

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended SEPTEMBER 4, 1998

or

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

Commission file number: 000-24049

CHARLES RIVER ASSOCIATES INCORPORATED

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

04-2372210

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

200 CLARENDON STREET, T-33 BOSTON, MA 02116-5092

(Address of principal executive offices) (Zip Code)

617-425-3000

Registrant's telephone number, including area code:

(Former name, former address, former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes (X) No ()

Indicate the number of shares outstanding of each of the issuer's classes of
common stock as of the latest practicable date.

As of September 4, 1998 the Company had outstanding 8,316,115 shares of common
stock.

The undersigned registrant hereby amends the following items, financial
statements, exhibits or portions of its Quarterly Report on Form 10-Q for the
quarter ended September 4, 1998 (dated as of October 16, 1998) as set forth in
the pages attached hereto:

Part I. Financial Information
 Item 1. Financial Statements

CHARLES RIVER ASSOCIATES INCORPORATED
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT SHARE DATA)

	November 30, 1997	September 4, 1998 (unaudited)
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,054	\$31,743
Accounts receivable, net of allowance of \$394 in 1997; \$570 in 1998	10,140	8,807
Unbilled services	4,731	5,645
Prepaid expenses	280	129
	-----	-----
Total current assets	17,205	46,324
Property and equipment, net	2,890	3,068
Other assets	340	551
	-----	-----
Total assets	\$20,435 =====	\$49,943 =====
Liabilities and stockholder's equity		
Current liabilities:		
Accounts payable	\$ 902	\$ 2,027
Accrued expenses	5,729	10,657
Deferred revenue	225	504
Current portions of notes payable to former stockholders and capital lease obligations	325	309
Dividends payable	1,764	0
Deferred income taxes	528	1,424
	-----	-----
Total current liabilities	9,473	14,921
Notes payable to former stockholders, net of current portion	707	498
Capital lease obligations, net of current portion	74	42
Deferred rent	1,302	1,410
Minority interest	343	101
Stockholders' equity:		
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	30,998
Retained earnings	7,770	1,986
	-----	-----
	9,747	32,984
Notes receivable from stockholders	(1,211)	(13)
	-----	-----
Total stockholders' equity	8,536	32,971
	-----	-----
Total liabilities and stockholders' equity	\$20,435 =====	\$49,943 =====

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)
(unaudited)

	Sixteen Weeks Ended		Forty Weeks Ended	
	September 5, 1997	September 4, 1998	September 5, 1997	September 4, 1998
Revenues	\$ 14,498	\$ 16,465	\$ 33,317	\$ 39,159
Costs of services	9,135	9,983	21,153	23,385
Supplemental compensation	373	--	933	--
Gross Profit	4,990	6,482	11,231	15,774
General and administrative	3,361	3,657	7,657	8,996
Income from operations	1,629	2,825	3,574	6,778
Actual interest income, net	41	383	134	609
Income before provision for income taxes and minority interest	1,670	3,208	3,708	7,387
Provision for income taxes				
Current year operations	112	1,331	248	1,695
Change in tax status	--	--	--	1,416
Net income before minority interest	1,558	1,877	3,460	4,276
Minority interest	198	109	198	242
Net income	\$ 1,756	\$ 1,986	\$ 3,658	\$ 4,518
Historical basic net income per share	\$ 0.27	\$ 0.24	\$ 0.58	\$ 0.62
Basic weighted average shares	6,395,461	8,316,115	6,286,175	7,343,333
Historical diluted net income per share	\$ 0.27	\$ 0.24	\$ 0.58	\$ 0.61
Diluted weighted average shares	6,395,461	8,412,429	6,286,175	7,386,741
Pro forma income data:				
Net income as reported	\$ 1,756	\$ 1,986	\$ 3,658	\$ 4,518
Pro forma adjustment	(654)	--	(1,353)	12
Pro forma net income	\$ 1,102	\$ 1,986	\$ 2,305	\$ 4,530
Pro forma basic net income per share	\$ 0.17	\$ 0.24	\$ 0.36	\$ 0.61
Pro forma basic weighted average shares	6,525,191	8,316,115	6,415,905	7,420,985
Pro forma diluted net income per share	\$ 0.17	\$ 0.24	\$ 0.36	0.61
Pro forma diluted weighted average shares	6,525,191	8,412,429	6,415,905	7,464,393

