of The James C. Burrows Qualified Annuity Trust -- 1998	130,000	1.5	55,206	74,794	*
Carl Shapiro (15)	106,779	1.3	31,793	74,986	*
George C. Eads (16)	105,378	1.2	35,067	70,311	*
Daniel Brand	103,878	1.2	35,067	68,811	*
Steven R. Brenner	103,878	1.2	35,067	68,811	*
W. David Montgomery	103,878	1.2	35,067	68,811	*
Gary L. Roberts	103,878	1.2	35,067	68,811	*
Louis L. Wilde	103,878	1.2	35,067	68,811	*
Jenny Fitz Moriarty as Trustee of The Rowland T. Moriarty Qualified Annuity Trust 1998 (17)	99,574	1.2	40,250	59,324	*

NAME	SHARES BENEFICIALLY OWNED BEFORE OFFERING		NUMBER OF SHARES TO BE OFFERED	SHARES TO BE BENEFICIALLY OWNED AFTER OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Judith R. Gelman as Trustee of The Salop Irrevocable GST -- Exempt Trust 1998 (18).....	93,600	1.1	38,048	55,552	*
Judith R. Gelman as Trustee of The Salop Irrevocable GST -- Taxable Trust 1998 (18).....	93,600	1.1	38,048	55,552	*
C. Christopher Maxwell (19).....	92,829	1.1	30,494	62,335	*
Stephen H. Kalos.....	90,329	1.1	15,000	75,329	*
Arnold J. Lowenstein.....	90,329	1.1	30,494	59,835	*
Robert M. Spann.....	90,329	1.1	30,494	59,835	*
John R. Woodbury.....	90,329	1.1	30,494	59,835	*
Monica G. Noether.....	85,813	1.0	17,500	68,313	*
Robert J. Larner and Anne M. Larner (20)....	79,158	*	26,300	52,858	*
Joel E. Greenwood.....	76,960	*	18,000	58,960	*
William R. Hughes (21).....	67,747	*	22,870	44,877	*
Abigail S. Fisher (22).....	60,476	*	24,057	36,419	*
Gregory K. Bell (23).....	60,206	*	19,059	41,147	*
Naomi L. Zikmund-Fisher (24).....	58,676	*	22,257	36,419	*
Abraham S. Fisher (25).....	58,316	*	21,897	36,419	*
Marlene Besen as Trustee of The Besen Family Trust (26).....	52,000	*	20,685	31,315	*
Elaine M. Ruback as Trustee of The Ruback Children's Family Trust (27).....	52,000	*	21,019	30,981	*
Paul R. Milgrom.....	46,800	*	12,500	34,300	*
Mary F. Hughes as Trustee of The William R. Hughes Irrevocable Trust 1998 (28).....	41,600	*	16,548	25,052	*
Douglas R. Bohi.....	22,582	*	7,623	14,959	*
The Boston Foundation, Inc.....	2,160	*	2,160	--	--
The HLA Registry Foundation, Inc.....	1,800	*	1,800	--	--

\* Less than one percent.

(1) Includes 4,347 shares subject to options exercisable within 60 days of September 20, 1999 and 130,000 shares held by Kenneth L. Grinnell as Trustee of The James C. Burrows Qualified Annuity Trust -- 1998, a trust for the benefit of Dr. Burrows and members of his immediate family. Shares to be sold by Dr. Burrows include 55,206 shares to be sold by Mr. Grinnell in his capacity as trustee. Dr. Burrows is President, Chief Executive Officer and a director of CRA and a manager of NeuCo. The address for Dr. Burrows is in care of CRA, 200 Clarendon Street, Boston, Massachusetts 02116.

(2) Includes 187,200 shares held by Judith R. Gelman, Dr. Salop's wife, as trustee of each of The Salop Irrevocable GST -- Exempt Trust 1998 and The Salop Irrevocable GST -- Taxable Trust 1998, two trusts for the benefit of members of Dr. Salop's immediate family. Shares to be sold by Dr. Salop include 76,096 shares to be sold by Ms. Gelman in her capacity as trustee. Dr. Salop is a director of CRA. The address for Dr. Salop is in care of CRA, Suite 700, 600 13th Street, N.W., Washington, D.C. 20005.

(3) Dr. Fisher is Chairman of the board of directors of CRA.

(4) Includes 5,000 shares subject to options exercisable within 60 days of September 20, 1999 and 99,574 shares held by Jenny Fitz Moriarty, Dr. Moriarty's wife, as Trustee of The Rowland T. Moriarty Qualified Annuity Trust 1998, a trust for the benefit of Dr. Moriarty and members of his immediate family. Shares to be sold by Dr. Moriarty include 40,250 shares to be sold by Mrs. Moriarty in her capacity as trustee. Dr. Moriarty is Vice Chairman of the board of directors of CRA and Chairman of the board of managers and a member of NeuCo.

(5) Includes 3,500 shares subject to options exercisable within 60 days of September 20, 1999. Mr. Burnett is a Vice President and director of CRA.

(6) Dr. Katrak is a Vice President and director of CRA.

- (7) Includes 5,000 shares subject to options exercisable within 60 days of September 20, 1999. Dr. Kaysen is a director of CRA.
- (8) Includes 3,000 shares subject to options exercisable within 60 days of September 20, 1999. Ms. Morrison is Chief Financial Officer, Vice President, Finance and Administration, and Treasurer of CRA and a manager of NeuCo.
- (9) Dr. Saloner is a director of CRA.
- (10) See notes 1 through 9.
- (11) Each other selling stockholder is either an employee of CRA, an outside expert for CRA or a spouse of an employee or outside expert, except for the following persons: Alan R. Willens, Kenneth L. Grinnell, Abigail S. Fisher, Naomi L. Zikmund-Fisher, Abraham S. Fisher, The Boston Foundation, Inc. and The HLA Registry Foundation, Inc.
- (12) Includes 52,000 shares held by Elaine M. Ruback, Dr. Ruback's wife, as trustee of The Ruback Children's Family Trust, a trust for the benefit of members of Dr. Ruback's immediate family. Shares to be sold by Dr. Ruback include 21,019 shares to be sold by Mrs. Ruback in her capacity as trustee.
- (13) Dr. Willens is a former director of CRA.
- (14) Includes 52,000 shares held by Marlene Besen, Dr. Besen's wife, as trustee of The Besen Family Trust, a trust for the benefit of members of Dr. Besen's immediate family. Shares to be sold by Dr. Besen include 20,685 shares to be sold by Mrs. Besen in her capacity as trustee.
- (15) Includes 11,400 shares subject to options exercisable within 60 days of September 20, 1999.
- (16) Includes 1,500 shares subject to options exercisable within 60 days of September 20, 1999.
- (17) Does not include shares held by Dr. Moriarty, Mrs. Moriarty's husband. See note 4.
- (18) Does not include shares held by Dr. Salop, Ms. Gelman's husband. See note 2.
- (19) Includes 2,500 shares subject to options exercisable within 60 days of September 20, 1999.
- (20) Includes 1,250 shares subject to options exercisable within 60 days of September 20, 1999.
- (21) Includes 41,600 shares held by Mary F. Hughes, Dr. Hughes' wife, as trustee of The William R. Hughes Irrevocable Trust 1998, a trust for the benefit of members of Dr. Hughes' immediate family. Shares to be sold by Dr. Hughes include 16,548 shares to be sold by Mrs. Hughes in her capacity as trustee.
- (22) Includes 18,148 shares held by Ms. Fisher as trustee of The Abigail S. Fisher GST Trust. Shares to be sold by Ms. Fisher include 7,219 shares to be sold in her capacity as trustee.
- (23) Includes 3,750 shares subject to options exercisable within 60 days of September 20, 1999.



- (24) Includes 18,148 shares held by Ms. Zikmund-Fisher as trustee of The Naomi L. Fisher GST Trust. Shares to be sold by Ms. Zikmund-Fisher include 7,219 shares to be sold in her capacity as trustee.
- (25) Includes 18,148 shares held by Mr. Fisher as trustee of The Abraham S. Fisher GST Trust. Shares to be sold by Mr. Fisher include 7,219 shares to be sold in his capacity as trustee.
- (26) Does not include shares held by Dr. Besen, Mrs. Besen's husband. See note 14.
- (27) Does not include shares held by Dr. Ruback, Mrs. Ruback's husband. See note 12.
- (28) Does not include shares held by Dr. Hughes, Mrs. Hughes' husband. See note 21.

## STOCK RESTRICTION AGREEMENT

Each person who was a stockholder of CRA before CRA's initial public offering is subject to a stock restriction agreement with CRA. The stock restriction agreement prohibits each pre-IPO stockholder from selling or otherwise transferring shares of common stock held immediately before the IPO as follows:

- before April 24, 2000, no pre-IPO stockholder may sell any of his or her pre-IPO stock, except that he or she may sell pre-IPO stock in public offerings;
- from April 24, 2000 to April 23, 2003, each pre-IPO stockholder will be able to sell up to an aggregate of 50% of his or her pre-IPO stock, less any shares previously sold in public offerings;
- from April 24, 2003 to April 23, 2005, each pre-IPO stockholder will be able to sell up to an aggregate of an additional 20% of his or her pre-IPO stock; and
- on and after April 24, 2005, each pre-IPO stockholder will be able to sell, in any 12-month period, an amount equal to the greater of:
  - 10% of his or her pre-IPO stock, or
  - one-third of the pre-IPO stock held by him or her on April 24, 2005.

Upon the death or retirement for disability of any pre-IPO stockholder in accordance with CRA's policies, the foregoing restrictions will terminate with respect to his or her pre-IPO stock. The board of directors has the discretion to waive any of the restrictions imposed by the stock restriction agreement and has waived all restrictions that apply to shares to be sold in this offering.

Under the terms of the stock restriction agreement, if any pre-IPO stockholder leaves CRA other than for death or retirement for disability in accordance with CRA's policies, CRA will have the right to repurchase his or her pre-IPO stock as follows:

- before April 24, 2000, CRA may repurchase up to 85% of his or her pre-IPO stock;
- from April 24, 2000 to April 23, 2003, CRA may repurchase up to 50% of his or her pre-IPO stock; and
- on and after April 24, 2003, CRA may repurchase all of the pre-IPO stock that the pre-IPO stockholder did not already become entitled to sell.

The purchase price will be equal to 70% of the fair market value of the repurchased stock (95% in the case of pre-IPO stockholders who retire on or after April 24, 2003), or, if the pre-IPO stockholder competes with CRA, 40% of fair market value. The purchase price will be payable in three equal annual installments. The stock restriction agreement will terminate on April 23, 2008 or earlier with the approval of the board of directors of CRA.

## DESCRIPTION OF CAPITAL STOCK

CRA's authorized capital stock consists of 25,000,000 shares of common stock and 1,000,000 shares of preferred stock. As of September 20, 1999, there were 8,468,544 shares of common stock outstanding and no shares of preferred stock outstanding.

## COMMON STOCK

Holder 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 whatever lawful dividends the board of directors may declare. In the event of a liquidation, dissolution or winding up of the affairs of CRA, 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 CRA 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 installments not yet due and payable by a stockholder of CRA. As of September 20, 1999, the stockholder owed CRA an aggregate of \$9,898 in future installments. The shares of common stock that CRA will issue in the offering will be fully paid and non-assessable.

## PREFERRED STOCK

CRA's amended and restated articles of organization authorize the board of directors, subject to any limitations prescribed by Massachusetts law, to issue preferred stock in one or more series, to establish from time to time the number of shares in each series and to fix the preferences, voting powers, qualifications, and special or relative rights or privileges of the preferred stock. The board of directors may 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 CRA 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 CRA.

## ANTI-TAKEOVER EFFECTS OF PROVISIONS OF CRA'S ARTICLES OF ORGANIZATION AND BY-LAWS AND OF MASSACHUSETTS LAW

CRA's amended and restated articles of organization and amended and restated by-laws and Massachusetts law contain provisions that could have anti-takeover effects and that could discourage, delay or prevent a change in control of CRA or an acquisition of CRA at a price that many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of CRA to effect some 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

CRA's by-laws provide that, in order to nominate any person for election as a director of CRA at any annual or special meeting of stockholders, a stockholder must notify CRA of the nomination a specified number of days before the meeting and must furnish to CRA information about the stockholder and the intended nominee. Similarly, the by-laws provide that, in order to bring any business before any annual or special meeting of stockholders, a stockholder must provide advance notice of the proposal to CRA and must furnish to CRA information about the stockholder, other supporters of the proposal, their stock ownership and their interest in the proposed business.

CRA's by-laws require CRA to call a special meeting of stockholders only at the request of stockholders holding at least 40% of the voting power of CRA. 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, nor may any other provision inconsistent

with those provisions be adopted, without the approval of either the board of directors or the holders of at least 80% of the voting power of CRA.

CRA's articles provide that certain transactions, such as the sale, lease or exchange of all or substantially all of CRA's property and assets or the merger or consolidation of CRA 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 on the matter, rather than by two-thirds as otherwise provided by statute, but only if a majority of the directors has authorized the transaction and all other applicable requirements of the articles have been met.

CRA's articles contain a "fair price" provision that provides that certain "business combinations" with any "interested stockholder," as those terms are 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 CRA, 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 CRA. The affirmative vote of the holders of 80% of the voting power of CRA is required to amend or repeal the fair price provision or adopt any provision inconsistent with it.

#### Massachusetts Law

CRA is subject to 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 three years after the date of the transaction in which the person becomes an interested stockholder, unless either:

- before that date, the board of directors approved either the business combination or the transaction in which the person became an interested stockholder;
- the interested stockholder acquires 90% of the outstanding voting stock of the corporation (excluding shares held by affiliates of the corporation) at the time it becomes an interested stockholder; or
- 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" under the statute is a person who owns 5% or more of the outstanding voting stock of the corporation, or 15% or more in the case of a person eligible to file a Schedule 13G under the Securities Exchange Act with respect to that voting stock, or a person who is an affiliate or associate of the corporation and within the previous three years was the owner of 5% or more of the outstanding voting stock of the corporation, or 15% or more in the case of a person eligible to file a Schedule 13G with respect to that voting stock. A "business combination" under the statute includes mergers, consolidations, stock and asset sales, and other transactions with the interested stockholder resulting in a financial benefit to the interested stockholder, except proportionately as a stockholder of the corporation. CRA 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 before the date of the amendment.

