

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended NOVEMBER 25, 2000

Commission file number: 000-24049

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

MASSACHUSETTS
(State or other jurisdiction of
incorporation or organization)

04-2372210
(I.R.S. Employer
Identification No.)

200 CLARENDON STREET, T-33, BOSTON, MA 02116-5092
(Address of principal executive offices) (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: COMMON STOCK, NO PAR
VALUE

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 16, 2001 (based on the closing sale price of \$8.844 as quoted by the Nasdaq National Market as of that date) was approximately \$66,507,313 based on information available to CRA as of February 16, 2001. Outstanding shares of common stock beneficially owned by each executive officer and director of the registrant have been excluded from this computation because these persons may be deemed to be affiliates. The fact that these persons have been deemed affiliates for purposes of this computation should not be considered a conclusive determination for any other purpose.

As of February 16, 2001, CRA had outstanding 9,107,529 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report is incorporated by reference from the registrant's definitive proxy statement for its 2001 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended November 25, 2000.

CHARLES RIVER ASSOCIATES INCORPORATED
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED NOVEMBER 25, 2000

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ITEM 1 - BUSINESS

FORWARD-LOOKING STATEMENTS

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

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, our firm provides original, authoritative advice to law firms, corporations, and governments around the world. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation, the outcomes of which often have significant implications or consequences for the parties involved. The firm offers two types of services: legal and regulatory consulting and business consulting. We provide law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues, such as the competitive effects of mergers and acquisitions, calculations of damages, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. We use our expertise in economics, finance, and business analysis to offer our clients consulting services for strategic issues, such as establishing pricing strategies, estimating market demand, valuing intellectual property and other assets, assessing competitors' actions, and analyzing new sources of supply. Our analytical expertise in advanced economic and financial methods is complemented by our in-depth expertise in specific industries, including chemicals, electric power and other energies, healthcare, materials, media and telecommunications, retail and wholesale distribution, and transportation.

We provide our services primarily through our highly credentialed and experienced staff of employee consultants. As of November 25, 2000, the firm employed 255 professionals, including 87 employee consultants with Ph.D.s and 62 employee consultants with other advanced degrees. Our consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, and engineering. The firm is extremely selective in its hiring of consultants, recruiting from leading universities, industry, and government. Many of our employee consultants are nationally recognized as experts in their respective fields and have published scholarly articles, lectured extensively, and have been

quoted in the press. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of renowned academic and industry experts, or outside experts.

We have domestic offices in Boston, Massachusetts; College Station, Texas; Los Angeles, Oakland, and Palo Alto, California; Salt Lake City, Utah; and Washington, D.C., as well as international offices in London, United Kingdom; Melbourne, Australia; Mexico City, Mexico; Toronto, Canada; and Wellington, New Zealand.

We have completed more than 4,400 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. Our clients come from a broad range of industries, and in fiscal 2000, no single client accounted for more than 10 percent of our revenues.

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 an increase in 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 have led 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 anticompetitive 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, we believe that companies and governments are turning to outside consultants for access to the specialized expertise, experience, and prestige that are not available to them internally.

COMPETITIVE STRENGTHS

Since 1965, we have been committed to providing sophisticated consulting services to our clients. We believe that the following factors have been critical to our success.

Strong Reputation for High-Quality Consulting. For more than 35 years, we have been a leader in providing sophisticated economic analysis and original, authoritative studies for clients involved in complex litigation and regulatory proceedings. As a result, we believe we have 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 our high level of repeat business and significant referrals from existing clients. In fiscal 2000, approximately 83 percent of our revenues resulted from ongoing engagements and new engagements for existing clients. In addition, we believe our significant name recognition, which we developed as a result of our work on many high-profile litigation and regulatory engagements, has enhanced the development of our business consulting practice.

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior consultants. Of our 255 employee consultants as of November 25, 2000, 142 were either officers, principals, or senior associates, nearly 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. In addition to their expertise in a particular field, most of our consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to our ability to apply our resources as needed to meet the demands of our clients. As a result, we seek 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. Our success has resulted in part from our strong corporate culture. We believe consultants are attracted to the firm because of our more than 35-year history; our strong reputation; the credentials, experience, and reputation of our employee consultants; the opportunity to work on an array of matters and with a broad group of renowned outside experts; and our collegial atmosphere. Our attractiveness as an employer is reflected in our relatively low turnover rate among employees.

Industry Expertise. By maintaining expertise in certain industries, we are able to offer clients creative and pragmatic advice tailored to their specific markets. This industry expertise differentiates us from many of our competitors and has been developed 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. We believe we have developed a strong reputation and substantial name recognition within these specific industries, which has led 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, we are able to satisfy an array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables us to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in other disciplines. We emphasize our diverse capabilities to clients and we regularly cross-market across our service areas. For example, a client that we assist in a litigation matter may later retain us for a business consulting assignment.

Access to Leading Academic and Industry Experts. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of outside experts. Depending on client needs, we use outside experts for their specialized expertise, assistance in conceptual problem-solving, and expert witness testimony. We work regularly with renowned professors at Brigham Young University, Cornell University, Georgetown University, Harvard University, the Massachusetts Institute of Technology, Stanford University, Texas A&M 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 us and provide us access to other leading academic and industry experts. By establishing affiliations with prestigious outside experts, we further enhance our reputation as a leading source of sophisticated economic and financial analysis. We have exclusive relationships with 16 outside experts.

SERVICES

We offer services in two broad areas: legal and regulatory consulting and business consulting. In our legal and regulatory consulting practice, we usually work 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 we are 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 our highly educated and experienced consulting staff, we apply advanced analytic techniques in economics and finance to complex engagements for a diverse group of clients.

In our business consulting practice, we typically provide 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. We apply a highly analytical, quantitative approach to help companies analyze and respond to market forces and competitive pressures that affect their businesses. We advise our clients in many of the same areas in which we provide legal and regulatory consulting, such as finance and mergers and acquisitions. Applying our in-depth knowledge of specific industries, we are able to provide insightful, value-added advice to our clients. We offer clients practical and creative advice by challenging conventional approaches and generally avoiding predetermined solutions or methodologies.

Engagements in our two service areas often involve similar areas of expertise and address related issues, and it is common for our consultants to work on engagements in both service areas. We estimate that we derived approximately 71 percent of our revenues in fiscal 2000 from legal and regulatory consulting and approximately 29 percent from business consulting.

We offer our 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, in proceedings before agencies including 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.

LEGAL AND REGULATORY CONSULTING (CONTINUED)

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.
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.

BUSINESS CONSULTING (CONTINUED)

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, our majority-owned subsidiary, develops and markets a family of neural network software tools and complementary application consulting services that are currently focused on 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

We believe our ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries is one of our key competitive strengths. By maintaining expertise in certain industries, we provide clients practical advice tailored to their specific markets. This industry expertise, which we developed over decades of providing sophisticated consulting services to a diverse group of clients in many industries, differentiates us from many of our competitors. We believe that we have developed a strong reputation and substantial name recognition within specific industries, which has lead to repeat business and new engagements from clients in those markets. While we provide services to clients in a wide variety of industries, we have particular expertise in the following industries:

- Aerospace and defense
- Chemicals
- Electric power and other energy industries
- Healthcare and pharmaceuticals
- Materials and manufacturing

- Media and telecommunications
- Retail and wholesale distribution
- Transportation

CLIENTS

We have completed more than 4,400 engagements for clients that include 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 we have particular expertise in a number of industries, we provide services to a diverse group of clients in a broad range of industries. No single client accounted for more than 10 percent of the firm's revenues in fiscal 2000. Our policy is to keep the identities of our clients confidential unless our work for the client is already publicly disclosed.