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	FORTY WEEKS ENDED	
	----- SEPTEMBER 5, 1997	SEPTEMBER 4, 1998 -----
Operating activities:		
Net income	\$ 3,658	\$ 4,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	443	760
Loss on retirement of fixed assets	0	193
Deferred rent	(161)	108
Deferred income taxes	233	896
Minority interest	(198)	(242)
Changes in operating assets and liabilities:		
Accounts receivable	(2,594)	1,333
Unbilled services	958	(914)
Prepaid expenses and other assets	(283)	(60)
Accounts payable and accrued expenses	4,000	6,331
	-----	-----
Net cash provided by operating activities	6,056	12,923
Investing activities:		
Purchase of property and equipment	(1,412)	(1,131)
	-----	-----
Net cash used in investing activities	(1,412)	(1,131)
Financing activities:		
Payments on notes payable to former shareholders and capital lease obligations	(303)	(257)
Collection of notes receivable from stockholders	264	1,198
Dividends paid	(1,640)	(12,555)
Proceeds from minority interest	625	0
Proceeds from sale of stock	261	29,511
	-----	-----
Net cash provided by (used in) financing activities	(793)	17,897
Net increase in cash and cash equivalents	3,851	29,689
Cash and cash equivalents at beginning of period	1,434	2,054
	-----	-----
Cash and cash equivalents at end of period	\$ 5,285	\$ 31,743
	=====	=====
Supplemental cash flow information:		
Notes receivable in exchange for common stock	\$ 502	\$ 0
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CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF BUSINESS

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

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS & ESTIMATES

The consolidated balance sheet as of September 4, 1998, the consolidated statements of income for the sixteen and forty week periods ended September 4, 1998 and September 5, 1997 and the consolidated statements of cash flows for the forty week periods ended September 4, 1998 and September 5, 1997 are unaudited and in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company'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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FISCAL YEAR

The Company's fiscal year ends on the last Saturday in November. The Company's first, third and fourth quarter each include 12 weeks and the third quarter includes sixteen weeks.

4. LETTER OF INTENT

On October 9, 1998, the Company signed a letter of intent to acquire substantially all of the assets of The Tilden Group, LLC. The Tilden Group is a privately-held specialized consulting firm located in Oakland, California that focuses on economic analysis for litigation, public policy design and strategy development. Under the terms of the letter of intent, the Company will pay \$11.4 million in the form of cash and common stock for substantially all of the assets of The Tilden Group. The closing of the transaction is subject to negotiation of definitive agreements, completion of due diligence and obtaining all necessary approvals.

5. INCOME TAXES

In fiscal 1997, the Company was treated for federal and state income tax purposes as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company's stockholders, rather than the Company, were required to pay federal and certain state income taxes based on the Company's taxable earnings. The Company filed its returns using the cash method of accounting. Upon closing of the initial public offering of Common Stock (see note 8), the Company's status as an S Corporation terminated.

The Company is now subject to corporate taxation as a C Corporation under the Code. Concurrently with the termination of the Company's status as an S

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

Corporation, the Company adopted the accrual method of accounting. A pro forma provision for income taxes has been presented as if the Company had been taxed as a C corporation for the periods ended September 5, 1997 and September 4, 1998.

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

6. NET INCOME PER SHARE AND PRO FORMA NET INCOME PER SHARE

In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share. Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share.

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 were required to pay a dividend in the amount of \$2.4 million that was paid from the proceeds of the Company's initial public offering.

7. SUPPLEMENTAL COMPENSATION

The Company currently has one bonus program. This program awards discretionary bonuses based on the Company's revenues and profitability and individual performance. Amounts paid under this bonus program are included in costs of services and the Company expects to continue this bonus program. During fiscal 1997, the Company also had another bonus program, which consisted of discretionary payments to officers and certain outside consultants based primarily on the Company's cash flows. These bonus payments are shown as supplemental compensation in the Company's statements of income. Beginning in fiscal 1998, the Company no longer pays supplemental compensation, and consequently, did not report supplemental compensation in the sixteen or forty weeks of fiscal 1998.

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

8. STOCKHOLDERS EQUITY

Subsequent to November 29, 1997, the Company's Board of Directors authorized (i) the declaration of a 52-for-1 stock split to be effected in the form of a dividend of 51 shares of Common Stock per share of Common Stock outstanding before the closing of the Offering and (ii) an increase in the number of shares of authorized Common Stock to 25,000,000, which the Company's stockholders approved.

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

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

9. 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 fiscal years beginning after December 15, 1997. The Company believes that the adoption of these new accounting standards will not have a material impact on the Company's consolidated financial statements.

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 September 4, 1998, the Company had deferred start-up costs of \$54,000. The Company believes that the adoption of this SOP will not have a material impact on the Company'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. The Company does not engage in any derivative instruments and hedging activities. The statement is effective for fiscal years beginning after June 15, 1999, however early adoption is allowed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Charles River Associates Incorporated

(Registrant)

Date: October 23, 1998

By: /s/ James C. Burrows

James C. Burrows
President and Chief Executive
Officer

Date: October 23, 1998

By: /s/ Laurel E. Morrison

Laurel E. Morrison
Vice President & Treasurer
(Principal Financial and Accounting
Officer)