CRA is subject to Section 50A of Chapter 156B of the Massachusetts General Laws, which requires that any publicly held Massachusetts corporation have a classified, or staggered, board of directors unless the corporation opts out of the statute's coverage. CRA has not elected 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.

CRA's by-laws exempt CRA from 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 CRA 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

CRA's articles provide that no director of CRA will be personally liable to CRA or to its stockholders for monetary damages for breach of fiduciary duty as a director, except that the limitation will not eliminate or limit liability:

- for any breach of the director's duty of loyalty to CRA or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- 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
- for any transaction from which the director derived an improper personal benefit.

CRA's articles and by-laws further provide for the indemnification of CRA'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 CRA's directors for monetary damages arising from breaches of their duty of care, unless the breach involves one of the four exceptions described 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 EquiServe L.P.

UNDERWRITING

CRA and the selling stockholders are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, William Blair & Company, L.L.C. and Salomon Smith Barney Inc. are the representatives of the underwriters. CRA and the selling stockholders have entered into a firm commitment underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, CRA and the selling stockholders have agreed to sell to the underwriters, and the underwriters have each agreed to purchase, the number of shares of common stock listed next to its name in the following table.

UNDERWRITERS -----	NUMBER OF SHARES -----
Banc of America Securities LLC.....	
William Blair & Company, L.L.C. ....	
Salomon Smith Barney Inc. ....	
	-----
Total.....	2,000,000 =====

The underwriters will offer the shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow to some dealers a concession of not more than \$ per share. The underwriters also may allow, and any dealers may reallow, a concession of not more than \$ per share to some other dealers. If all the shares are not sold at the public offering price, the underwriters may change the offering price and the other selling terms. The common stock is offered subject to a number of conditions, including:

- receipt and acceptance of the common stock by the underwriters
- the right to reject orders in whole or in part.

The underwriters have an option to buy up to 300,000 additional shares of common stock from the selling stockholders. These additional shares would cover sales of shares by the underwriters which exceed the number of shares specified in the table above, and will be sold by the selling stockholders on a pro rata basis if the underwriters do not exercise this option in full. The underwriters have 30 days to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above. CRA will pay the expenses, other than the underwriting discounts and commissions paid by the selling stockholders, associated with the exercise of the over-allotment option.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by CRA and the selling stockholders. Such amounts are shown assuming no exercise and full exercise of the underwriters' option to purchase additional shares.

	PAID BY CRA		PAID BY THE SELLING STOCKHOLDERS	
	NO EXERCISE -----	FULL EXERCISE -----	NO EXERCISE -----	FULL EXERCISE -----
Per share.....				
Total.....				

CRA and its directors, executive officers and certain other stockholders of CRA, who will hold in the aggregate approximately 4,027,379 shares of common stock after the offering, have entered into lock-up agreements with the underwriters. Under those agreements, CRA and those directors, executive officers and stockholders may not dispose of or hedge any CRA common stock or securities convertible into or exchangeable for shares of CRA common stock unless permitted to do so by Banc of America Securities LLC. These restrictions will be in effect for a period of 90 days after the date of this prospectus. At any time and without notice, Banc of America Securities LLC may, in its sole discretion, release all or some of the securities from these lock-up agreements.

CRA and the selling stockholders will indemnify the underwriters against liabilities under the Securities Act and other liabilities. If CRA and the selling stockholders are unable to provide this indemnification, they will contribute to payments the underwriters may be required to make in respect of those liabilities.

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of the common stock, including:

- short sales
- stabilizing transactions
- purchases to cover positions created by short sales.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress.

The underwriters also may impose a penalty bid. This means that if the representatives purchase shares in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

As a result of these activities, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq National Market, in the over-the-counter-market or otherwise.

#### LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for CRA and certain 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 CRA at November 29, 1997 and November 28, 1998, and for each of the fiscal years in the three-year period ended November 28, 1998, appearing and incorporated by reference in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing and incorporated by reference 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.

## WHERE YOU CAN FIND MORE INFORMATION

CRA files annual reports, quarterly reports, current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any of CRA's SEC filings at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The SEC requires CRA to "incorporate by reference" information from its other SEC filings. This means that CRA can disclose information to you by referring you to those other filings, and the information incorporated by reference is considered to be part of this prospectus. In addition, some information that CRA files with the SEC after the date of this prospectus will automatically update, and in some cases supersede, the information contained in this prospectus or otherwise incorporated by reference in this prospectus. CRA is incorporating by reference the information contained in the following SEC filings:

- CRA's Annual Report on Form 10-K for the fiscal year ended November 28, 1998 (as filed on February 23, 1999), as amended by Amendment No. 1 on Form 10-K/A (as filed on March 26, 1999) and Amendment No. 2 on Form 10-K/A (as filed on May 7, 1999);
- CRA's Quarterly Report on Form 10-Q for the fiscal quarter ended February 19, 1999 (as filed on April 5, 1999);
- CRA's Quarterly Report on Form 10-Q for the fiscal quarter ended May 14, 1999 (as filed on June 25, 1999);
- CRA's Current Reports on Form 8-K dated September 14, 1998 (as filed on January 21, 1999) and December 15, 1998 (as filed on December 30, 1998);
- CRA's definitive Proxy Statement for its Special Meeting in Lieu of Annual Meeting of Stockholders held on June 2, 1999 (as filed on May 4, 1999);
- the description of the common stock contained in CRA's Registration Statement on Form 8-A (as filed on April 17, 1998); and
- any filings CRA makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 either (1) after the initial filing of this prospectus and before the date the registration statement is declared effective or (2) after the date of this prospectus and before the termination of this offering. Information in these filings will be incorporated as of the filing date.

CRA will provide to any person who receives this prospectus at no cost a copy of any of the documents or information that CRA has incorporated by reference in this prospectus. To request a document or information, please call, write or e-mail our investor relations department as follows:

Charles River Associates Incorporated  
 200 Clarendon Street  
 Boston, Massachusetts 02116  
 Telephone: (617) 425-3000  
 E-mail: [investor@crai.com](mailto:investor@crai.com)

This prospectus is part of a registration statement on Form S-3 that CRA filed with the SEC under the Securities Act of 1933. This prospectus does not contain all of the information contained in the registration statement. For more information about CRA and the common stock, you should read the registration statement and the exhibits and schedules filed with the registration statement. Statements in this prospectus regarding the contents of any contract or other document are not necessarily complete, and, in each instance, if CRA filed the contract or document as an exhibit, you should read the contract or document. Each of these statements is qualified in all respects by reference to the exhibit.



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## 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 28, 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 28, 1998. 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 28, 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 28, 1998, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts  
December 30, 1998

## CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)

	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 2,054	\$32,023
Accounts receivable, net of allowances of \$394 in 1997 and \$727 in 1998 for doubtful accounts.....	10,140	9,867
Unbilled services.....	4,731	6,614
Prepaid expenses.....	280	496
Deferred income taxes.....	--	573
	-----	-----
Total current assets.....	17,205	49,573
Property and equipment, net.....	2,890	3,532
Other assets.....	340	230
	-----	-----
Total assets.....	\$20,435	\$53,335
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 902	\$ 2,529
Accrued expenses.....	5,729	13,408
Deferred revenue and other liabilities.....	344	407
Current portion of notes payable to former stockholders...	280	339
Dividends payable.....	1,764	--
Deferred income taxes.....	528	--
	-----	-----
Total current liabilities.....	9,547	16,683
Notes payable to former stockholders, net of current portion.....	707	542
Deferred rent.....	1,302	1,449
Minority interest.....	343	33
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, no par value; 1,000,000 shares authorized; none issued or outstanding.....	--	--
Common Stock (voting), no par value; 25,000,000 shares authorized; 6,519,240 shares in 1997 and 8,316,115 shares in 1998 issued and outstanding.....	1,977	30,992
Retained earnings.....	7,770	3,636
	-----	-----
Notes receivable from stockholders.....	9,747	34,628
	(1,211)	--
	-----	-----
Total stockholders' equity.....	8,536	34,628
	-----	-----
Total liabilities and stockholders' equity.....	\$20,435	\$53,335
	=====	=====

See accompanying notes.

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## CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT SHARE DATA)

	FISCAL YEAR ENDED		
	NOVEMBER 30, 1996  (53 WEEKS)	NOVEMBER 29, 1997	NOVEMBER 28, 1998
Revenues.....	\$ 37,367	\$ 44,805	\$ 52,971
Costs of services.....	23,370	28,374	31,695
Supplemental compensation.....	1,200	1,233	--
Gross profit.....	12,797	15,198	21,276
General and administrative.....	9,060	10,509	11,934
Income from operations.....	3,737	4,689	9,342
Interest income, net.....	124	302	975
Income before provision for income taxes and minority interest.....	3,861	4,991	10,317
Provision for income taxes:			
Current year operations.....	(273)	(306)	(2,846)
Change in tax status.....	--	--	(1,416)
Income before minority interest.....	3,588	4,685	6,055
Minority interest.....	--	282	310
Net income.....	\$ 3,588	\$ 4,967	\$ 6,365
Basic and diluted net income per share.....	\$ 0.59	\$ 0.78	\$ 0.84
Weighted average number of shares outstanding:			
Basic.....	6,091,384	6,329,007	7,570,493
Diluted.....	6,091,384	6,329,007	7,619,945
Pro forma net income data (unaudited):			
Net income as reported.....			\$ 6,365
Pro forma adjustment.....			12
Pro forma net income.....			\$ 6,377
Pro forma net income per share:			
Basic.....			\$ 0.84
Diluted.....			\$ 0.83
Weighted average number of shares outstanding:			
Basic.....			7,630,012
Diluted.....			7,679,464

See accompanying notes.

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## CHARLES RIVER ASSOCIATES INCORPORATED

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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK		NOTES RECEIVABLE	STOCKHOLDERS' EQUITY
	SHARES ISSUED	AMOUNT			SHARES	AMOUNT		
BALANCE AT NOVEMBER 25, 1995.....	5,996,640	\$ 410	\$ 44	\$ 3,916	--	--	\$ (88)	\$ 4,282
Net income (53 weeks).....				3,588				3,588
Issuance of Common Stock.....	257,400	495					(254)	241
Purchase of treasury stock....			(22)		(228,800)	\$(390)		(412)
Sale of treasury stock.....			87		187,200	342	(322)	107
Adjustments to purchase price of treasury stock.....			(93)	(19)				(112)
Retirement of treasury stock.....	(26,000)	(3)	(16)		26,000	19		--
Distributions to stockholders.....				(1,496)				(1,496)
Collection on notes receivable.....							4	4
BALANCE AT NOVEMBER 30, 1996.....	6,228,040	902	--	5,989	(15,600)	(29)	(660)	6,202
Net income.....				4,967				4,967
Issuance of Common Stock.....	400,400	1,085					(715)	370
Distributions to stockholders.....				(2,600)				(2,600)
Collection on notes receivable from stockholders.....							264	264
Purchase of treasury stock....					(119,600)	(444)		(444)
Adjustment to purchase price of treasury stock.....				(220)				(220)
Sale of treasury stock.....					26,000	97	(58)	39
Retirement of treasury stock.....	(109,200)	(10)		(366)	109,200	376		--
Accrued interest on notes receivable from stockholders.....							(42)	(42)
BALANCE AT NOVEMBER 29, 1997.....	6,519,240	1,977	--	7,770	--	--	(1,211)	8,536
Net income.....				6,365				6,365
Issuance of Common Stock, net of offering costs.....	1,796,875	29,506						29,506
Dividends declared.....		(491)		(10,303)				(10,794)
Adjustment to purchase price of treasury stock.....				(196)				(196)
Collection of notes receivable from stockholders.....							1,211	1,211
BALANCE AT NOVEMBER 28, 1998.....	8,316,115	\$30,992	\$ --	\$ 3,636	--	\$ --	\$ --	\$ 34,628

See accompanying notes.

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CHARLES RIVER ASSOCIATES INCORPORATED  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

	FISCAL YEAR ENDED		
	NOVEMBER 30, 1996	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	----- (53 WEEKS)	-----	-----
<b>OPERATING ACTIVITIES:</b>			
Net income.....	\$ 3,588	\$ 4,967	\$ 6,365
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	486	727	949
Deferred rent.....	7	(93)	147
Deferred income taxes.....	127	95	(1,101)
Stock bonuses.....	68	--	--
Minority interest.....	--	(282)	(310)
Changes in operating assets and liabilities:			
Accounts receivable.....	(1,121)	(2,779)	273
Unbilled services.....	(1,491)	125	(1,883)
Prepaid expenses and other.....	(122)	(172)	(106)
Accounts payable, accrued expenses and other liabilities.....	676	1,030	9,369
Net cash provided by operating activities.....	2,218	3,618	13,703
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment.....	(774)	(2,290)	(1,591)
Sale of short-term investments.....	298	--	--
Net cash used in investing activities.....	(476)	(2,290)	(1,591)
<b>FINANCING ACTIVITIES:</b>			
Payments on notes payable to former shareholders...	(96)	(370)	(302)
Purchase of treasury stock.....	(19)	--	--
Issuance of Common Stock.....	172	370	29,506
Sale of treasury stock.....	107	39	--
Collection of notes receivable from stockholders...	4	264	381
Dividends paid.....	(1,474)	(1,636)	(11,728)
Proceeds from minority interest.....	--	625	--
Net cash provided by (used in) financing activities.....	(1,306)	(708)	17,857
Net increase in cash and cash equivalents.....	436	620	29,969
Cash and cash equivalents at beginning of year.....	998	1,434	2,054
Cash and cash equivalents at end of year.....	\$ 1,434	\$ 2,054	\$ 32,023
Supplemental cash flow information:			
Cash paid for income taxes.....	\$ 120	\$ 275	\$ 3,872
Notes receivable in exchange for Common Stock.....	\$ 576	\$ 773	--
Notes payable in exchange for treasury stock.....	\$ 412	\$ 444	--
Dividends applied to reduce notes receivable.....	--	--	\$ 830

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 ("CRA") is an economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers two types of services: legal and regulatory consulting and business consulting.