HUMAN RESOURCES

On November 25, 2000, we had 255 employee consultants, consisting of 51 officers, 91 other senior consultants (either principals or senior associates) and 113 junior consultants (either associates or analysts), and had 107 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 us. 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.

We derive most of our revenues directly from the services provided by our employee consultants. The firm's employee consultants were responsible for securing engagements that accounted for approximately 66 percent of our revenues in fiscal 1999 and 67 percent of our revenues in fiscal 2000. In each of fiscal 1999 and fiscal 2000, our top five employee consultants generated approximately 24 percent of our revenues. Our employee consultants have backgrounds in many disciplines, including economics, business, corporate finance, materials sciences, and engineering. Substantially all of our 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 our total senior employee consulting staff of 142 as of November 25, 2000, 73 have Ph.D.s in economics, 12 have Ph.D.s in other disciplines, and 47 have other advanced degrees. We believe our financial results and reputation are directly related to the number and quality of our employee consultants.

We are highly selective in our hiring of consultants, recruiting primarily from leading universities, industry, and government. We believe consultants choose to work at our firm because of our strong reputation; the credentials, experience, and reputation of our consultants; the opportunity to work on a diverse range of matters and with renowned outside experts; and our collegial atmosphere. We believe that our attractiveness as an employer is reflected in our relatively low turnover rate among employees. We use a decentralized, team hiring approach. The firm has designated two or more recruiting teams at each of our principal offices and given each team responsibility for identifying, interviewing, and hiring qualified

candidates. We have also expanded the group of leading universities and degree programs from which we select candidates.

Our training and career development program for our 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 employee consultants participate in a structured program in which they are partnered with an assigned mentor. Through our ongoing seminar program, outside speakers make presentations and conduct discussions with our employee consultants on various topics. In addition, employee consultants are expected to present papers, discuss significant cases, or outline new analytical techniques or marketing opportunities periodically at in-house seminars. We also provide scheduled courses designed to improve an employee's professional skills, such as presentation and sales and marketing techniques. We also encourage our employee consultants to pursue their academic interests by writing articles for economic and other journals.

Most of our officers have signed nonsolicitation agreements, which generally prohibit the employee from soliciting our clients for periods ranging from six to twelve months following termination of the person's employment with our firm and from soliciting our employees for periods ranging from one to two years after termination of the person's employment. In order to align each officer's interest with the overall interests and profitability of the firm, we have adopted a policy requiring each of our officers to have an equity interest in our firm. All of our senior consultants who were stockholders before our initial public offering are parties to a stock restriction agreement that prohibits them from selling or otherwise transferring shares of our common stock held immediately before the initial public offering except under certain circumstances.

We maintain a discretionary bonus program through which we grant performance-based bonuses to our officers and other employees. Our compensation committee, in its discretion, determines the bonuses to be granted to our officers, and our chief executive officer, in his discretion, determines the bonuses to be granted to our other employees, based on recommendations of the various committees supervising the employees' work.

In addition, we work closely with a select group of approximately 45 outside experts from leading universities and industry, who supplement the work of our employee consultants and generate business for us. In each of fiscal 1999 and fiscal 2000, six of the firm's exclusive outside experts were responsible for securing engagements that accounted for approximately 31 percent and 30 percent of revenues in those respective years. We believe outside experts choose to work with us because of the interesting and challenging nature of our work, the opportunity to work with our consultants, and the financially rewarding nature of the work. Sixteen outside experts have entered into noncompetition agreements with us.

MARKETING

We rely to a significant extent on the efforts of our employee consultants, particularly our officers and principals, to market the firm's services. We encourage our employee consultants to generate new business from both existing and new clients, and we reward our employee

consultants with increased compensation and promotions for obtaining new business. In pursuing new business, our consultants emphasize our institutional reputation and experience, while also promoting the expertise of the particular employees who will work on the matter. Many of our 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, employee consultants work with one or more outside experts to market our services.

We supplement the personal marketing efforts of our employee consultants with firmwide initiatives. We rely primarily on our reputation and client referrals for new business and undertake traditional marketing activities. The firm regularly organizes seminars for existing and potential clients featuring panel members that include our consultants, outside experts, and leading government officials. We have an extensive set of brochures organized around our service areas, which outline the firm's experience and capabilities. We also provide information about our firm on our corporate Web site. We distribute publications to existing and potential clients highlighting emerging trends and noteworthy engagements. Because existing clients are an important source of repeat business and referrals, we communicate regularly with our existing clients to keep them informed of developments that affect their markets and industries.

In our legal and regulatory consulting practice, we derive much of our new business from referrals by existing clients. We have worked with leading law firms across the country and believe we have developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For our business consulting practice, we also rely on referrals from existing clients but supplement referrals with a significant amount of direct marketing to new clients through conferences, publications, presentations, and direct solicitations.

It is important to us that we conduct business ethically and in accordance with industry standards and our own rigorous professional standards. We carefully consider the pursuit of each specific market, client, and engagement. Before we accept a new client or engagement, we determine whether a conflict of interest exists by circulating a client development report among our senior staff and by checking our 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 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. We believe the principal competitive factors in this market are reputation, analytical ability, industry expertise, and service. 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. We believe the principal competitive factors in this market are reputation,

industry expertise, analytical ability, service, and price. 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. We may be unable to compete successfully with our existing competitors or with any new competitors.

ITEM 2 - PROPERTIES

In the aggregate, we lease approximately 158,000 square feet of office space in Boston, Massachusetts and for our other offices. Of this total, we have subleased approximately 27,000 square feet of our office space to other companies.

All of our offices are electronically linked and have access to our core consulting tools. We believe our existing facilities are adequate to meet our current requirements and that suitable space will be available as needed.

ITEM 3 - LEGAL PROCEEDINGS

On February 14, 2001, we and eight of our employees filed a complaint in the Superior Court of Suffolk County, Massachusetts against our competitor, PA Consulting Group, Inc., and its parent, PA Holdings Limited. We and our employee co-plaintiffs are seeking declaratory judgments regarding our respective rights and responsibilities and the rights and responsibilities of the defendants.

Our employee co-plaintiffs are former employees of PA Consulting Group. Generally, we and our employee co-plaintiffs have asked the court to determine whether and to what extent we and they have the right to solicit and hire the employees of the defendants, solicit the clients of the defendants and provide services to the clients of the defendants. The defendants have asserted to us that both we and these employees have legal obligations not to engage in these activities, in some cases under nonsolicitation agreements between the defendants and the employees.

As of February 22, 2001, the defendants have not answered our complaint.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter of fiscal 2000.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information. We first offered our common stock to the public on April 23, 1998. Since that time, our common stock has been traded on the Nasdaq National Market under the symbol CRAI. The following table provides the high and low sales prices of our common stock as reported on the Nasdaq National Market for the periods indicated.

FISCAL YEAR ENDED NOVEMBER 27, 1999 -----	HIGH ----	LOW ---
November 29, 1998 to February 19, 1999	\$30.750	\$18.125
February 20, 1999 to May 14, 1999	\$28.375	\$21.250
May 15, 1999 to September 3, 1999	\$29.625	\$18.125
September 4, 1999 to November 27, 1999	\$36.875	\$23.500

FISCAL YEAR ENDED NOVEMBER 25, 2000 -----	HIGH ----	LOW ---
November 28, 1999 to February 18, 2000	\$35.234	\$25.500
February 19, 2000 to May 12, 2000	\$29.688	\$12.250
May 13, 2000 to September 1, 2000	\$22.000	\$10.875
September 2, 2000 to November 25, 2000	\$15.000	\$ 9.875

Stockholders. We had approximately 60 holders of record of our common stock as of February 16, 2001. This number does not include stockholders for whom shares were held in a "nominee" or "street" name.

Dividends. We currently intend to retain any future earnings to finance our operations and therefore do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our bank line of credit place restrictions on our ability to pay cash dividends on our common stock.

Unregistered Securities. During the fourth quarter of fiscal 2000, we issued and sold the following securities without registration under the Securities Act:

On October 18, 2000, we issued and sold 405,862 shares of common stock to Dr. Gordon C. Rausser for aggregate consideration of \$4.5 million, which we loaned to him.

This sale did not involve any underwriter, and we paid no underwriting or other discounts or commissions in connection with the sale of these securities. We made this sale in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act because the sale was a transaction not involving any public offering.

ITEM 6 - SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for each of the fiscal years in the five-year period ended November 25, 2000, have been derived from our audited consolidated financial statements.

	FISCAL YEAR ENDED				
	NOVEMBER 30, 1996 ----- (53 weeks)	NOVEMBER 29, 1997 -----	NOVEMBER 28, 1998 -----	NOVEMBER 27, 1999 -----	NOVEMBER 25, 2000 -----
STATEMENT OF OPERATIONS DATA:	(In thousands, except share data)				
Revenues	\$37,367	\$44,805	\$52,971	\$73,970	\$82,547
Costs of services	23,370	28,374	31,695	42,320	46,439
Supplemental compensation(1)	1,200	1,233	--	--	--
Gross profit	12,797	15,198	21,276	31,650	36,108
Selling, general and administrative	9,060	10,509	11,934	17,448	21,837
Special charge(2)	--	--	--	--	878
Income from operations	3,737	4,689	9,342	14,202	13,393
Interest income, net	124	302	975	977	1,542
Income before provision for income taxes and minority interest	3,861	4,991	10,317	15,179	14,935
Provision for income taxes (3)	(273)	(306)	(4,262)	(6,182)	(6,166)
Income before minority interest	3,588	4,685	6,055	8,997	8,769
Minority interest	--	282	310	33	70
Net income (3)	\$3,588	\$4,967	\$6,365	\$9,030	\$8,839
Basic and diluted net income per share:					
Basic	\$0.59	\$0.78	\$0.84	\$1.07	\$1.01
Diluted	\$0.59	\$0.78	\$0.84	\$1.05	\$1.01
Weighted average number of Shares outstanding:					
Basic	6,091,384	6,329,007	7,570,493	8,477,204	8,727,705
Diluted	6,091,384	6,329,007	7,619,945	8,571,042	8,774,422
Pro forma income data (unaudited):					
Net income as reported		\$ 4,967	\$ 6,365		
Pro forma adjustment		(1,833)	12		
Pro forma net income		\$ 3,134	\$ 6,377		
Pro forma net income per share:					
Basic		\$ 0.48	\$ 0.84		
Diluted		\$ 0.48	\$ 0.83		
Weighted average number of shares outstanding (4):					
Basic		6,458,737	7,630,012		
Diluted		6,458,737	7,679,464		

	NOVEMBER 30, 1996 ----	NOVEMBER 29, 1997 ----	NOVEMBER 28, 1998 ----	NOVEMBER 27, 1999 ----	NOVEMBER 25, 2000 ----
			(in thousands)		
CONSOLIDATED BALANCE SHEET DATA:					
Working capital	\$6,554	\$7,658	\$32,890	\$37,947	\$42,847
Total assets	15,468	20,435	53,335	73,510	79,861
Total long-term debt	550	707	542	461	102
Total stockholders' equity	6,202	8,536	34,628	52,315	62,338

- (1) Represents discretionary payments of bonus compensation to officers and certain outside experts under a bonus program that was discontinued after fiscal 1997.
- (2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Fiscal 2000 Compared to Fiscal 1999" and note 3 of notes to consolidated financial statements for a description of the costs associated with the special charge.
- (3) From fiscal 1988 to April 1998, our firm was taxed under subchapter S of the Internal Revenue Code. As an S corporation, our firm was not subject to federal and some state income taxes. Our firm's S corporation status terminated on the closing of our initial public offering on April 28, 1998.
- (4) See note 1 of notes to consolidated financial statements for a description of the computation of the number of shares used in the per share calculation.

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, our firm provides original, authoritative advice to law firms, corporations, and governments worldwide. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation. We offer two types of services: legal and regulatory consulting and business consulting. We estimate that we derived approximately 71 percent of our revenues in fiscal 2000 from legal and regulatory consulting and approximately 29 percent from business consulting.

We derive revenues principally from professional services rendered by our employee consultants. In most instances, we charge clients on a time-and-materials basis and recognize revenues in the period when we provide our services. We charge 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, we generate substantially all of our professional services fees from the work of our own employee consultants. Factors that affect our professional services fees include the number and scope of client engagements, the number of consultants we employ, the consultants' billing rates, and the number of hours our consultants work. In addition to professional service fees, a portion of our 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.

Our costs of services include the salaries, bonuses, and benefits of our employee consultants. Our bonus program awards discretionary bonuses based on our revenues and profitability and individual performance. 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 programmers. Our gross profit, which equals revenues less costs of services, is affected by changes in our mix of revenues. We experience significantly higher gross margins on revenues from professional service fees than on revenues from expenses billed to clients. Selling, general and administrative expenses include salaries, bonuses, and benefits of our administrative and support staff, bonuses to outside experts for generating new business, office rent, and marketing and other costs.

In June 1997, we invested approximately \$650,000 for a majority interest in NeuCo, Inc. NeuCo was established by us 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 application consulting services for electric utilities. Our financial statements are consolidated with the financial statements of NeuCo. NeuCo sustained net losses after provision for income taxes of approximately

\$619,000 in fiscal 1998, \$233,000 in fiscal 1999, and \$139,000 in fiscal 2000. NeuCo may never become profitable.