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

CRA'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 29, 1997 and November 28, 1998 each consisted of 52 weeks.

RECLASSIFICATION

Certain amounts in 1997 have been reclassified to permit comparison with 1998.

REVENUE RECOGNITION

Revenues from most engagements are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates. CRA'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 CRA 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. CRA 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.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CRA, its subsidiaries and NeuCo LLC, a limited liability company founded by CRA and an affiliate of Commonwealth Energy Systems in June 1997.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CRA has a 65.5% 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 CRA's statement of income, and that amount, along with the capital contributions to NeuCo LLC of its minority interest owners, is shown as "minority interest" on CRA's balance sheet. All significant intercompany accounts have been eliminated.

## CONCENTRATION OF CREDIT RISK

CRA'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. CRA performs a credit evaluation of each of its clients to minimize its collectibility risk. Historically, CRA has not experienced significant write-offs.

CRA provides an allowance for doubtful accounts to provide for potentially uncollectible amounts. Activity in the accounts is as follows:

	FISCAL YEAR ENDED		
	NOVEMBER 30, 1996	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	(53 WEEKS)	(IN THOUSANDS)	
Balance at beginning of year.....	\$207	\$ 578	\$394
Charge to cost and expenses.....	412	--	361
Amounts written off.....	(41)	(184)	(28)
Balance at end of year.....	\$578	\$ 394	\$727
	====	=====	=====

## DEFERRED REVENUE

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

## INCOME TAXES

Until April 28, 1998, CRA had been treated for federal and certain state income tax purposes as an S Corporation under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, CRA's stockholders, rather than CRA, were required to pay federal and certain state income taxes based on CRA's taxable earnings. CRA filed its returns using the cash method of accounting. Upon closing of the initial public offering of Common Stock, CRA's status as an S Corporation terminated. A pro forma provision for income taxes has been presented as if CRA had been taxed as a C Corporation for the period from November 30, 1997 to April 28, 1998.

At the time of the termination of CRA's status as an S Corporation, CRA recorded a one-time additional provision for income taxes of \$1,416,000.

## NET INCOME PER SHARE AND PRO FORMA NET INCOME PER SHARE

Basic earnings per share represents net income divided by the weighted average shares of Common Stock outstanding during the period. Weighted average shares used in diluted earnings per share for fiscal 1998 include 49,452 of Common Stock equivalents arising from stock options using the treasury stock method.

Pro forma net income per share is computed using pro forma net income and the pro forma weighted average number of shares of Common Stock. The weighted average number of shares of Common Stock for the purpose of computing pro forma net income per share has been increased by the number of shares that would be required to pay a dividend in the amount of \$2,400,000 that was paid upon the completion of the initial public offering.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## STOCK BASED COMPENSATION

CRA has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock-based compensation plans for employees, rather than the alternative fair value accounting method provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," as this alternative requires the use of option valuation models that were not developed for use in valuing stock options. CRA accounts for its stock-based compensation for non-employees under SFAS No. 123.

## FOREIGN CURRENCY TRANSLATION

In accordance with SFAS No. 52, "Foreign Currency Translation," balance sheet accounts of CRA's foreign subsidiary are translated into United States dollars at year end exchange rates. Operating accounts are translated at average exchange rates for each year. Net translation gains or losses for the fiscal year ended November 28, 1998 were not significant.

## ACCOUNTING PRONOUNCEMENTS

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 will become effective for CRA during the fiscal year beginning November 29, 1998. CRA believes that the adoption of these new accounting standards will not have a material impact on CRA's consolidated financial statements.

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 28, 1998, CRA had deferred start-up costs of \$51,000. CRA believes that the adoption of this SOP will not have a material impact on CRA's consolidated financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivatives to be recorded on the balance sheet at fair market value and establishes special accounting for certain types of hedges. CRA does not engage in any derivative instruments or hedging activities. The Statement is effective for fiscal years beginning after June 15, 1999; however, earlier adoption is allowed.

## 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	-----	-----
	(IN THOUSANDS)	
Furniture and equipment.....	\$4,731	\$5,362
Leasehold improvements.....	1,311	1,697
	-----	-----
	6,042	7,059
Accumulated depreciation and amortization.....	3,152	3,527
	-----	-----
	\$2,890	\$3,532
	=====	=====

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 3. ACCRUED EXPENSES

Accrued expenses consist of the following:

	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	-----	-----
	(IN THOUSANDS)	
Compensation and related expenses.....	\$5,410	\$11,260
Other.....	319	2,148
	-----	-----
	\$5,729	\$13,408
	=====	=====

## 4. NOTES PAYABLE TO FORMER STOCKHOLDERS

Notes payable to former stockholders represent amounts owed by CRA to former stockholders in connection with CRA's repurchase of shares of Common Stock from such stockholders upon their separation from CRA pursuant to an Exit Agreement.

Under the Exit Agreement, CRA repurchased shares of Common Stock from certain stockholders at a purchase price based upon a formula that uses the book value of CRA at the date the stockholder separates from CRA (the "Fixed Amount") and an amount (the "Contingent Pay-Out Amount") equal to the stockholder's pro rata portion of 25% of CRA'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 (8.13% at November 28, 1998) determined in accordance with the terms of the Exit Agreement.

For financial reporting purposes, CRA 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, CRA 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 28, 1998 to be: \$339,000 in fiscal 1999; \$307,000 in fiscal 2000; \$149,000 in fiscal 2001 and \$86,000 in fiscal 2002. CRA believes the recorded value of the notes payable to former stockholders approximates fair market value.

## 5. FINANCING ARRANGEMENTS

CRA has a line of credit which permits borrowings of up to \$2.0 million with interest at the bank's base rate (7.75% at November 28, 1998) and is secured by CRA's accounts receivable. The terms of the line of credit include certain operating and financial covenants. No borrowings were outstanding as of November 28, 1998.

## 6. EMPLOYEE BENEFIT PLANS

CRA maintains a profit-sharing retirement plan that covers substantially all full-time employees. Contributions are made at the discretion of CRA and its subsidiaries and cannot exceed the maximum amount deductible under applicable provisions of the Code. Contributions were approximately \$1.1 million in fiscal 1996, approximately \$1.2 million in fiscal 1997 and \$1.0 million in fiscal 1998.

## 7. SUPPLEMENTAL COMPENSATION

CRA currently has a bonus program which awards discretionary bonuses based on CRA's revenues, profitability and individual performance. Amounts paid under this bonus program are included in costs of

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

services. Prior to the beginning of fiscal 1998, CRA also had another bonus program, which consisted of discretionary payments to officers and certain outside experts based primarily on CRA's cash flows. These bonus payments are shown as supplemental compensation in CRA's statements of income. The Plan was discontinued at the end of fiscal 1997.

## 8. LEASES

At November 28, 1998, the minimum rental commitments under all noncancellable operating leases with initial or recurring terms of more than one year were as follows (in thousands):

## FISCAL YEAR

1999.....	\$ 2,226
2000.....	2,190
2001.....	2,151
2002.....	2,164
2003.....	2,158
Thereafter.....	6,306
	-----
	\$17,195
	=====

Rent expense amounted to approximately \$1.5 million in fiscal 1996, \$1.8 million in fiscal 1997 and \$2.3 million in fiscal 1998.

## 9. NOTES RECEIVABLE FROM STOCKHOLDERS

CRA has a policy requiring that each of its officers have an equity interest in CRA. CRA 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 CRA'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.

In 1998, CRA collected \$381,000 and declared dividends in the amount of \$830,000 in exchange for the notes receivable.

## 10. NET INCOME PER SHARE AND PRO FORMA NET INCOME PER SHARE

A reconciliation of the shares used in calculating basic, diluted and pro forma net income is as follows:

	FISCAL YEAR ENDED		
	NOVEMBER 30, 1996	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	-----		
	(53 WEEKS)		
	-----	-----	-----
Basic.....	6,091,384	6,329,007	7,570,493
Dilutive employee stock options.....	--	--	49,452
	-----	-----	-----
Diluted.....	6,091,384	6,329,007	7,619,945
Shares required to pay \$2.4 million in dividends at completion of offering.....	--	129,730	59,519
	=====	=====	=====
Pro forma -- Diluted.....	6,091,384	6,458,737	7,679,464
	=====	=====	=====

## 11. COMMON STOCK

On March 31, 1998, CRA'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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

before the closing of the Offering and (ii) an increase in the number of shares of authorized Common Stock to 25,000,000. The accompanying consolidated financial statements have been adjusted retroactively to give effect to these actions for all periods presented.

In April 1998, CRA completed its initial public offering (the "Offering"), issuing 1,796,875 shares of Common Stock for proceeds of \$29,506,000, net of offering costs.

In 1998, CRA and each person who was a stockholder of CRA before the closing of the Offering elected to amend and restate the Exit Agreement (as so amended and restated, the "Stock Restriction Agreement"). The Stock Restriction Agreement prohibits each such pre-Offering stockholder from selling or otherwise transferring shares of Common Stock held immediately before the Offering without the consent of the Board of Directors of CRA for two years after the Offering. In addition, the Stock Restriction Agreement will allow CRA to repurchase a portion of such stockholder's shares of Common Stock at a percentage of market value should the stockholder leave CRA (other than for death or retirement for disability).

## 12. STOCK-BASED COMPENSATION

During 1998, CRA adopted the 1998 Incentive and Nonqualified Stock Option Plan, which provides for the granting of options to purchase up to 970,000 shares of Common Stock. Options are to be granted at an exercise price equal to the fair market value of the shares of Common Stock at the date of the grant, and vesting terms are determined at the discretion of the Board of Directors. All options terminate ten years after the date of grant. A summary of option activity is as follows:

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at November 29, 1997.....	--	--
Granted.....	352,500	\$18.90
Canceled.....	(16,500)	18.50
	-----	
Outstanding at November 28, 1998.....	336,000	\$18.90
Options available for grant.....	634,000	
Options exercisable.....	3,500	\$23.75
Weighted average remaining contractual life at November 28, 1998.....	9 1/2 years	

Options granted during fiscal 1998 range from immediate vesting to vesting at various rates over five years. The weighted average fair market value of the options granted in 1998 was \$9.18.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined if CRA had accounted for its employee stock options under the fair value method of that statement. The fair market value of the stock options at the date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for fiscal 1998: risk-free interest rate of approximately 5.6%, the volatility factor of the expected market price of CRA's Common Stock was 62% and the weighted average expected life was 4.54 years. CRA does not expect to pay dividends in the foreseeable future.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because CRA's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of fair value of its employee stock options.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

Net income -- as reported.....	\$6,365
Net income -- pro forma.....	\$6,116
Basic and diluted earnings per share -- as reported.....	\$ 0.84
Basic earnings per share -- pro forma.....	\$ 0.81
Diluted earnings per share -- pro forma.....	\$ 0.80

The effect on fiscal year 1998 pro forma net income and earnings per share of expensing the fair value of stock options is not necessarily representative of the effects on reported results for future years as fiscal 1998 only includes one year of option grants under CRA's Plan.

CRA 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 at an amount equal to 85% of fair market value on either the first or the last day of the one year offering period under the Stock Purchase Plan, whichever is lower. At November 28, 1998, no shares had been issued under the Stock Purchase Plan.

## 13. INCOME TAXES

Components of CRA's deferred taxes are as follows (in thousands):

	NOVEMBER 29, 1997	NOVEMBER 28, 1998
	-----	-----
Deferred tax liabilities:		
Cash to accrual adjustment.....	\$484	\$1,004
Other.....	73	217
	-----	-----
	557	1,221
Deferred tax assets:		
Accrued expenses.....	--	1,620
Allowance for doubtful accounts.....	26	156
Excess book over tax depreciation and amortization.....	3	18
	-----	-----
	29	1,794
	-----	-----
Net deferred tax liability (asset).....	\$528	\$ (573)
	=====	=====

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The provision (credit) for income taxes for fiscal 1998 operations consists of the following (in thousands):

Currently payable:	
Federal.....	\$ 3,475
State.....	472
	-----
	3,947
Deferred:	
Federal.....	(1,056)
State.....	(45)
	-----
	(1,101)
	-----
	\$ 2,846
	=====

The provision for income taxes in fiscal 1997 and 1996 represents state taxes required in those jurisdictions that did not recognize CRA's S Corporation status.

A reconciliation of CRA's fiscal 1998 tax rate with the federal statutory rate is as follows:

Federal statutory rate.....	34.0%
State income taxes, net of federal income tax benefit.....	6.1
S Corporation earnings not subject to federal taxes.....	(13.7)
Adjustment to deferred taxes for change in tax status.....	13.7
Other.....	1.2
	=====
	41.3%
	=====

For purposes of computing pro forma net income, CRA assumed effective tax rates for the fiscal years ended November 29, 1997 and November 28, 1998 of 43.0% and 41.3%, respectively.

## 14. RELATED PARTY TRANSACTIONS

CRA made payments to stockholders of CRA who performed consulting services for CRA in the amounts of \$1.7 million in fiscal 1996, \$1.8 million in fiscal 1997 and \$2.6 million in fiscal 1998.