On May 3, 2000, in a series of transactions that resulted in an infusion of new equity in NeuCo, our ownership interest in NeuCo was reduced to 50.5 percent. The transactions were accounted for as an increase in minority interest and common stock. The portion of NeuCo's loss allocable to its minority owners is shown as "minority interest" in our consolidated statements of income, and that amount, together with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" in our consolidated balance sheets. All significant intercompany accounts have been eliminated. Before May 3, 2000, we owned 65.25 percent of NeuCo.

On October 18, 2000, we acquired the consulting business of Dr. Gordon C. Rausser for \$4.75 million in cash. The acquisition price may increase based upon the business meeting specified performance targets over the ensuing three fiscal years. In addition, we loaned Dr. Rausser \$4.5 million, on a full recourse basis, for the purchase of our common stock. We have accounted for the acquisition as a purchase, and the results have been included in the accompanying statements of operations from the date of acquisition.

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

Our fiscal year ends on the last Saturday in November, and accordingly, our 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, we have managed our business based on a four-week billing cycle to clients and, consequently, have 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 our results of operations are not necessarily meaningful if the quarters being compared have different lengths.

The terms "fiscal 1997," "fiscal 1998," "fiscal 1999," and "fiscal 2000" refer to the 52-week periods ended November 29, 1997, November 28, 1998, November 27, 1999, and November 25, 2000, respectively, and the term "fiscal 1996" refers to the 53-week period ended November 30, 1996.

RESULTS OF OPERATIONS

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

	FISCAL YEAR ENDED		
	NOVEMBER 28, 1998	NOVEMBER 27, 1999	NOVEMBER 25, 2000
Revenues	100.0%	100.0%	100.0%
Costs of services	59.8	57.2	56.3
Gross profit	40.2	42.8	43.7
Selling, general and administrative	22.5	23.6	26.4
Special charge	--	--	1.1
Income from operations	17.7	19.2	16.2
Interest income, net	1.8	1.3	1.9
Income before provision for income taxes And minority interest	19.5	20.5	18.1
Provision for income taxes	8.1	8.3	7.5
Income before minority interest	11.4	12.2	10.6
Minority interest	0.6	--	0.1
Net income	12.0%	12.2%	10.7%

FISCAL 2000 COMPARED TO FISCAL 1999

Revenues. Revenues increased \$8.6 million, or 11.6 percent, from \$74.0 million for fiscal 1999 to \$82.6 million for fiscal 2000. 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 for our consultants. Utilization was 85 percent for fiscal 1999 as compared to 73 percent for fiscal 2000. The total number of employee consultants increased from 210 at the end of fiscal 1999 to 255 at the end of fiscal 2000. We experienced revenue increases during fiscal 2000 in both our legal and regulatory consulting services and business consulting services and, in particular, generated significant revenue increases in our auctions, trade, metals and materials, and transportation practice areas.

Costs of Services. Costs of services increased by \$4.1 million, or 9.7 percent, from \$42.3 million in fiscal 1999 to \$46.4 million in fiscal 2000. As a percentage of revenues, costs of services decreased from 57.2 percent in fiscal 1999 to 56.3 percent in fiscal 2000. The decrease as a percentage of revenues was due primarily to a decrease in bonuses paid to employee consultants who source business to us.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by \$4.4 million, or 25.2 percent, from \$17.4 million in fiscal 1999 to \$21.8 million in fiscal 2000. As a percentage of revenues, selling, general, and administrative expenses increased from 23.6

percent in fiscal 1999 to 26.4 percent in fiscal 2000. Contributing to the increase were bonus payments to outside experts, rents for additional office space, and amortization costs related to an acquired business.

Special Charge. In the fourth quarter of fiscal 2000, we relocated our London and Washington offices and recorded a special charge of \$878,000, which consists principally of duplicate rent and the remaining lease obligations for the former space of these offices.

Interest Income, Net. Net interest income increased by \$565,000, or 57.8 percent, from \$977,000 in fiscal 1999 to \$1.5 million in fiscal 2000. This increase resulted from interest earned on investments of the proceeds of our public offerings, interest earned on a loan issued to NeuCo, and interest earned by NeuCo on funds received from a minority partner in the second quarter of fiscal 2000.

Provision for Income Taxes. The provision for income taxes was essentially the same, amounting to \$6.2 million in each of fiscal 1999 and fiscal 2000. Our effective tax rate increased slightly from 40.6 percent in fiscal 1999 to 41.3 percent in fiscal 2000.

Minority Interest. Minority interest in the loss of NeuCo increased from \$33,000 in fiscal 1999 to \$70,000 in fiscal 2000.

FISCAL 1999 COMPARED TO FISCAL 1998

Revenues. Revenues increased \$21.0 million, or 39.6 percent, from \$53.0 million for fiscal 1998 to \$74.0 million for fiscal 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 our consultants. The acquisition of The Tilden Group and FinEcon also contributed to our increase in revenue during fiscal 1999. Both acquisitions have been fully integrated. The total number of employee consultants increased from 145 at the end of fiscal 1998 to 210 at the end of fiscal 1999. We experienced revenue increases during fiscal 1999 in our legal and regulatory consulting services, and, in particular, generated significant revenue increases in our newly formed practice in international trade, as well as in our finance and environment practice areas.

Costs of Services. Costs of services increased by \$10.6 million, or 33.5 percent, from \$31.7 million in fiscal 1998 to \$42.3 million in fiscal 1999. As a percentage of revenues, costs of services decreased from 59.8 percent in fiscal 1998 to 57.2 percent in fiscal 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 us.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by \$5.5 million, or 46.2 percent, from \$11.9 million in fiscal 1998 to \$17.4 million in fiscal 1999. As a percentage of revenues, selling, general, and administrative expenses increased from 22.5 percent in fiscal 1998 to 23.6 percent in fiscal 1999. The increase in selling, general and administrative expenses resulted from bonus payments to outside experts, rents for additional

office space, and amortization costs related to acquired businesses. The number of outside experts increased as a result of acquisitions.

Interest Income, Net. Net interest income was essentially the same, amounting to \$975,000 in fiscal 1998 and \$977,000 in fiscal 1999.

Provision for Income Taxes. Provision for income taxes increased from \$4.3 million in fiscal 1998 to \$6.2 million in fiscal 1999. The provision for fiscal 1998 included \$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. The provision for fiscal 1998 also included \$1.4 million for deferred tax, resulting from the change in tax status to a C corporation. The provision for fiscal 1999 reflects taxation as a C corporation for the entire period.

Minority Interest. In June 1997, we established and purchased a controlling interest in NeuCo. Minority interest in the loss of NeuCo decreased from \$310,000 in fiscal 1998 to \$33,000 in fiscal 1999 due to our inability to allocate continued losses of NeuCo to the minority interest holders as their minority interest accounts were reduced to zero.

LIQUIDITY AND CAPITAL RESOURCES

As of November 25, 2000, we had cash and cash equivalents of \$20.3 million, available-for-sale securities of \$5.8 million, and working capital of \$42.8 million. Net cash provided by operating activities for fiscal 2000 was \$2.9 million. Cash generated from operating activities resulted primarily from net income of \$8.8 million, offset in part by an increase in accounts receivable of \$5.6 million.

Net cash used in investing activities for fiscal 2000 was \$5.4 million, consisting of \$4.8 million used to acquire the consulting business of Dr. Gordon C. Rausser and \$3.4 million used to purchase furniture, fixtures, and computer equipment. These uses of cash were partially offset by net sales of short-term investments of \$2.9 million.

Our financing activities generated cash of \$2.8 million in fiscal 2000. Of this amount, \$3.4 million resulted from a net investment in NeuCo by Babcock Borsig Power GmbH, which was offset in part by payments made on notes payable to former stockholders, by payments on a loan from minority interest owners of NeuCo, and by costs related to our sale of stock in a public offering in fiscal 1999.

We currently have available a \$2.0 million revolving line of credit with Fleet National Bank, which is secured by our accounts receivable. This line of credit automatically renews each year on June 30 unless earlier terminated by either Fleet National or us. No borrowings were outstanding under this line of credit as of November 25, 2000.

We believe that current cash balances and credit available under our bank line of credit will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

In connection with our acquisition of the consulting business of Dr. Rausser, we loaned Dr. Rausser \$4.5 million, which he used to purchase shares of our common stock. The loan is scheduled to be repaid in 2004. If the acquired business meets specified performance targets, we will owe Dr. Rausser additional consideration, payable in the first quarter of fiscal 2004.

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

FACTORS AFFECTING FUTURE PERFORMANCE

We depend upon only a few key employees to generate revenue

Our business consists primarily of the delivery of professional services, and accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution of our employee consultants. If we lose the services of any employee consultant or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could harm our business. Our employee consultants generated engagements that accounted for approximately 66 percent of our revenues in fiscal 1999 and 67 percent of our revenues in fiscal 2000. In each of fiscal 1999 and fiscal 2000, our top five employee consultants generated approximately 24 percent of our revenues in those years. We do not have any employment agreements with our employee consultants, and they can terminate their relationships with us at will and without notice. The noncompetition agreements that we have with many of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction.

Our failure to manage our expanding business successfully could adversely affect our revenue and results of operations

Any failure on our part to manage our expanding business successfully could harm our business. We have continued to open new offices in new geographic areas, including foreign locations, and to expand our employee base as a result of both internal growth and acquisitions. Opening and managing new offices requires extensive management supervision and tends to increase our overall selling, general and administrative expenses. From fiscal 1999 to fiscal 2000, our selling, general and administrative expenses increased from 23.6 percent to 26.4 percent of our revenues, which contributed to a decline in our net income from fiscal 1999 to fiscal 2000. Expansion creates new and increased management, consulting, and training responsibilities for our employee consultants. Expansion also increases the demands on our internal systems, procedures, and controls, and on our managerial, administrative, financial, marketing and other resources. We depend heavily upon the managerial, operational, and administrative skills of our officers, particularly James C. Burrows, our President and Chief Executive Officer, to manage our expansion. New responsibilities and demands may adversely affect the overall quality of our work. No member of our management team has experience in managing a public company other than CRA.

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

If we attempt to develop new practice areas or lines of business outside our core economic and business consulting services, those efforts could harm our results of operations. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience may result in costly decisions that could harm our business.

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 harm our business.

We depend on our antitrust and mergers and acquisitions consulting business

We derived approximately 47 percent of our revenues in fiscal 1998, 41 percent in fiscal 1999, and 36 percent in fiscal 2000 from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number or size of our engagements in these practice areas could harm our business. 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 affect engagements in which we assist clients in proceedings before the Department of Justice and the Federal Trade Commission.

We derive our revenues from a limited number of large engagements

We derive a significant portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition, and results of operations could suffer. Our 10 largest engagements accounted for approximately 29 percent of our revenues in fiscal 1998, 20 percent in fiscal 1999, and 21 percent in fiscal 2000. Our 10 largest clients accounted for approximately 38 percent, 28 percent, and 29 percent 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.

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

Our business requires us to continually hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants could harm our business. 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 employee consultants may

also significantly increase our labor costs, which could have a material adverse effect on our margins and results of operations.

We depend on our outside experts

We depend on our relationships with our exclusive outside experts. In each of fiscal 1999 and fiscal 2000, six of our exclusive outside experts generated engagements that accounted for approximately 31 percent and 30 percent of our revenues in those years. We believe that these outside experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we could offer the services of these outside experts. Most of these outside experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, the pursuit of other interests, and retirement.

Sixteen of our approximately 45 outside experts have entered noncompetition agreements with us. The limitation or termination of any of their relationships with us or competition from any of them after these agreements expire could harm our business.

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

Acquisitions may disrupt our operations or adversely affect our results

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

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
- collectibility of receivables.

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 any additional consultants that we hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, if our revenues fail to meet our projections in any quarter, that could have a disproportionate adverse effect on our net income. For these reasons, we believe our historical results of operations do not predict our future performance.

Potential conflicts of interests may preclude us from accepting some engagements

We provide our services primarily in connection with significant or complex transactions, disputes, or other matters that are usually adversarial or that involve sensitive client information. Our engagement by a client 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 of these events could harm our business.

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. Any loss of reputation could harm our business.

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 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 liabilities could harm our business.

The price of our common stock may be volatile

Our stock price has been volatile. From February 16, 2000 to February 16, 2001, the trading price of our common stock ranged from \$31.313 to \$8.844. 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 that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

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

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

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of November 25, 2000, we were exposed to market risks, which primarily include changes in U.S. interest rates.

We maintain a portion of our cash and cash equivalents in financial instruments with purchased maturities of one year or less and a portion of our 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. Because these financial instruments are readily marketable, an immediate increase in interest rates would not have a material effect on our financial position.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

We have included our consolidated financial statements in this annual report as pages FS-1 through FS-20. We have provided an index to our consolidated financial statements on Page FS-1.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

We have omitted the information required in Part III of this annual report because we intend to include that information in our definitive proxy statement for our 2001 annual meeting of stockholders, which we expect to file before 120 days after the end of fiscal 2000. We incorporate that information in this annual report by reference to our 2001 proxy statement.

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We incorporate the information required by this item by reference to the sections captioned "Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2001 annual proxy statement.

ITEM 11 - EXECUTIVE COMPENSATION

We incorporate the information required by this item by reference to the section captioned "Compensation of Directors and Executive Officers" in our 2001 annual proxy statement.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

We incorporate the information required by this item by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in our 2001 annual proxy statement.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We incorporate the information required by this item by reference to the section captioned "Transactions with Related Parties" in our 2001 annual proxy statement.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- (a) Financial Statements, Schedules, and Exhibits. We have listed our consolidated financial statements filed as part of this annual report in the index to consolidated financial statements on page FS-1. We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.
- (b) Reports on Form 8-K. We filed no current reports on Form 8-K during the fourth quarter of fiscal 2000.
- (c) Exhibits. We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.
- (d) Financial Statement Schedules. We have omitted all financial statement schedules because they are not applicable or not required or because we have included the necessary information in our consolidated financial statements or related notes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ James C. Burrows

 James C. Burrows
 President, Chief Executive Officer and Director
 Date: February 23, 2001