## 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	FEBRUARY 21, 1997	MAY 16, 1997	SEPTEMBER 5, 1997	NOVEMBER 29, 1997
	(12 WEEKS)	(12 WEEKS)	(16 WEEKS)	(12 WEEKS)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
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
Basic and diluted net income per share....	0.17	0.14	0.27	0.20

## CHARLES RIVER ASSOCIATES INCORPORATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	QUARTER ENDED			
	FEBRUARY 21,	MAY 16,	SEPTEMBER 5,	NOVEMBER 29,
	1997	1997	1997	1997
	(12 WEEKS)	(12 WEEKS)	(16 WEEKS)	(12 WEEKS)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Revenues.....	\$11,137	\$11,557	\$16,465	\$13,812
Gross profit.....	4,651	4,641	6,482	5,502
Income from operations.....	1,897	2,056	2,825	2,564
Income before provision for income taxes and minority interest.....	1,943	2,236	3,208	2,930
Minority interest.....	52	81	109	68
Net income.....	1,875	657	1,986	1,847
Basic and diluted net income per share....	0.29	0.10	0.24	0.22

## 16. SUBSEQUENT EVENT

On December 15, 1998, CRA completed the acquisition of certain of the assets and the assumption of certain of the liabilities of The Tilden Group, LLC, a California limited liability company, for an aggregate \$9.6 million in cash and Common Stock. Tilden is a privately held consulting firm which conducts economic analyses for litigation, public policy design and business strategy development. The acquisition of Tilden is being accounted for as a purchase transaction, and CRA has paid the cash portion of the purchase price from its working capital.

## CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)  
(UNAUDITED)

MAY 14,  
1999  
-----

ASSETS

Current assets:	
Cash and cash equivalents.....	\$14,405
Short-term investments.....	4,900
Accounts receivable, net of allowance of \$981 for doubtful accounts.....	13,990
Unbilled services.....	8,214
Prepaid expenses.....	530
Deferred income taxes.....	573
	-----
Total current assets.....	42,612
Property and equipment, net.....	3,986
Goodwill, net of accumulated amortization of \$204.....	10,851
Intangible assets, net of accumulated amortization of \$54...	1,446
Other assets.....	217
	-----
Total assets.....	\$59,112 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable.....	\$ 2,529
Accrued expenses.....	11,628
Deferred revenue and other liabilities.....	538
Current portion of notes payable to former stockholders...	401
	-----
Total current liabilities.....	15,096
Notes payable to former stockholders, net of current portion.....	235
Notes payable to minority interest holder.....	130
Deferred rent.....	1,388
Commitments and contingencies	
Stockholders' equity:	
Preferred Stock, no par value; 1,000,000 shares authorized; none issued or outstanding.....	--
Common Stock (voting), no par value; 25,000,000 shares authorized; 8,468,544 shares issued and outstanding...	34,906
Deferred compensation.....	(95)
Retained earnings.....	7,452
	-----
Total stockholders' equity.....	42,263
	-----
Total liabilities and stockholders' equity.....	\$59,112 =====

See accompanying notes.

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## CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT SHARE DATA)  
(UNAUDITED)

	TWENTY-FOUR WEEKS ENDED	
	MAY 15, 1998	MAY 14, 1999
Revenues.....	\$ 22,694	\$ 31,153
Costs of services.....	13,402	18,082
Gross profit.....	9,292	13,071
General and administrative.....	5,339	7,184
Income from operations.....	3,953	5,887
Interest income, net.....	226	463
Income before provision for income taxes and minority interest.....	4,179	6,350
Provision for income taxes:		
Current year operations.....	364	2,567
Change in tax status.....	1,416	--
Income before minority interest.....	2,399	3,783
Minority interest.....	133	33
Net income.....	\$ 2,532	\$ 3,816
Basic and diluted net income per share.....	\$ 0.38	\$ 0.45
Weighted average number of shares outstanding:		
Basic.....	6,689,906	8,428,242
Diluted.....	6,697,785	8,518,619

See accompanying notes.

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## CHARLES RIVER ASSOCIATES INCORPORATED

 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)  
 (UNAUDITED)

	TWENTY-FOUR WEEKS ENDED	
	MAY 15, 1998	MAY 14, 1999
	-----	-----
<b>OPERATING ACTIVITIES:</b>		
Net income.....	\$ 2,532	\$ 3,816
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	464	893
Deferred rent.....	165	(61)
Deferred income taxes.....	896	--
Minority interest.....	(133)	(33)
Changes in operating assets and liabilities:		
Accounts receivable.....	1,586	(3,711)
Unbilled services.....	(54)	(1,600)
Prepaid expenses and other assets.....	(333)	(59)
Accounts payable, accrued expenses and other liabilities.....	4,960	(1,649)
	-----	-----
Net cash provided by (used in) operating activities.....	10,083	(2,404)
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment.....	(459)	(860)
Purchase of short-term investments.....	--	(4,900)
Acquisition of business.....	--	(9,339)
	-----	-----
Net cash used in investing activities.....	(459)	(15,099)
<b>FINANCING ACTIVITIES:</b>		
Payments on notes payable to former stockholders.....	(239)	(245)
Loan from minority interest holder.....	--	130
Issuance of Common Stock.....	29,947	--
Collection of notes receivable from stockholders.....	1,198	--
Dividends paid.....	(12,555)	--
	-----	-----
Net cash provided by (used in) financing activities.....	18,351	(115)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	27,975	(17,618)
Cash and cash equivalents at beginning of year.....	2,054	32,023
	-----	-----
Cash and cash equivalents at end of period.....	\$ 30,029	\$ 14,405
	=====	=====
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes.....	\$ --	\$ 1,060
	=====	=====
Issuance of common stock for acquired business.....	\$ --	\$ 3,815
	=====	=====
Issuance of common stock for future services.....	\$ --	\$ 108
	=====	=====

See accompanying notes.

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CHARLES RIVER ASSOCIATES INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. DESCRIPTION OF BUSINESS

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

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND ESTIMATES

The consolidated balance sheet as of May 14, 1999, the consolidated statements of income for the twenty-four weeks ended May 15, 1998 and May 14, 1999 and the consolidated statements of cash flows for the twenty-four weeks ended May 15, 1998 and May 14, 1999 are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of CRA's consolidated financial position, results of operations and cash flows.

The preparation of financial statements in conformity with 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. FISCAL YEAR

CRA's fiscal year ends on the last Saturday in November. Each of CRA's first, second and fourth quarters includes twelve weeks, and its third quarter includes sixteen weeks.

4. ACQUISITIONS

On December 15, 1998, CRA acquired certain assets and assumed certain liabilities of The Tilden Group, LLC, a consulting firm in the business of conducting economic analyses for litigation, public policy design, and business strategy development, for an aggregate of \$9.6 million in cash and CRA Common Stock. CRA accounted for the acquisition as a purchase and has included the results of the operations of the acquired business in the accompanying statements of operations from the date of acquisition. CRA has allocated the excess of the purchase price over the fair value of the net acquired assets to intangible assets, which consist primarily of goodwill.

On February 25, 1999, CRA completed the acquisition of certain assets and the assumption of certain liabilities of the Financial Economic Consulting, or FinEcon, for an aggregate of \$3.2 million in cash and CRA Common Stock. FinEcon was a privately held consulting firm specializing in financial, economic, and management consulting in business and commercial litigation. FinEcon is located in Los Angeles, California, which broadens CRA's West Coast operations and adds to CRA's established practice in finance. CRA accounted for the acquisition as a purchase and has included the results of the operations of the acquired business in the accompanying statements of operations from the date of acquisition. CRA has allocated the excess of the purchase price over the fair value of the net acquired assets to intangible assets, which consist primarily of goodwill.

The results of operations of the acquired companies prior to the dates of acquisitions would not have a material impact on the consolidated statements of income for the periods presented and, therefore, pro forma information has not been presented herein.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 5. INCOME TAXES

Until April 28, 1998, CRA had been treated for federal and certain state income tax purposes as an S corporation under the Internal Revenue Code of 1986, as amended. As a result, CRA's stockholders, rather than CRA, were required to pay federal and certain state income taxes based on CRA's taxable earnings. CRA filed its returns using the cash method of accounting. Upon the closing of CRA's initial public offering of Common Stock in April 1998, CRA's status as an S corporation terminated.

At the time of the termination of CRA's status as an S corporation, CRA recorded a one-time additional provision for income taxes of \$1,416,000.

## 6. NET INCOME PER SHARE

Basic earnings per share represents net income divided by the weighted average shares of Common Stock outstanding during the period. Weighted average shares used in diluted earnings per share include 90,377 Common Stock equivalents for the twenty-four weeks ended May 14, 1999 arising from stock options using the treasury stock method.

## 7. STOCKHOLDERS EQUITY

In the second quarter of fiscal 1998, CRA completed an initial public offering of 1,796,875 shares of Common Stock in exchange for \$29.5 million of proceeds, which is net of offering costs.

Each person who was a stockholder of CRA before the closing of the initial public offering entered into a Stock Restriction Agreement with CRA, which prohibits each such person from selling or otherwise transferring shares of Common Stock held immediately before the initial public offering without the consent of the Board of Directors of CRA for two years after the initial public offering. In addition, the Stock Restriction Agreement will allow CRA to repurchase a portion of such stockholder's shares of Common Stock at a percentage of market value should the stockholder leave CRA (other than for death or retirement for disability).

## 8. ACCOUNTING PRONOUNCEMENTS

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 CRA during the fiscal year beginning November 29, 1998. The adoption of these new accounting standards has not had a material impact on CRA's consolidated financial statements.

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 May 14, 1999, CRA had deferred start-up costs of \$44,000. CRA believes that the adoption of this SOP will not have a material impact on CRA's consolidated financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivatives to be recorded on the balance sheet at fair market value and establishes special accounting for certain types of hedges. CRA does not have any derivative instruments or engage in any hedging activities. The Statement is effective for fiscal years beginning after June 15, 2000; however, earlier adoption is allowed.

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-----  
2,000,000 Shares

[Charles River logo]

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Prospectus

, 1999

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BANC OF AMERICA SECURITIES LLC

WILLIAM BLAIR & COMPANY

SALOMON SMITH BARNEY  
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## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 14. 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 discounts and commissions. 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.....	\$ 17,771
National Association of Securities Dealers, Inc. filing fee.....	6,893
Nasdaq National Market listing fee.....	4,000
Printing and engraving expenses.....	100,000
Transfer agent fees.....	5,000
Accounting fees and expenses.....	25,000
Legal fees and expenses.....	150,000
Blue Sky fees and expenses (including related legal fees)...	5,000
Miscellaneous.....	36,336
	-----
Total.....	\$350,000 =====

## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article VI.C. of CRA's Amended and Restated Articles of Organization provides that a director shall not have personal liability to CRA or its stockholders for monetary damages arising out of the director's breach of fiduciary duty as a director of CRA, 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 (a) for any breach of the director's duty of loyalty to the corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) 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 (d) for any transaction from which the director derived an improper personal benefit.

Article VI.D. of CRA's Amended and Restated Articles of Organization provides that CRA 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 CRA or who is or was a director or employee of CRA and is serving, or shall have served, at the request of CRA, as a director or officer of another organization or in any capacity with respect to any employee benefit plan of CRA, 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 CRA 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. CRA has procured a directors and officers liability and company reimbursement liability insurance policy that (a) insures directors and officers of CRA 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 (b) insures CRA against losses (above a deductible amount) arising from any such claims, but only if CRA is required or permitted to indemnify such directors or officers for such losses under statutory or common law or under provisions of CRA'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 CRA, the selling stockholders and the underwriters, filed as Exhibit 1.1 to this registration statement, for a description of indemnification arrangements among CRA, the selling stockholders and the underwriters.

Reference is hereby made to the indemnity agreement between CRA and the selling stockholders, filed as Exhibit 99.1 to this registration statement, for a description of indemnification arrangements by CRA for the benefit of the selling stockholders.

ITEM 16. EXHIBITS.

1.1 Underwriting Agreement

4.1 Amended and Restated Articles of Organization of CRA (filed as Exhibit 3.2 to CRA's Registration Statement on Form S-1, Registration No. 333-46941, and incorporated herein by reference)

4.2 Amended and Restated By-Laws of CRA (filed as Exhibit 3.4 to CRA's Registration Statement on Form S-1, Registration No. 333-46941, and incorporated herein by reference)

4.3 Specimen certificate for the common stock of CRA (filed as Exhibit 4.1 to CRA's Registration Statement on Form S-1, Registration No. 333-46941, and incorporated herein by reference)

5.1 Opinion of Foley, Hoag & Eliot LLP

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)

99.1 Form of Indemnity Agreement between CRA and the selling stockholders

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement 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.

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 certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and 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 September 21, 1999.

Charles River Associates Incorporated

By: /s/ LAUREL E. MORRISON

-----  
 Laurel E. Morrison, Chief  
 Financial Officer

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 ----
* ----- Franklin M. Fisher	Chairman of the Board	September 21, 1999
* ----- James C. Burrows	President, Chief Executive Officer and Director (principal executive officer)	September 21, 1999
/s/ LAUREL E. MORRISON ----- Laurel E. Morrison	Chief Financial Officer, Vice President, Finance and Administration, and Treasurer (principal financial and accounting officer)	September 21, 1999
* ----- Firoze E. Katrak	Director	September 21, 1999
* ----- William B. Burnett	Director	September 21, 1999
* ----- Carl Kaysen	Director	September 21, 1999
* ----- Rowland T. Moriarty	Director	September 21, 1999
* ----- Garth Saloner	Director	September 21, 1999
* ----- Steven C. Salop	Director	September 21, 1999
*By: /s/ LAUREL E. MORRISON ----- Attorney-in-Fact		

## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
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99.1	Form of Indemnity Agreement between CRA and the selling stockholders

2,000,000 SHARES

CHARLES RIVER ASSOCIATES INCORPORATED

COMMON STOCK

UNDERWRITING AGREEMENT

DATED \_\_\_\_\_, 1999

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\_\_\_\_\_, 1999

BANC OF AMERICA SECURITIES LLC  
WILLIAM BLAIR & COMPANY, L.L.C.  
SALOMON SMITH BARNEY INC.  
As Representatives of the several Underwriters  
c/o BANC OF AMERICA SECURITIES LLC  
600 Montgomery Street  
San Francisco, California 94111

Ladies and Gentlemen:

INTRODUCTORY. Charles River Associates Incorporated, a Massachusetts corporation (the "Company"), proposes to issue and sell to the several underwriters named in SCHEDULE A (the "Underwriters") an aggregate of 200,000 shares of its Common Stock, no par value (the "Common Stock"); and the stockholders of the Company named in SCHEDULE B (collectively, the "Selling Stockholders") severally propose to sell to the Underwriters an aggregate of 1,800,000 shares of Common Stock. The 200,000 shares of Common Stock to be sold by the Company and the 1,800,000 shares of Common Stock to be sold by the Selling Stockholders are collectively called the "Firm Common Shares." In addition, the Selling Stockholders propose severally to grant to the Underwriters an option to purchase up to an additional 300,000 shares of Common Stock, each Selling Stockholder selling up to the amount set forth opposite such Selling Stockholder's name in Schedule B, all as provided in Section 2. The additional 300,000 shares to be sold by the Selling Stockholders pursuant to such option are collectively called the "Optional Common Shares." The Firm Common Shares and, if and to the extent such option is exercised, the Optional Common Shares are collectively called the "Common Shares." Banc of America Securities LLC ("BAS"), William Blair & Company L.L.C. and Salomon Smith Barney Inc. have agreed to act as representatives of the several Underwriters (in such capacity, the "Representatives") in connection with the offering and sale of the Common Shares.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (File No. 333- 85899), which contains a form of prospectus to be used in connection with the public offering and sale of the Common Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933 and the rules and regulations promulgated thereunder (collectively, the "Securities Act"), including all documents incorporated or deemed to be incorporated by reference therein and any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A or Rule 434 under the Securities Act is called the "Registration Statement." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act, is called the "Rule 462(b) Registration Statement," and from and after the date and time of filing of the Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first used by the Underwriters

to confirm sales of the Common Shares, is called the "Prospectus"; provided, however, if the Company has, with the consent of BAS, elected to rely upon Rule 434 under the Securities Act, the term "Prospectus" shall mean the Company's prospectus subject to completion (each, a "preliminary prospectus") dated \_\_\_\_\_, 1999 (such preliminary prospectus is called the "Rule 434 preliminary prospectus"), together with the applicable term sheet (the "Term Sheet") prepared and filed by the Company with the Commission under Rules 434 and 424(b) under the Securities Act and all references in this Agreement to the date of the Prospectus shall mean the date of the Term Sheet. All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, a preliminary prospectus, the Prospectus or the Term Sheet, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (collectively, the "Exchange Act"), which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

The Company and each of the Selling Stockholders hereby confirm their respective agreements with the Underwriters as follows:

#### SECTION 1. REPRESENTATIONS AND WARRANTIES

A. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents, warrants and covenants to each Underwriter as follows:

(a) Compliance with Registration Requirements. The Registration Statement and any Rule 462(b) Registration Statement have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.



Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Common Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective and at all subsequent times, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, as amended or supplemented, as of its date and at all subsequent times, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by the Representatives expressly for use therein. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required.

(b) Offering Materials Furnished to Underwriters. The Company has delivered to each Representative one complete manually signed copy of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and conformed copies of the Registration Statement (without exhibits) and preliminary prospectuses and the Prospectus, as amended or supplemented, in such quantities and at such places as the Representatives have reasonably requested for each of the Underwriters.

(c) Distribution of Offering Material By the Company. The Company has not distributed and will not distribute, prior to the later of the Second Closing Date (as defined below) and the completion of the Underwriters' distribution of the Common Shares, any offering material in connection with the offering and sale of the Common Shares other than a preliminary prospectus, the Prospectus or the Registration Statement.

(d) The Underwriting Agreement. This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to

indemnification or contribution hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(e) Authorization of the Common Shares. The Common Shares to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement, will be validly issued, fully paid and nonassessable.

(f) No Applicable Registration or Other Similar Rights. There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived or complied with.

(g) No Material Adverse Change. Except as otherwise disclosed in the Prospectus, subsequent to the respective dates as of which information is given in the Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries (the "Subsidiaries"), considered as one entity (any such change is called a "Material Adverse Change"); (ii) the Company and the Subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company, by a Subsidiary on any class of capital stock or repurchase or redemption by the Company or any Subsidiary of any class of capital stock.

(h) Independent Accountants. Ernst & Young LLP, who have expressed their opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) and supporting schedules filed with the Commission as a part of the Registration Statement and included in the Prospectus, are independent public or certified public accountants as required by the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(i) Preparation of the Financial Statements. The financial statements filed with the Commission as a part of the Registration Statement and included in the Prospectus present fairly the consolidated financial position of the Company and the Subsidiaries as of and at the dates indicated and the results of their operations and cash flows for the periods specified. The supporting schedules, if any, included in the Registration Statement present fairly the information required to be stated therein. Such financial statements and supporting schedules have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement. The financial data set forth in the Prospectus under the captions "Prospectus Summary--Summary Consolidated Financial Data," "Selected Consolidated Financial Data" and "Capitalization" fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement.

(j) Incorporation and Good Standing of the Company and the Subsidiaries. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Massachusetts and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement. Each Subsidiary has been duly organized and is validly existing as a corporation or limited liability company in good standing under the laws of the jurisdiction of its organization and has power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus. Each of the Company and the Subsidiaries is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Change. The Company is the legal and beneficial owner of the capital stock or membership interest in each Subsidiary, as described in the Registration Statement. The Company owns its capital stock or membership interest in each Subsidiary free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim. Except as described in the Prospectus, the Company has no obligation to contribute capital to any Subsidiary pursuant to the organizational documents, operating agreement or certificate of formation of such Subsidiary or any contractual arrangement with any third party. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the Subsidiaries.

(k) Capitalization and Other Capital Stock Matters. The authorized, issued and outstanding capital stock of the Company as of May 14, 1999 was as set forth in the Prospectus under the caption "Capitalization." The Common Stock (including the Common Shares) conforms in all material respects to the description thereof contained in the Prospectus. All of the issued and outstanding shares of Common Stock (including the shares of Common Stock owned by Selling Stockholders) have been duly authorized and validly issued, are (except, in the case of shares purchased by officers of the Company under agreements which provide for the purchase price to be paid in installments, to the extent of the installments which are not yet due and payable) fully paid and nonassessable and have been issued in compliance with federal and state securities laws. None of the outstanding shares of Common Stock were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any Subsidiary other than those accurately described in the Prospectus. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Prospectus is an accurate and fair description in all material respects of such plans, arrangements, options and rights.

(l) Exchange Act and Nasdaq National Market Listing. The Common Stock (including the Common Shares) is registered pursuant to Section 12(g) of the Exchange Act and is listed on the Nasdaq National Market and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the Nasdaq National Market, nor has the Company received any notification that the Commission or the National Association of Securities Dealers, Inc. (the "NASD") is contemplating terminating such registration or listing.

(m) Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required. Neither the Company nor any Subsidiary is in violation of its charter or by-laws or is in default (or, with the giving of notice or lapse of time, would be in default) ("Default") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or such Subsidiary is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or such Subsidiary is subject (each, an "Existing Instrument"), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by

the Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, or require the consent of any other party to, any Existing Instrument, except for such conflicts, breaches, Defaults, liens, charges or encumbrances (i) as to which the Company has obtained prior to the date hereof a valid waiver or consent, a copy of which has been delivered to counsel for the Underwriters, or (ii) as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any Subsidiary. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act or applicable state securities or blue sky laws and from the NASD.

(n) No Material Actions or Proceedings. There are no legal or governmental actions, suits or proceedings pending or, to the best of the Company's knowledge, threatened (i) against the Company or any Subsidiary, (ii) which has as the subject thereof any officer or director of, or property owned or leased by, the Company or any Subsidiary or (iii) relating to environmental or discrimination matters, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company or any Subsidiary and (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement. No material labor dispute with the employees of the Company or any Subsidiary exists or, to the best of the Company's knowledge, is threatened or imminent.

(o) Intellectual Property Rights. The Company and each Subsidiary own or possess sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (collectively, "Intellectual Property Rights") reasonably necessary to conduct their businesses as now conducted; and the expected expiration of any of such Intellectual Property Rights would not result in a Material Adverse Change. Neither the Company nor any Subsidiary has received any notice of infringement or conflict with asserted Intellectual Property Rights of others, which

infringement or conflict, if the subject of an unfavorable decision, would result in a Material Adverse Change.

(p) All Necessary Permits, etc. The Company and each Subsidiary possess such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their respective businesses, except where any failure to possess the same, individually or in the aggregate, would not result in a Material Adverse Change, and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could result in a Material Adverse Change.

(q) Title to Properties. The Company and each Subsidiary have good and marketable title to all the properties and assets reflected as owned in the financial statements referred to in Section 1(A)(i) above (or elsewhere in the Prospectus), in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, claims and other defects, except such as are disclosed in the Prospectus or as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company or such Subsidiary. The real property, improvements, equipment and personal property held under lease by the Company or any Subsidiary are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such Subsidiary.

(r) Tax Law Compliance. The Company and each Subsidiary have filed all necessary federal, state and foreign income and franchise tax returns and have paid all taxes due and payable by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them, except as may be being contested in good faith and by appropriate proceedings. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(A)(i) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company or any Subsidiary has not been finally determined.

(s) Company Not an "Investment Company". The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Company is not, and after receipt of payment for the Common Shares will not be, an

"investment company" within the meaning of the Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(t) Insurance. The Company and each Subsidiary are insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses including, but not limited to, policies covering real and personal property owned or leased by the Company and any Subsidiary against theft, damage, destruction, acts of vandalism and earthquakes. The Company has no reason to believe that it or the Subsidiaries will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. Since November 27, 1993, neither the Company nor any Subsidiary has been denied any insurance coverage which it has sought or for which it has applied.

(u) No Price Stabilization or Manipulation. The Company has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Common Shares.

(v) Related Party Transactions. There are no business relationships or related-party transactions involving the Company or any Subsidiary or any other person required to be described in the Prospectus which have not been described as required.

(w) No Unlawful Contributions or Other Payments. Neither the Company nor any Subsidiary nor, to the best of the Company's knowledge, any employee or agent of the Company or any Subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Prospectus.

(x) ERISA Compliance. The Company and each Subsidiary and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company, any Subsidiary or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Company or any Subsidiary, any member of any group of

organizations described in Sections 414(b),(c),(m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company or any Subsidiary is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Company, any Subsidiary or any of their ERISA Affiliates. No "employee benefit plan" established or maintained by the Company, any Subsidiary or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA). Neither the Company, any Subsidiary nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each "employee benefit plan" established or maintained by the Company, any Subsidiary or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(y) Exchange Act Compliance. The Company has filed on a timely basis all reports and other documents required to be filed by it under the Exchange Act. All such reports and documents, as well as any such reports and documents filed by the Company from the date of this Agreement through the Second Closing Date, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the Exchange Act, and when filed, did not or will not contain an untrue statement of the material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Any certificate signed by an officer of the Company and delivered to the Representatives or to counsel for the Underwriters on the First Closing Date or the Second Closing Date shall be deemed to be a representation and warranty by the Company to each Underwriter as to the matters set forth therein.

B. REPRESENTATIONS AND WARRANTIES OF THE SELLING STOCKHOLDERS. Each Selling Stockholder, severally and not jointly, hereby represents, warrants and covenants to each Underwriter as follows:

(a) The Underwriting Agreement. This Agreement has been duly executed and delivered by or on behalf of such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification or contribution hereunder may be limited by applicable law and except as the enforcement



hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(b) The Custody Agreement and Power of Attorney. Each of the (i) Custody Agreement signed by or on behalf of such Selling Stockholder and BankBoston N.A., as custodian (the "Custodian"), relating to the deposit of the Common Shares to be sold by such Selling Stockholder (the "Custody Agreement") and (ii) Power of Attorney appointing certain individuals named therein as such Selling Stockholder's attorneys-in-fact (each, an "Attorney-in-Fact") to the extent set forth therein relating to the transactions contemplated hereby and by the Prospectus (the "Power of Attorney"), has been duly executed and delivered by or on behalf of such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification or contribution thereunder may be limited by applicable law and except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(c) Title to Common Shares to be Sold; All Authorizations Obtained. Such Selling Stockholder has, and on the First Closing Date and the Second Closing Date (as defined below) will have, good and valid title to all of the Common Shares which may be sold by such Selling Stockholder pursuant to this Agreement on such date and the legal right and power, and all authorizations and approvals required by law to enter into this Agreement, the Custody Agreement and its Power of Attorney, to sell, transfer and deliver all of the Common Shares which may be sold by such Selling Stockholder pursuant to this Agreement and to comply with its other obligations hereunder and thereunder.

(d) Delivery of the Common Shares to be Sold. Delivery of the Common Shares which are sold by such Selling Stockholder pursuant to this Agreement will pass good and valid title to such Common Shares, free and clear of any security interest, mortgage, pledge, lien, encumbrance or other claim (other than any arising out of an action taken by an Underwriter).

(e) Non-Contravention; No Further Authorizations or Approvals Required. The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement and its Power of Attorney will not contravene or conflict with, result in a breach of, or constitute a Default under, or require the consent of any other party to, any agreement or instrument to which such Selling Stockholder is a party or by which it is bound or under

which it is entitled to any right or benefit, any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder, except for any such contravention, conflict, breach or Default as to which the Company has obtained prior to the date hereof a valid waiver (a copy of which has been delivered to counsel for the Underwriters) and any such consent as has been obtained by the Company prior to the date hereof (a copy of which has been delivered to counsel for the Underwriters). No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in this Agreement, except such as have been obtained or made and are in full force and effect under the Securities Act or applicable state securities or blue sky laws and from the NASD.

(f) No Registration or Other Similar Rights. Such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived or complied with.

(g) No Further Consents, etc. No consent, approval or waiver is required under any instrument or agreement to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, in connection with the offering, sale or purchase by the Underwriters of any of the Common Shares which may be sold by such Selling Stockholder under this Agreement or the consummation by such Selling Stockholder of any of the other transactions contemplated hereby, except any such consent, approval or waiver as has been obtained by such Selling Stockholder prior to the date hereof, a copy of which has been delivered to counsel for the Underwriters.