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints James C. Burrows and Laurel E. Morrison, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Security and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing which they, or any of them, may deem necessary or advisable to be done in connection with this annual report on Form 10-K, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or any substitute or substitutes for any or all of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Franklin M. Fisher ----- Franklin M. Fisher	Chairman of the Board	February 23, 2001
/s/ James C. Burrows ----- James C. Burrows	President, Chief Executive Officer and Director (principal executive officer)	February 23, 2001
/s/ Laurel E. Morrison ----- Laurel E. Morrison	Chief Financial Officer, Vice President, Finance and Administration, Treasurer, and Director (principal financial and accounting officer)	February 23, 2001

SIGNATURE	TITLE	DATE
-----	-----	-----
/s/ William F. Concannon ----- William F. Concannon	Director	February 23, 2001
/s/ Carl Kaysen ----- Carl Kaysen	Director	February 23, 2001
/s/ Rowland T. Moriarty ----- Rowland T. Moriarty	Director	February 23, 2001
/s/ J. Robert S. Prichard ----- J. Robert S. Prichard	Director	February 23, 2001
/s/ Steven C. Salop ----- Steven C. Salop	Director	February 23, 2001
/s/ Carl B. Shapiro ----- Carl B. Shapiro	Director	February 23, 2001

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
3.1(1)	Amended and Restated Articles of Organization
3.2(1)	Amended and Restated By-Laws
4.1(1)	Specimen certificate for common stock
10.1*	1998 Incentive and Nonqualified Stock Option Plan, as amended
10.2(1)*	1998 Employee Stock Purchase Plan
10.3(1)	Amended and Restated Loan Agreement dated as of November 18, 1994, between CRA and The First National Bank of Boston (n/k/a Fleet National Bank), as amended
10.4(1)	Amended and Restated Security Agreement dated as of November 18, 1994, between CRA and The First National Bank of Boston (n/k/a Fleet National Bank)
10.5(1)	Revolving Credit Note of CRA dated as of November 18, 1994, in the principal amount of \$2,000,000 payable to The First National Bank of Boston (n/k/a Fleet National Bank)
10.6(1)	Office Lease Agreement dated as of March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended
10.7	Amendments to Office Lease Agreement dated March 1, 1978 between CRA and John Hancock Mutual Life Insurance Company, as amended
10.8(1)	Office Lease Agreement dated as of March 6, 1997 between CRA and Deutsche Immobilien Fonds Aktiengesellschaft
10.9	Office Lease dated as of November 29, 1999 between CRA and 1201 F Street, L.L.C., as amended
10.10(1)	Form of consulting agreement with outside experts
10.11(1)	Stock Restriction Agreement between CRA and its pre-IPO stockholders
10.12(2)	Asset Purchase Agreement dated as of December 15, 1998 among CRA, The Tilden Group LLC, Michael L. Katz and Carl Shapiro
21.1	Subsidiaries
23.1	Consent of Ernst & Young LLP, independent auditors
24.1	Power of attorney (included on the signature page to this annual report)

*Management contract or compensatory plan.

Where a numbered note follows an exhibit number, we incorporate that exhibit by reference to the similarly named document filed as an exhibit to the following documents:

- (1) Our registration statement on Form S-1, File No. 333-46941.
- (2) Our current report on Form 8-K filed on December 30, 1998.

CHARLES RIVER ASSOCIATES INCORPORATED

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CONSOLIDATED FINANCIAL STATEMENTS

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Stockholders and
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 27, 1999 and November 25, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 25, 2000. 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 auditing standards generally accepted in the United States. 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 at November 27, 1999 and November 25, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 25, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Boston, Massachusetts
January 12, 2001

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	NOVEMBER 27, 1999	NOVEMBER 25, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,176	\$ 20,305
Available-for-sale securities	8,684	5,758
Accounts receivable, net of allowances of \$952 in 1999 and \$1,321 in 2000 for doubtful accounts	12,719	18,338
Unbilled services	13,891	11,162
Prepaid expenses	548	602
Deferred income taxes	1,358	636
	-----	-----
Total current assets	57,376	56,801
Property and equipment, net	4,051	5,942
Goodwill, net of accumulated amortization of \$502 in 1999 and \$1,055 in 2000	10,553	14,845
Intangible assets, net of accumulated amortization of \$152 in 1999 and \$372 in 2000	1,348	1,170
Other assets	182	1,103
	-----	-----
Total assets	\$ 73,510	\$ 79,861
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,641	\$ 3,978
Accrued expenses	15,128	9,694
Deferred revenue and other liabilities	254	105
Current portion of notes payable to former stockholders	406	177
	-----	-----
Total current liabilities	19,429	13,954
Notes payable to former stockholders, net of current portion	331	102
Notes payable to minority interest	130	--
Deferred rent	1,305	1,640
Minority interest	--	1,827
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued or outstanding	--	--
Common stock, no par value; 25,000,000 shares authorized; 8,683,761 shares in 1999 and 9,091,523 shares in 2000 issued and outstanding	40,189	45,737
Receivable from stockholder	--	(4,500)
Deferred compensation	(345)	(112)
Retained earnings	12,471	21,362
Foreign currency translation	--	(149)
	-----	-----
Total stockholders' equity	52,315	62,338
	-----	-----
Total liabilities and stockholders' equity	\$ 73,510	\$ 79,861
	=====	=====

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share data)

	YEAR ENDED		
	NOVEMBER 28, 1998	NOVEMBER 27, 1999	NOVEMBER 25, 2000
Revenues	\$ 52,971	\$ 73,970	\$ 82,547
Costs of services	31,695	42,320	46,439
Gross profit	21,276	31,650	36,108
Selling, general and administrative	11,934	17,448	21,837
Special charge	--	--	878
Income from operations	9,342	14,202	13,393
Interest income, net	975	977	1,542
Income before provision for income taxes and minority interest	10,317	15,179	14,935
Provision for income taxes:			
Current year operations	(2,846)	(6,182)	(6,166)
Change in tax status	(1,416)	--	--
Income before minority interest	6,055	8,997	8,769
Minority interest	310	33	70
Net income	\$ 6,365	\$ 9,030	\$ 8,839
Net income per share:			
Basic	\$ 0.84	\$ 1.07	\$ 1.01
Diluted	\$ 0.84	\$ 1.05	\$ 1.01
Weighted average number of shares outstanding:			
Basic	7,570,493	8,477,204	8,727,705
Diluted	7,619,945	8,571,042	8,774,422
Pro forma 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.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