(h) Disclosure Made by Such Selling Stockholder in the Prospectus. All information furnished by or on behalf of such Selling Stockholder in writing expressly for use in the Registration Statement and Prospectus is, and on the First Closing Date and the Second Closing Date will be, true, correct, and complete in all material respects, and does not, and on the First Closing Date and the Second Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading. Such Selling Stockholder confirms as accurate the number of shares of Common Stock set forth opposite such Selling Stockholder's name in the Prospectus under the caption "Principal and Selling

Stockholders" (both prior to and after giving effect to the sale of the Common Shares).

(i) No Price Stabilization or Manipulation. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Common Shares.

(j) Registration Statement and Prospectus. Such Selling Stockholder has reviewed the Registration Statement and the Prospectus and, to the knowledge of such Selling Stockholder, neither the Registration Statement nor the Prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Such Selling Stockholder has no knowledge of any material fact, condition or information not disclosed in the Registration Statement or the Prospectus which has had or may have a Material Adverse Effect and is not prompted to sell shares of Common Stock by any information concerning the Company which is not set forth in the Registration Statement and the Prospectus.

Any certificate signed by or on behalf of any Selling Stockholder and delivered to the Representatives or to counsel for the Underwriters on the First Closing Date or the Second Closing Date shall be deemed to be a representation and warranty by such Selling Stockholder to each Underwriter as to the matters covered thereby.

## SECTION 2. PURCHASE, SALE AND DELIVERY OF THE COMMON SHARES.

The Firm Common Shares. Upon the terms herein set forth, (i) the Company agrees to issue and sell to the several Underwriters an aggregate of 200,000 Firm Common Shares and (ii) the Selling Stockholders agree, severally and not jointly, to sell to the several Underwriters an aggregate of 1,800,000 Firm Common Shares, each Selling Stockholder selling the number of Firm Common Shares set forth opposite such Selling Stockholder's name on SCHEDULE B. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Company and the Selling Stockholders the respective number of Firm Common Shares set forth opposite their names on SCHEDULE A. The purchase price per Firm Common Share to be paid by the several Underwriters to the Company and the Selling Stockholders shall be \$\_\_\_\_\_ per share.

The First Closing Date. Delivery of certificates for the Firm Common Shares to be purchased by the Underwriters and payment therefor shall be made at the offices

of BAS, 600 Montgomery Street, San Francisco, California (or such other place as may be agreed to by the Company and the Representatives) at 6:00 a.m. San Francisco time, on \_\_\_\_\_, 1999 or such other time and date not later than 10:30 a.m. San Francisco time, on \_\_\_\_\_, 1999 as the Representatives shall designate by notice to the Company (the time and date of such closing are called the "First Closing Date"). The Company and the Selling Stockholders hereby acknowledge that circumstances under which the Representatives may provide notice to postpone the First Closing Date as originally scheduled include, but are in no way limited to, any determination by the Company or the Representatives to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 10.

The Optional Common Shares; the Second Closing Date. In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Selling Stockholders hereby grant, severally and not jointly, an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 300,000 Optional Common Shares from the Selling Stockholders at the purchase price per share to be paid by the Underwriters for the Firm Common Shares. The option granted hereunder is for use by the Underwriters solely in covering any over-allotments in connection with the sale and distribution of the Firm Common Shares. The option granted hereunder may be exercised at any time (but not more than once) upon notice by the Representatives to the Company and the Selling Stockholders, which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Common Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Common Shares are to be registered and (iii) the time, date and place at which such certificates are to be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in such case the term "First Closing Date" shall refer to the time and date of delivery of certificates for the Firm Common Shares and the Optional Common Shares). Such time and date of delivery, if subsequent to the First Closing Date, is called the "Second Closing Date" and shall be determined by the Representatives and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. If any Optional Common Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be purchased as the number of Firm Common Shares set forth on SCHEDULE A opposite the name of such Underwriter bears to the total number of Firm Common Shares and (b) each Selling Stockholder agrees, severally and not jointly, to sell the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be sold

as the number of Optional Common Shares set forth in SCHEDULE B opposite the name of such Selling Stockholder bears to the total number of Optional Common Shares. The Representatives may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company and the Selling Stockholders.

Public Offering of the Common Shares. The Representatives hereby advise the Company and the Selling Stockholders that the Underwriters intend to offer for sale to the public, as described in the Prospectus, their respective portions of the Common Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representatives, in their sole judgment, have determined is advisable and practicable.

Payment for the Common Shares. Payment for the Common Shares to be sold by the Company shall be made at the First Closing Date by wire transfer of immediately available funds to the order of the Company. Payment for the Common Shares to be sold by the Selling Stockholders shall be made at the First Closing Date (and, if applicable, at the Second Closing Date) by wire transfer of immediately available funds to the order of the Custodian.

It is understood that the Representatives have been authorized, for their own account and the accounts of the several Underwriters, to accept delivery of and give receipt for, and make payment of the purchase price for, the Firm Common Shares and any Optional Common Shares the Underwriters have agreed to purchase. BAS, individually and not as a Representative of the Underwriters, may (but shall not be obligated to) make payment for any Common Shares to be purchased by any Underwriter whose funds shall not have been received by the Representatives by the First Closing Date or the Second Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

Each Selling Stockholder hereby agrees that (i) it will pay all stock transfer taxes, stamp duties and other similar taxes, if any, payable upon the sale or delivery of the Common Shares to be sold by such Selling Stockholder to the several Underwriters, or otherwise in connection with the performance of such Selling Stockholder's obligations hereunder and (ii) the Custodian is authorized to deduct for such payment any such amounts from the proceeds to such Selling Stockholder hereunder and to hold such amounts for the account of such Selling Stockholder with the Custodian under the Custody Agreement.

Delivery of the Common Shares. The Company and the Selling Stockholders shall, severally and not jointly, deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters certificates for the Firm Common Shares to be sold by them at the First Closing Date, against the irrevocable

release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company and the Selling Stockholders shall, severally and not jointly, also deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters, certificates for the Optional Common Shares the Underwriters have agreed to purchase from them at the First Closing Date or the Second Closing Date, as the case may be, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Common Shares shall be in definitive form and registered in such names and denominations as the Representatives shall have requested at least two full business days prior to the First Closing Date (or the Second Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the Second Closing Date, as the case may be) at a location in New York City as the Representatives may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

Delivery of Prospectus to the Underwriters. Not later than 12:00 p.m. San Francisco time on the second business day following the date the Common Shares are released by the Underwriters for sale to the public, the Company shall deliver or cause to be delivered copies of the Prospectus in such quantities and at such places as the Representatives shall request.

### SECTION 3. ADDITIONAL COVENANTS.

A. COVENANTS OF THE COMPANY. The Company further covenants and agrees with each Underwriter as follows:

(a) Representatives' Review of Proposed Amendments and Supplements. During such period beginning on the date hereof and ending on the later of the First Closing Date or such date, as in the opinion of counsel for the Underwriters, the Prospectus is no longer required by law to be delivered in connection with sales by an Underwriter or dealer (the "Prospectus Delivery Period"), prior to amending or supplementing the Registration Statement (including any registration statement filed under Rule 462(b) under the Securities Act) or the Prospectus (including any amendment or supplement through incorporation by reference of any report filed under the Exchange Act), the Company shall furnish to the Representatives for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which a Representative reasonably objects in writing within 48 hours after receipt.

(b) Securities Act Compliance. After the date of this Agreement, the Company shall promptly advise the Representatives in writing (i) of the receipt of any comments of, or requests for additional or supplemental information

from, the Commission relating to the Registration Statement, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A and 434, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

(c) Amendments and Supplements to the Prospectus and Other Securities Act Matters. If, during the Prospectus Delivery Period, any event shall occur or condition shall exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the reasonable opinion of the Representatives or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with law, the Company agrees to promptly prepare (subject to Section 3(A)(a) hereof), file with the Commission and furnish at its own expense to the Underwriters and to dealers, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) Copies of any Amendments and Supplements to the Prospectus. The Company agrees to furnish the Representatives, without charge, during the Prospectus Delivery Period, as many copies of the Prospectus and any amendments and supplements thereto (including any documents incorporated or deemed incorporated by reference therein) as the Representatives may reasonably request.

(e) Blue Sky Compliance. The Company shall cooperate with the Representatives and counsel for the Underwriters to qualify or register the Common Shares for sale under (or obtain exemptions from the application of)

the Blue Sky or state securities laws or Canadian provincial securities laws of those jurisdictions designated by the Representatives, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Common Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representatives promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Common Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(f) Use of Proceeds. The Company shall apply the net proceeds from the sale of the Common Shares sold by it in the manner described under the caption "Use of Proceeds" in the Prospectus.

(g) Transfer Agent. The Company shall maintain, at its expense, a registrar and transfer agent for the Common Stock.

(h) Earnings Statement. As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement (which need not be audited) covering the twelve-month period ending November 25, 2000 that satisfies the provisions of Section 11(a) of the Securities Act.

(i) Periodic Reporting Obligations. During the Prospectus Delivery Period the Company shall file, on a timely basis, with the Commission and, to the extent required under the regulations thereof, the Nasdaq National Market all reports and documents required to be filed under the Exchange Act.

(j) Agreement Not To Offer or Sell Additional Securities. During the period of 90 days following the date of the Prospectus, the Company will not, without the prior written consent of BAS (which consent may be withheld at the sole discretion of BAS), directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any shares of Common Stock, options or warrants to acquire shares of the Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock (other than as contemplated by this Agreement with respect to



the Common Shares); provided, however, that the Company may: (i) issue shares of its Common Stock or options to purchase its Common Stock, or Common Stock upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Prospectus, but only if the holders of such shares, options, or shares issued upon exercise of such options, agree in writing with BAS not to sell, offer, dispose of or otherwise transfer any such shares or options during such 90 day period without the prior written consent of BAS (which consent may be withheld at the sole discretion of BAS) or, in the case of stock options, such options may not be exercised during such 90 day period; (ii) file one or more registration statements on Form S-8 covering shares of Common Stock issuable pursuant to any stock option or stock purchase plan described in the Prospectus; or (iii) issue shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock, as payment for all or part of the purchase price of an acquisition by the Company of another company or business, provided the total number of shares of Common Stock issuable in connection with such acquisition (including shares issuable upon exchange, exercise or conversion of any other securities of the Company issued in connection with such acquisition) does not exceed 10% of the number of shares of Common Stock outstanding immediately prior to such acquisition, and provided further that each person or entity receiving any such shares or securities in connection with such acquisition agrees in writing with BAS not to sell, offer, dispose of or otherwise transfer any such shares or securities during such 90 day period without the prior written consent of BAS (which consent may be withheld at the sole discretion of BAS).

(k) Future Reports to the Representatives. During the period of five years hereafter the Company will furnish to each Representative (with the copy to BAS to be sent to 600 Montgomery Street, San Francisco, CA 94111 Attention: Edward H. Schweitzer): (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission, the NASD or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its capital stock.

B. COVENANTS OF THE SELLING STOCKHOLDERS. Each Selling Stockholder further covenants and agrees, severally and not jointly, with each Underwriter:

(a) Agreement Not to Offer or Sell Additional Securities. Such Selling Stockholder will not, without the prior written consent of BAS (which consent may be withheld in its sole discretion), directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, 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 currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under the Exchange, except that a 90-day period shall be used rather than the 60-day period set forth therein) by the undersigned, or publicly announce the undersigned's intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on the date 90 days after the date of the Prospectus; provided, however, that such Selling Stockholder may sell or otherwise transfer any such shares or securities (i) to the Company and (ii) to an officer of the Company, provided such officer agrees in writing with BAS not to sell, offer, dispose of or otherwise transfer any such shares or securities during such 90-day period without the prior written consent of BAS (which consent may be withheld at the sole discretion of BAS).

(b) Delivery of Forms W-8 and W-9. Such Selling Stockholder will deliver to the Representatives prior to the First Closing Date a properly completed and executed United States Treasury Department Form W-8 (if the Selling Stockholder is a non-United States person) or Form W-9 (if the Selling Stockholder is a United States Person).

BAS, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company or any Selling Stockholder of any one or more of the foregoing covenants or extend the time for their performance.

SECTION 4. PAYMENT OF EXPENSES. The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Common Shares sold by it (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Common Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), each preliminary prospectus and the Prospectus, and all amendments and supplements

thereto, and this Agreement, (vi) all filing fees, attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Common Shares for offer and sale under the Blue Sky laws and the Canadian provincial securities laws, and, if requested by the Representatives, preparing and printing a "Blue Sky Survey" or memorandum, and any supplements thereto, advising the Underwriters of such qualifications, registrations and exemptions, (vii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the NASD's review and approval of the Underwriters' participation in the offering and distribution of the Common Shares, (viii) the fees and expenses associated with listing the Common Shares on the Nasdaq National Market, and (ix) all other fees, costs and expenses referred to in Item 14 of Part II of the Registration Statement. Except as provided in this Section 4, Section 6, Section 8 and Section 9 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

The Selling Stockholders further agree, severally and not jointly, with each Underwriter to pay (directly or by reimbursement) all fees and expenses incident to the performance of their respective obligations under this Agreement which are not otherwise specifically provided for herein, including but not limited to (i) fees and expenses of counsel and other advisors for such Selling Stockholders, (ii) fees and expenses of the Custodian and (iii) expenses and taxes incident to the sale and delivery of the Common Shares to be sold by such Selling Stockholders to the Underwriters hereunder (which taxes, if any, may be deducted by the Custodian under the provisions of Section 2 of this Agreement). This Section 4 shall not affect or modify any separate, valid agreement relating to the allocation of payment of expenses between the Company, on the one hand, and the Selling Stockholders, on the other hand.