	COMMON STOCK		RETAINED EARNINGS	RECEIVABLE FROM STOCKHOLDER
	SHARES ISSUED	AMOUNT		
BALANCE AT NOVEMBER 29, 1997	6,519,240	\$ 1,977	\$ 7,770	\$(1,211)
Net income			6,365	
Issuance of common stock, net of offering costs	1,796,875	29,506		
Dividends declared		(491)	(10,303)	
Adjustment to purchase price of treasury stock			(196)	
Collection of notes receivable from stockholders				1,211
BALANCE AT NOVEMBER 28, 1998	8,316,115	30,992	3,636	--
Net income			9,030	
Issuance of common stock, net of offering costs	200,000	4,453		
Issuance of common stock principally for acquisition of businesses	152,429	3,924		
Issuance of common stock under Employee Stock Purchase Plan	15,217	377		
Grant of stock options to consultants		443		
Amortization of deferred compensation				
Adjustment to purchase price of treasury stock			(195)	
BALANCE AT NOVEMBER 27, 1999	8,683,761	40,189	12,471	--
Net income			8,839	
Foreign currency translation adjustment				
Comprehensive income				
Costs related to issuance of common stock in fiscal 1999		(115)		
Exercise of stock options	1,900	35		
Issuance of common stock	405,862	4,500		(4,500)
Minority interest investment in subsidiary		1,470		
Grant of vested stock options to consultants		75		
Adjustment to revalue deferred compensation		(417)		
Amortization of deferred compensation				
Adjustment to purchase price of treasury stock			52	
BALANCE AT NOVEMBER 25, 2000	9,091,523	\$45,737	\$ 21,362	\$(4,500)

	DEFERRED COMPENSATION	FOREIGN CURRENCY TRANSLATION	STOCKHOLDERS' EQUITY
	-----	-----	-----
BALANCE AT NOVEMBER 29, 1997	\$ --	\$ --	\$ 8,536
Net income			6,365
Issuance of common stock, net of offering costs			29,506
Dividends declared			(10,794)
Adjustment to purchase price of treasury stock			(196)
Collection of notes receivable from stockholders			1,211
BALANCE AT NOVEMBER 28, 1998	--	--	34,628
Net income			9,030
Issuance of common stock, net of offering costs			4,453
Issuance of common stock principally for acquisition of businesses	(106)		3,818
Issuance of common stock under Employee Stock Purchase Plan			377
Grant of stock options to consultants	(443)		--
Amortization of deferred compensation	204		204
Adjustment to purchase price of treasury stock			(195)
BALANCE AT NOVEMBER 27, 1999	(345)	--	52,315
Net income			8,839
Foreign currency translation adjustment		(149)	(149)
Comprehensive income			8,690
Costs related to issuance of common stock in fiscal 1999			(115)
Exercise of stock options			35
Issuance of common stock			--
Minority interest investment in subsidiary			1,470
Grant of vested stock options to consultants			75
Adjustment to revalue deferred compensation	417		--
Amortization of deferred compensation	(184)		(184)
Adjustment to purchase price of treasury stock			52
BALANCE AT NOVEMBER 25, 2000	\$ (112)	\$ (149)	\$ 62,338

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	YEAR ENDED		
	NOVEMBER 28, 1998	NOVEMBER 27, 1999	NOVEMBER 25, 2000
OPERATING ACTIVITIES:			
Net income	\$ 6,365	\$ 9,030	\$ 8,839
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	949	2,122	2,142
Deferred rent	147	(144)	335
Deferred income taxes	(1,101)	(785)	722
Minority interest	(310)	(33)	(70)
Changes in operating assets and liabilities:			
Accounts receivable	273	(2,449)	(5,619)
Unbilled services	(1,883)	(7,277)	2,729
Prepaid expenses and other	(106)	(3)	(942)
Accounts payable, accrued expenses, and other liabilities	9,369	2,680	(5,246)
Net cash provided by operating activities	13,703	3,141	2,890
INVESTING ACTIVITIES:			
Purchase of property and equipment	(1,591)	(1,586)	(3,444)
Sale (purchase) of short-term investments, net	--	(8,684)	2,926
Acquisition of businesses	--	(9,339)	(4,845)
Net cash used in investing activities	(1,591)	(19,609)	(5,363)
FINANCING ACTIVITIES:			
Payments on notes payable to former stockholders	(302)	(339)	(406)
Proceeds from (payment on) loan from minority interest	--	130	(130)
Issuance of common stock	29,506	4,830	35
Costs related to issuance of common stock in fiscal 1999	--	--	(115)
Collection of notes receivable from stockholders	381	--	--
Dividends paid	(11,728)	--	--
Proceeds from minority interest	--	--	3,367
Net cash provided by financing activities	17,857	4,621	2,751
Effect of foreign exchange rates on cash and cash equivalents	--	--	(149)
Net increase (decrease) in cash and cash equivalents	29,969	(11,847)	129
Cash and cash equivalents at beginning of year	2,054	32,023	20,176
Cash and cash equivalents at end of year	\$ 32,023	\$ 20,176	\$ 20,305
Noncash financing activities:			
Receivable in exchange for common stock	--	--	\$ 4,500
Issuance of common stock for acquired businesses	--	\$ 3,818	--
Issuance of common stock for future services	--	\$ 106	--
Dividends applied to reduce notes receivable	\$ 830	--	--
Supplemental cash flow information:			
Cash paid for taxes	\$ 3,872	\$ 7,621	\$ 7,345

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Charles River Associates Incorporated (the "Company" or "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. The Company offers two types of services: legal and regulatory consulting and business consulting.

ESTIMATES

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

FISCAL YEAR

CRA's fiscal year ends on the last Saturday in November.

REVENUE RECOGNITION

Revenues from most engagements are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates. 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 revenue recognized by the Company for services performed but not yet billed to the client.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." SAB 101 clarifies the SEC staff's views on applying generally accepted accounting principles to revenue recognition in financial statements. The Company is required to adopt SAB 101 no later than the fourth quarter of fiscal 2001. The adoption of this SAB is not expected to have a significant impact on the Company's financial statements.

CASH EQUIVALENTS AND AVAILABLE-FOR-SALE SECURITIES

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. Available-for-sale securities generally consist of government bonds with maturities when purchased of more than 90 days but less than one year, whose cost approximates fair market value.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill represents the cost in excess of fair market value of net assets of acquired businesses and is amortized on a straight-line basis over periods ranging from 15 to 20 years.

INTANGIBLE ASSETS

Intangible assets consist principally of costs allocated to noncompete agreements and are amortized on a straight-line basis over the related terms of the agreements (7 - 10 years).

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. The Company provides for depreciation of equipment using the straight-line method over its estimated useful life, generally three to five years. Amortization of leasehold improvements is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the leasehold improvements.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the carrying value of its long-lived assets (primarily property and equipment, goodwill, and intangible assets) to assess the recoverability of these assets whenever events indicate that impairment may have occurred; any impairments would be recognized in operating results if a permanent diminution in value were to occur. As part of this assessment, the Company reviews the expected future undiscounted operating cash flows from its acquired businesses. If impairment is indicated through this review, the carrying amount of the asset will be reduced to its estimated fair value.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its fully owned subsidiaries, and NeuCo, Inc. ("NeuCo"), a corporation founded by the Company and an affiliate of Commonwealth Energy Systems in June 1997. The Company has a 50.5 percent interest in NeuCo. The portion of the results of operations of NeuCo allocable to its minority owners is shown as "minority interest" on the Company's statement of income, and that amount, along with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" on the Company's balance sheet. All significant intercompany accounts have been eliminated.

Prior to May 3, 2000, the Company owned 65.25 percent of NeuCo. On May 3, 2000, in a series of transactions that resulted in an infusion of new equity in NeuCo, the Company's ownership was reduced to 50.5 percent.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATION OF CREDIT RISK

The Company's accounts receivable base consists of a broad range of clients in a variety of industries located throughout the United States and in other countries. The Company performs a credit evaluation of each of its clients to minimize its collectibility risk and has not required collateral or other security. Historically, the Company has not experienced significant write-offs.