SECTION 5. CONDITIONS OF THE OBLIGATIONS OF THE UNDERWRITERS. The obligations of the several Underwriters to purchase and pay for the Common Shares as provided herein on the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders set forth in Sections 1(A) and 1(B) hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), as of the Second Closing Date as though then made, to the timely performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to each of the following additional conditions:

(a) Accountants' Comfort Letter. On the date hereof, the Representatives shall have received from Ernst & Young LLP, independent

public or certified public accountants for the Company, a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representatives, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus (and each Representative shall have received an additional conformed copy of such accountants' letter).

(b) Compliance with Registration Requirements; No Stop Order; No Objection from NASD. For the period from and after effectiveness of this Agreement and prior to the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date:

(i) the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective; or, if the Company elected to rely upon Rule 434 under the Securities Act and obtained the Representatives' consent thereto, the Company shall have filed a Term Sheet with the Commission in the manner and within the time period required by such Rule 424(b);

(ii) no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission; and

(iii) the NASD shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) No Material Adverse Change. For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date, in the judgment of the Representatives there shall not have occurred any Material Adverse Change.

(d) Opinion of Counsel for the Company. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received the opinion of Foley, Hoag & Eliot LLP, counsel for the Company, dated as of such Closing Date, the form of which is attached as Exhibit A (and each Representative shall have received an additional conformed copy of such counsel's legal opinion).

(e) Opinion of Counsel for the Underwriters. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received the opinion of Hale and Dorr LLP, counsel for the Underwriters, dated as of such Closing Date, with respect to such matters as may be reasonably requested by the Representatives (and each Representative shall have received an additional conformed copy of such counsel's legal opinion).

(f) Officers' Certificate. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received a written certificate executed by the Chairman of the Board, Chief Executive Officer or President of the Company and the Chief Financial Officer or Chief Accounting Officer of the Company, dated as of such Closing Date, to the effect set forth in subsection (b)(ii) of this Section 5, and further to the effect that:

(i) for the period from and after the date of this Agreement and prior to such Closing Date, there has not occurred any Material Adverse Change;

(ii) the representations, warranties and covenants of the Company set forth in Section 1(A) of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and

(iii) the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(g) Bring-down Comfort Letter. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received from Ernst & Young LLP, independent public or certified public accountants for the Company, a letter dated such date, in form and substance satisfactory

to the Representatives, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a) of this Section 5, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or Second Closing Date, as the case may be (and each Representative shall have received an additional conformed copy of such accountants' letter).

(h) Opinion of Counsel for the Selling Stockholders. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received opinions of Foley, Hoag & Eliot LLP and other attorneys reasonably acceptable to the Representatives, in each case as special counsel for the Selling Stockholders, dated as of such Closing Date, the form of which is attached as EXHIBIT B (and each Representative shall have received an additional conformed copy of each such counsel's legal opinion).

(i) Selling Stockholders' Certificate. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date the Representatives shall have received a written certificate executed by an Attorney-in-Fact of each Selling Stockholder, dated as of such Closing Date, to the effect that:

(i) the representations, warranties and covenants of such Selling Stockholder set forth in Section 1(B) of this Agreement are true and correct with the same force and effect as though expressly made by such Selling Stockholder on and as of such Closing Date; and

(ii) such Selling Stockholder has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(j) Selling Stockholders' Documents. On the date hereof, the Company and the Selling Stockholders shall have furnished for review by the Representatives copies of the Powers of Attorney and Custody Agreement executed by or on behalf of each of the Selling Stockholders and such further information, certificates and documents as the Representatives may reasonably request.

(k) Lock-Up Agreement from Certain Stockholders of the Company Other Than Selling Stockholders. On the date hereof, the Company shall have furnished to the Representatives an agreement in the form of EXHIBIT C hereto from each director, each officer and each beneficial owner of at least 25,000 shares of Common Stock (as defined and determined according to Rule 13d-3 under the Exchange Act, except that a 90-day period shall be used rather than

the 60-day period set forth therein) who is an employee of the Company, other than the Selling Stockholders, and such agreement shall be in full force and effect on each of the First Closing Date and the Second Closing Date.

(1) Additional Documents. On or before each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the Second Closing Date, the Representatives and counsel for the Underwriters shall have received such other information and documents as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Common Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representatives by notice to the Company and an Attorney-in-Fact at any time on or prior to the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), at any time prior to the Second Closing Date, which termination shall be without liability on the part of any party to any other party, except that this paragraph, Section 4, Section 6, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

SECTION 6. REIMBURSEMENT OF UNDERWRITERS' EXPENSES. If this Agreement is terminated by the Representatives pursuant to Section 5, clauses (i), (v) or (vi) of Section 11 or Section 17, or if the sale to the Underwriters of the Common Shares on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company or a Selling Stockholder to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representatives and the other Underwriters severally, upon demand for all out-of-pocket expenses that shall have been reasonably incurred by the Representatives and the other Underwriters in connection with the proposed purchase and the offering and sale of the Common Shares, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

#### SECTION 7. EFFECTIVENESS OF THIS AGREEMENT.

This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification by the Commission to the Company of the effectiveness of the Registration Statement under the Securities Act, and the notification by the Company to the Representatives of the receipt of such notification by the Commission.

Prior to such effectiveness, this Agreement may be terminated by any party by notice to each of the other parties hereto, and any such termination shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Section 4 hereof, (b) of any Underwriter to the Company or any Selling Stockholder, or (c) of any party hereto to any other party, except that the provisions of this paragraph, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

#### SECTION 8. INDEMNIFICATION.

(a) Indemnification of the Underwriters. The Company and each of the Selling Stockholders, jointly and severally, agree to indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act and the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) in whole or in part upon any inaccuracy in the representations and warranties of the Company or the Selling Stockholders contained herein; or (iv) in whole or in part upon any failure of the Company or the Selling Stockholders to perform their respective obligations hereunder or under law; or (v) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i) or (ii) above; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the reasonable fees and disbursements of counsel chosen by BAS) as such expenses are reasonably incurred by such Underwriter



or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Notwithstanding the foregoing: (A) neither the Company nor any Selling Stockholder shall be liable under clause (v) of the preceding sentence to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its bad faith, negligence or willful misconduct; (B) the indemnity and reimbursement agreements in the preceding sentence shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Representatives expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); (C) with respect to any preliminary prospectus, the indemnity and reimbursement agreements in the preceding sentence shall not inure to the benefit of any Underwriter from whom the person asserting any loss, claim, damage, liability or expense purchased Common Shares, or any person controlling such Underwriter, if copies of the Prospectus were timely delivered to the Underwriter pursuant to Section 2 and a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Common Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage, liability or expense; (D) the indemnity and reimbursement agreements of a Selling Stockholder set forth in clauses (iii) and (iv) of the preceding sentence shall not apply to any inaccuracy in the representations and warranties of the Company or any other Selling Stockholder or to any failure of the Company or any other Selling Stockholder to perform their respective obligations hereunder or under law; (E) the liability of each Selling Stockholder under the indemnity and reimbursement agreements in the preceding sentence, or otherwise for a breach of such Selling Stockholder's representations or warranties set forth in this Agreement, shall be limited to an amount equal to the public offering price of the Common Shares sold by such Selling Stockholder, less the underwriting discount, as set forth on the front cover page of the Prospectus; and (F) the Company and the Selling Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible. The indemnity and reimbursement agreements set forth in this Section 8(a) shall be in addition to any liabilities that the Company and the Selling Stockholders may otherwise have.

(b) Indemnification of the Company, its Directors and Officers and the Selling Stockholders. Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement, the Selling Stockholders and each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer, Selling Stockholder or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case under clause (i) above and this clause (ii) to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the Prospectus (or any amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company by a Representative expressly for use therein; or (iii) any failure of the Underwriters to perform their respective obligations hereunder or under law; and to reimburse the Company, and each such director, officer, Selling Stockholder and controlling person for any and all legal and other expenses as such expenses are reasonably incurred by the Company, or any such director, officer, Selling Stockholder or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company and each of the Selling Stockholders hereby acknowledge that the only information that the Underwriters have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) are the statements set forth in the table in the first paragraph and as the second and seventh through tenth paragraphs under the caption "Underwriting" in the Prospectus; and the Underwriters confirm that such statements are correct. The

indemnity and reimbursement agreements set forth in this Section 8(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) Notifications and Other Indemnification Procedures.

Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 8 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (BAS in the case of Section 8(b) and Section 9), representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the

reasonable fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) Settlements. The indemnifying party under this Section 8 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment; provided that in the case of a final judgment, such indemnity shall be only to the extent provided in Section 8(a), 8(b) or 8(c), as the case may be. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 8(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the specific terms of such settlement at least 15 days prior to such settlement being effected, and (iii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

SECTION 9. CONTRIBUTION. If the indemnification provided for in Section 8 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Common Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements in or omissions from any preliminary prospectus, the

Prospectus or the Registration Statement (or any amendment or supplement to any of the foregoing) or inaccuracies in the representations and warranties herein which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Common Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Common Shares pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discount received by the Underwriters, in each case as set forth on the front cover page of the Prospectus (or, if Rule 434 under the Securities Act is used, the corresponding location on the Term Sheet) bear to the aggregate public offering price of the Common Shares as set forth on such cover page or such Term Sheet, as the case may be. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact or any such inaccurate or alleged inaccurate representation or warranty relates to information supplied by the Company or the Selling Stockholders, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 8(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating, defending, settling or compromising any action or claim. The provisions set forth in Section 8(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 9; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 8(c) for purposes of indemnification.

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9.

Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting discount received by such Underwriter in connection with the Common Shares underwritten by it and distributed to the public nor shall any Selling Stockholder be required to contribute any amount in excess of the public offering price of the Common Shares sold by such

Selling Stockholder, less the underwriting discount, as set forth on the front cover page of the Prospectus. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their names in SCHEDULE A. For purposes of this Section 9, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company, and each person, if any, who controls a Selling Stockholder within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Selling Stockholder.

SECTION 10. DEFAULT OF ONE OR MORE OF THE SEVERAL UNDERWRITERS. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Common Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Common Shares to be purchased on such date, the other Underwriters shall be obligated, severally, in the proportions that the number of Firm Common Shares set forth opposite their respective names on SCHEDULE A bears to the aggregate number of Firm Common Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Common Shares and the aggregate number of Common Shares with respect to which such default occurs exceeds 10% of the aggregate number of Common Shares to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the purchase of such Common Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any non-defaulting party to any other party except that the provisions of this sentence, Section 4, Section 8 and Section 9 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term "Underwriter" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 10. Any action taken under this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

SECTION 11. TERMINATION OF THIS AGREEMENT. Prior to the First Closing Date this Agreement may be terminated by the Representatives by notice given to the Company and the Custodian if at any time (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by the Nasdaq Stock Market; (ii) trading in securities generally on either the Nasdaq Stock Market or the New York Stock Exchange shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or the NASD; (iii) a general banking moratorium shall have been declared by any of federal, New York or California authorities; (iv) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions, as in the judgment of the Representatives is material and adverse and makes it impracticable to market the Common Shares in the manner and on the terms described in the Prospectus or to enforce contracts for the sale of securities; (v) in the judgment of the Representatives there shall have occurred any Material Adverse Change; or (vi) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representatives may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured. Any termination pursuant to this Section 11 shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company and the Selling Stockholders shall be obligated to reimburse the expenses of the Representatives and the other Underwriters pursuant to Sections 4 and 6 hereof, (b) any Underwriter to the Company or any Selling Stockholder, or (c) of any party hereto to any other party except that the provisions of this sentence, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

SECTION 12. REPRESENTATIONS AND INDEMNITIES TO SURVIVE DELIVERY. The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers, of the Selling Stockholders and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company or the Selling Stockholders or any of their partners, officers or directors or any controlling person, as the case may be, and will survive

delivery of and payment for the Common Shares sold hereunder and any termination of this Agreement.

SECTION 13. NOTICES. All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representatives:

Banc of America Securities LLC  
600 Montgomery Street  
San Francisco, California 94111  
Facsimile: 415-249-5558  
Attention: Richard A. Smith

with a copy to:

Banc of America Securities LLC  
600 Montgomery Street  
San Francisco, California 94111  
Facsimile: (415) 249-5553  
Attention: David A. Baylor, Esq.

If to the Company:

Charles River Associates Incorporated  
200 Clarendon Street  
Boston, Massachusetts 02116  
Facsimile: (617) 425-3132  
Attention: President

With a copy to:

Foley, Hoag & Eliot LLP  
One Post Office Square  
Boston, Massachusetts 02109  
Facsimile: (617) 832-7000  
Attention: Peter M. Rosenblum, Esq.



If to the Selling Stockholders:

BankBoston, N.A.  
150 Royall Street  
Canton, MA 02021  
Facsimile: (781) 575-2549  
Attention: Carole McHugh

With a copy to:

Foley, Hoag & Eliot LLP  
One Post Office Square  
Boston, Massachusetts 02109  
Facsimile: (617) 832-7000  
Attention: Peter M. Rosenblum, Esq.

Any party hereto may change the address for receipt of communications by giving written notice to the others.

SECTION 14. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 10 hereof, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 8 and Section 9, and in each case their respective successors, and personal representatives, and no other person will have any right or obligation hereunder. No assignment shall relieve any party of its obligations hereunder. The term "successors" shall not include any purchaser of the Common Shares as such from any of the Underwriters merely by reason of such purchase.

SECTION 15. PARTIAL UNENFORCEABILITY. The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

SECTION 16. GOVERNING LAW PROVISIONS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE.

SECTION 17. FAILURE OF ONE OR MORE OF THE SELLING STOCKHOLDERS TO SELL AND DELIVER COMMON SHARES. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Common Shares to be sold and delivered by

such Selling Stockholders at the First Closing Date pursuant to this Agreement, then the Underwriters may at their option, by written notice from the Representatives to the Company and the Custodian, either (i) terminate this Agreement without any liability on the part of any Underwriter or, except as provided in Sections 4, 6, 8 and 9 hereof, the Company or the Selling Stockholders (other than such defaulting Selling Stockholders), or (ii) purchase the shares which the Company and the other Selling Stockholders have agreed to sell and deliver in accordance with the terms hereof. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Common Shares to be sold and delivered by such Selling Stockholders pursuant to this Agreement at the First Closing Date or the Second Closing Date, then the Underwriters shall have the right, by written notice from the Representatives to the Company and the Custodian, to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

SECTION 18. GENERAL PROVISIONS. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Table of Contents and the Section and paragraph headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 8 and the contribution provisions of Section 9, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 8 and 9 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company and the Custodian the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

CHARLES RIVER ASSOCIATES  
INCORPORATED

By: \_\_\_\_\_  
President

EACH OF THE SELLING STOCKHOLDERS

By: \_\_\_\_\_  
(Attorney-in-fact)

The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives in San Francisco, California as of the date first above written.

BANC OF AMERICA SECURITIES LLC  
WILLIAM BLAIR & COMPANY, L.L.C.  
SALOMON SMITH BARNEY INC.

Acting as Representatives of the several Underwriters named in the attached SCHEDULE A.

By BANC OF AMERICA SECURITIES LLC

By: \_\_\_\_\_

SCHEDULE A

UNDERWRITERS	NUMBER OF FIRM COMMON SHARES TO BE PURCHASED
Banc of America Securities LLC.....	
William Blair & Company, L.L.C.....	
Salomon Smith Barney Inc.....	
Total.....	----- 2,000,000 =====

## SCHEDULE B

SELLING STOCKHOLDER	NUMBER OF FIRM COMMON SHARES TO BE SOLD -----	MAXIMUM NUMBER OF OPTIONAL COMMON SHARES TO BE SOLD -----
James C. Burrows.....	85,000	--
Franklin M. Fisher.....	90,167	--
Steven C. Salop.....	120,332	22,947
Firoze E. Katrak.....	90,339	20,049
Rowland T. Moriarty.....	93,122	18,493
William B. Burnett.....	91,483	20,302
Carl Kaysen.....	19,821	4,399
Laurel E. Morrison.....	11,041	1,692
Richard S. Ruback.....	80,275	16,000
Jagdish C. Agarwal.....	60,988	13,535
Thomas R. Overstreet.....	60,988	13,535
Alan R. Willens.....	55,178	12,245
Stanley M. Besen.....	32,678	7,252
Michael A. Kemp.....	21,775	--
Bridger M. Mitchell.....	45,000	--
Deloris R. Wright.....	53,363	11,843
Daniel Brand.....	35,067	7,782
Steven R. Brenner.....	35,067	433
George C. Eads.....	35,067	7,782
W. David Montgomery.....	35,067	7,782
Gary L. Roberts.....	35,067	7,782
Louis L. Wilde.....	35,067	7,782
Stephen H. Kalos.....	15,000	--
Arnold J. Lowenstein.....	30,494	4,506
C. Christopher Maxwell.....	30,494	6,767

SELLING STOCKHOLDER	NUMBER OF FIRM COMMON SHARES TO BE SOLD -----	MAXIMUM NUMBER OF OPTIONAL COMMON SHARES TO BE SOLD -----
Robert M. Spann.....	30,494	6,767
John R. Woodbury.....	30,494	6,767
Monica G. Noether.....	17,500	--
Robert J. Larner and Anne M. Larner.....	26,300	5,837
Joan E. Greenwood.....	18,000	--
William R. Hughes.....	6,322	1,403
Gregory K. Bell.....	19,059	4,230
Paul R. Milgrom.....	12,500	--
Douglas R. Bohi.....	7,623	1,692
Kenneth L. Grinnell as Trustee of The James C. Burrows Qualified Annuity Trust -- 1998.....	55,206	8,459
Carl Shapiro.....	31,793	--
Jenny Fitz Moriarty as Trustee of The Rowland T. Moriarty Qualified Annuity Trust 1998.....	40,250	8,237
Judith R. Gelman as Trustee of The Salop Irrevocable GST -- Exempt Trust 1998.....	38,048	7,559
Judith R. Gelman as Trustee of The Salop Irrevocable GST -- Taxable Trust 1998.....	38,048	7,559
Abigail S. Fisher.....	16,838	3,737
Naomi L. Zikmund - Fisher.....	15,038	3,737
Abraham S. Fisher.....	14,678	3,737
Marlene Besen as Trustee of The Besen Family Trust.....	20,685	4,591
Elaine M. Ruback as Trustee of The Ruback Children's Family Trust.....	21,019	4,302
Mary F. Hughes as Trustee of The William R. Hughes Irrevocable Trust 1998.....	16,548	3,672
Abigail S. Fisher as Trustee of the Abigail S. Fisher GST Trust.....	7,219	1,602
Naomi L. Zikmund-Fisher as Trustee of the Naomi L. Fisher GST Trust.....	7,219	1,602
Abraham S. Fisher as Trustee of the Abraham S. Fisher GST Trust.....	7,219	1,602
The Boston Foundation, Inc.....	2,160	--
The HLA Registry Foundation, Inc.....	1,800	--
	-----	-----
Total:.....	1,800,000	300,000
	=====	=====

FOLEY, HOAG & ELIOT LLP  
ONE POST OFFICE SQUARE  
BOSTON, MASSACHUSETTS 02109-2170

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TELEPHONE 617-832-1000 1747 Pennsylvania Avenue, N.W.  
FACSIMILE 617-832-7000 Washington, D.C. 20006  
http://www.fhe.com TEL: 202-223-1200  
FAX: 202-785-6687

September 21, 1999

Charles River Associates Incorporated  
200 Clarendon Street  
Boston, Massachusetts 02116

Ladies and Gentlemen:

We are familiar with the Registration Statement on Form S-3 (Registration No. 333-85899), as amended by Amendment No. 1 thereto (as amended, the "Registration Statement"), filed by Charles River Associates Incorporated, a Massachusetts corporation (the "Company"), with the Securities and Exchange Commission under the Securities Act of 1933, as amended. The Registration Statement relates to the proposed public offering by the Company of 200,000 shares (the "Company Shares") of its Common Stock, without par value (the "Common Stock"), to be issued by the Company and to the proposed public offering by certain stockholders of the Company (the "Selling Stockholders") of an aggregate of 2,100,000 additional shares (the "Stockholder Shares") of such Common Stock. (The foregoing number of Stockholder Shares assumes the exercise in full of the over-allotment option described in the Registration Statement.)

We are familiar with the Company's Articles of Organization and all amendments thereto and restatements thereof, its By-Laws and all amendments thereto and restatements thereof, the records of meetings and consents of its Board of Directors and of its stockholders provided to us by the Company, and its stock records. In addition, we have examined and relied on the originals or copies certified or otherwise identified to our satisfaction of all such corporate records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

Based on the foregoing, it is our opinion that:

1. The Company has corporate power adequate for the issuance of the Company Shares in accordance with the Registration Statement. The Company has taken all necessary corporate action required to authorize the issuance and sale of the Company Shares. When certificates for the

Charles River Associates Incorporated  
September 21, 1999  
Page 2

Company Shares have been duly executed and countersigned, and delivered against due receipt of consideration therefor as described in the Registration Statement, the Company Shares will be legally issued, fully paid and non-assessable.

2. Upon the due execution, countersignature and delivery of certificates for the Stockholder Shares, the Stockholder Shares will be legally issued, fully paid and non-assessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us under the heading "Legal Matters" in the prospectus forming part of the Registration Statement.

Very truly yours,

Foley, Hoag & Eliot LLP

By: /s/ William R. Kolb  
-----  
A Partner



## CONSENT OF ERNST &amp; YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Selected Consolidated Financial Data" and "Experts" and to the use of our report dated December 30, 1998, in Amendment No. 1 to the Registration Statement (Form S-3) and related Prospectus of Charles River Associates Incorporated for the registration of 2,300,000 shares of Common Stock, and to the incorporation by reference therein of our report dated December 30, 1998, with respect to the consolidated financial statements of Charles River Associates Incorporated included in its Annual Report (Form 10-K) for the year ended November 28, 1998, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts  
September 21, 1999

## CHARLES RIVER ASSOCIATES INCORPORATED

## INDEMNITY AGREEMENT

This Indemnity Agreement is made as of \_\_\_\_\_, 1999 by and among Charles River Associates Incorporated, a Massachusetts corporation (the "Company"), and the stockholders of the Company named in EXHIBIT A hereto (the "Selling Stockholders").

WHEREAS, the Company and the Selling Stockholders propose to sell an aggregate of up to 2,300,000 shares of the common stock, without par value (the "Common Stock"), of the Company to the several underwriters (the "Underwriters") named in that certain underwriting agreement (the "Underwriting Agreement") of even date herewith by and among the Company, the Selling Stockholders, Banc of America Securities LLC, William Blair & Company, L.L.C. and Salomon Smith Barney Inc., as representatives of the Underwriters, upon the terms described in the Underwriting Agreement; and

WHEREAS, pursuant to Section 8 of the Underwriting Agreement, the Selling Stockholders have agreed to indemnify the Underwriters in certain respects and contribute to the payment of certain amounts and the Selling Stockholders desire that the Company agree to indemnify them in certain respects and contribute to the payment of certain amounts as hereinafter provided;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Selling Stockholders hereby agree as follows:

1. INDEMNIFICATION OF THE SELLING STOCKHOLDERS. The Company shall indemnify and hold harmless each Selling Stockholder, and each person, if any, who controls any Selling Stockholder within the meaning of Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any loss, claim, damage, liability or expense, as incurred, to which such Selling Stockholder or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law, under Section 8 or Section 9 of the Underwriting Agreement, or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Selling Stockholder or such controlling person, as the case may be), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any failure, omission or alleged failure or omission on the part of the Company, in connection with the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) or the offering contemplated thereby, to comply with any provision of the Securities Act and the then applicable rules and regulations of the Securities and Exchange Commission or other federal agency at the time charged with administration of the Securities Act; (ii) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A or Rule 434 under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary

prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) in whole or in part upon any inaccuracy in the representations and warranties of the Company contained in the Underwriting Agreement; (v) in whole or in part upon any failure of the Company to perform its obligations under the Underwriting Agreement or under law; (vi) upon any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the offering contemplated by the Underwriting Agreement, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (ii) or (iii) above; and shall reimburse each Selling Stockholder and each such controlling person for any and all expenses (including the reasonable fees and disbursements of not more than one separate counsel (together with local counsel) for the Selling Stockholders) as such expenses are reasonably incurred by such Selling Stockholder or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Notwithstanding the foregoing, the indemnity and reimbursement agreements in the preceding sentence shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, that it arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto). The indemnity and reimbursement agreements set forth in this Section 1 shall be in addition to any liabilities that the Company may otherwise have.

2. NOTIFICATION AND OTHER INDEMNIFICATION PROCEDURES. Promptly after receipt by an indemnified party under Section 1 of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the Company under Section 1, notify the Company in writing of the commencement thereof, but the omission so to notify the Company will not relieve the Company from any liability which the Company may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in Section 1 or to the extent the Company is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from the Company, the Company will be entitled to participate in, and, to the extent that it shall elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel selected by the Company; provided, however, that if the defendants in any such action include both the indemnified party and the Company and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the Company and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to such indemnified party and/or other indemnified parties that are different from or additional to those available to the Company, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the Company, to assume such legal defenses and otherwise to participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the Company to such indemnified party of the Company's election so to assume the defense of such action, the Company will not be liable to such indemnified party under Section 1 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the

next preceding sentence (it being understood, however, that the Company shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), satisfactory to the Company, representing the indemnified parties who are parties to such action) or (ii) the Company shall not have employed counsel to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the reasonable fees and expenses of counsel shall be at the expense of the Company. As a condition to indemnification hereunder, each indemnified party shall cooperate fully with the Company in the defense of any action with respect to which indemnification is to be sought, and, at the Company's expense, shall provide all such documents and take all such actions which the Company may reasonably request in connection with such defense.

3. SETTLEMENTS. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company shall indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. The Company shall not, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

4. CONTRIBUTION.

(a) If the indemnification provided for in Section 1 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the Company shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the indemnified party, on the other hand, from the offering of the Common Shares pursuant to the Underwriting Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the indemnified party, on the other hand, in connection with the statements in or omissions from any preliminary prospectus, the Prospectus or the Registration Statement (or any amendment or supplement to any of the foregoing) or inaccuracies in the representations and warranties of the Company in the Underwriting Agreement that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the indemnified party, on the other hand, in connection with the offering of the Common Shares pursuant to the Underwriting Agreement shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bears to the total net proceeds from the offering received by the indemnified party. The relative fault of the Company, on the one hand, and the indemnified party, on the other hand, shall be determined by reference to,

among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact or any such inaccurate or alleged inaccurate representation or warranty relates to information supplied by the Company, on the one hand, or the indemnified party, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 1 and Section 2, any legal or other fees or expenses reasonably incurred by such party in connection with investigating, defending, settling or compromising any action or claim. The provisions set forth in Section 2 with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 4; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 2 for purposes of indemnification.

(c) The Company and the Selling Stockholders agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation (even if the Selling Stockholders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 4.

(d) No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 4, each person, if any, who controls a Selling Stockholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Selling Stockholder.

5. CAPITALIZED TERMS. Except as otherwise specified, capitalized terms used herein which are not otherwise specifically defined herein shall have the meanings given them in the Underwriting Agreement. Notices required or permitted hereunder shall be given in the manner prescribed in Section 13 of the Underwriting Agreement.

6. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon, and inure to the benefit of, the Company, the Selling Stockholders, and their respective controlling persons, officers, directors, successors, heirs, executors, administrators and assigns.

7. GOVERNING LAW. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnity Agreement as an agreement under seal as of the date and year first written above.

CHARLES RIVER ASSOCIATES INCORPORATED

By: \_\_\_\_\_  
James C. Burrows, President

THE SELLING STOCKHOLDERS

By: \_\_\_\_\_  
James C. Burrows, attorney-in-fact

By: \_\_\_\_\_  
Laurel E. Morrison, attorney-in-fact