The Company provides an allowance for doubtful accounts for potentially uncollectible amounts. Activity in the accounts is as follows:

	FISCAL YEAR		
	1998	1999	2000
	-----	-----	-----
	(In thousands)		
Balance at beginning of period	\$ 394	\$ 727	\$ 952
Charge to cost and expenses	361	225	378
Amounts written off	(28)	--	(9)
	-----	-----	-----
Balance at end of period	\$ 727	\$ 952	\$ 1,321
	=====	=====	=====

DEFERRED REVENUE

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

INCOME TAXES

Until April 28, 1998, the Company had been treated for federal and state income tax purposes as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company's stockholders, rather than the Company, 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 the closing of the initial public offering of the Company's common stock, the Company's status as an S corporation terminated. Pro forma provisions for income taxes have been presented as if the Company had been taxed as a C corporation for the fiscal year ended November 28, 1998.

At the time of the termination of the Company's status as an S corporation, the Company 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. Diluted earnings per share represents net income divided by the weighted average shares of common stock and common stock equivalents, which consists of stock options, outstanding during the period.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 have been required to pay a dividend in the amount of \$2,400,000 that was paid upon the completion of the initial public offering.

STOCK-BASED COMPENSATION

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

DEFERRED COMPENSATION

Deferred compensation represents the cost associated with shares of common stock granted to certain employees and the cost associated with the grant of stock options to consultants. The options granted to consultants are accounted for under variable accounting in accordance with SFAS No. 123. These costs are being amortized over the related vesting period.

FOREIGN CURRENCY TRANSLATION

In accordance with SFAS No. 52, "Foreign Currency Translation," balance sheet accounts of the Company's foreign subsidiaries are translated into United States dollars at year-end exchange rates. Operating accounts are translated at average exchange rates for each year. The net loss resulting from the changes in exchange rates during fiscal 2000 have been reported in comprehensive income. The effect on the consolidated financial statements of translation gains and losses in fiscal 1998 and 1999, and of transaction gains and losses for all years presented, is insignificant.

ACCOUNTING PRONOUNCEMENTS

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 requires companies upon adoption to expense start-up costs, including organization costs, as incurred. In addition, the SOP requires companies upon adoption to write off as a cumulative change in accounting principle any previously recorded start-up or organization costs. The Company adopted the SOP in the first quarter of fiscal 2000, the effect of which was immaterial.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivatives

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2001.

In March 2000, the FASB issued Interpretation No. 44, "Accounting Transactions Involving Stock Compensation" (the Interpretation). The Interpretation clarifies how companies should apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Interpretation is to be applied prospectively to new awards, modifications to outstanding awards, and changes in employee status on or after July 1, 2000, except as follows: the definition of an employee applies to awards granted after December 15, 1998; the Interpretation applies to modifications that reduce the exercise price of an award after December 15, 1998; and the Interpretation applies to modifications that add a reload feature to an award made after January 12, 2000. There were no awards granted or modifications made by the Company that resulted in an adjustment as a result of the Interpretation.

2. BUSINESS ACQUISITIONS

On December 15, 1998, the Company acquired assets and assumed certain liabilities of The Tilden Group, a consulting company, for \$9.6 million in cash and common stock. On February 25, 1999, the Company acquired assets and assumed certain liabilities of FinEcon, a consulting company, for \$3.2 million in cash and common stock. The acquisitions have been accounted for under purchase accounting, and the results of operations have been included in the accompanying statements of operations from the related dates of acquisition. The pro forma results of operations had the acquisitions occurred at the beginning of fiscal years 1998 and 1999 would not be materially different from the results in the accompanying statements of operations.

On October 18, 2000, CRA acquired the consulting business of Dr. Gordon C. Rausser for \$4.75 million in cash. The acquisition price may increase based upon the business meeting specified performance targets over the ensuing three fiscal years. In addition, the Company loaned Dr. Rausser \$4.5 million, on a full recourse basis, for the purchase of CRA stock. CRA has accounted for the acquisition as a purchase, and the results have been included in the accompanying statements of operations from the date of acquisition. The pro forma results of operations had the acquisition occurred at the beginning of fiscal 2000 would not be materially different from the results in the accompanying statements of operations.

3. SPECIAL CHARGE

In the fourth quarter of fiscal 2000, the Company relocated its London and Washington offices and recorded a special charge of \$878,000, which consists principally of duplicate rent and the remaining lease obligations for the former space of these offices.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	NOVEMBER 27, 1999	NOVEMBER 25, 2000
	(In thousands)	
Furniture and equipment	\$ 6,985	\$ 9,358
Leasehold improvements	1,857	2,927
	8,842	12,285
Accumulated depreciation and amortization	4,791	6,343
	\$ 4,051	\$ 5,942
	=====	=====

Depreciation expense was \$3.5 million in fiscal 1998, \$4.8 million in fiscal 1999, and \$6.3 million in fiscal 2000.

5. ACCRUED EXPENSES

Accrued expenses consist of the following:

	NOVEMBER 27, 1999	NOVEMBER 25, 2000
	(In thousands)	
Compensation and related expenses	\$13,072	\$ 9,694
Other	2,056	--
	\$15,128	\$ 9,694
	=====	=====

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. NOTES PAYABLE TO FORMER STOCKHOLDERS

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

In 1998, the Company's Board of Directors authorized the Company to amend and restate the Exit Agreement, and no further repurchases may be made under the Exit Agreement.

Under the Exit Agreement, the Company repurchased shares of common stock from certain stockholders at a purchase price based upon a formula that used the book value of the Company at the date the stockholder separated from the Company (the "Fixed Amount") and an amount (the "Contingent Pay-Out Amount") equal to the stockholder's pro rata portion of 25 percent of the Company's earnings before bonuses, supplemental compensation, and amortization of goodwill, if any, for each of the five fiscal years commencing with the fiscal year in which the repurchase was made. The Fixed Amount is payable in three equal installments, and the Contingent Pay-Out Amount is payable in five equal annual installments. As of November 25, 2000, there were no Fixed Amounts due.

For financial reporting purposes, the Company initially estimates the Contingent Pay-Out Amount owed to each former stockholder for the full five-year payment period based on the actual amount of the contingent payment for the first year. In subsequent years, the Company adjusts the estimate annually based on actual amounts of the contingent payment for all preceding years. The related adjustments are made to treasury stock and additional paid-in capital and, to the extent additional paid-in capital is not available, retained earnings. Annual principal payments to former stockholders are estimated as of November 25, 2000 to be \$177,000 in fiscal 2001 and \$102,000 in fiscal 2002. The Company believes the recorded value of the notes payable to former stockholders approximates fair market value.

7. FINANCING ARRANGEMENTS

The Company has a line of credit that permits borrowings of up to \$2.0 million with interest at the bank's base rate (9.5 percent at November 25, 2000) and is secured by the Company's accounts receivable. This line of credit automatically renews each year on June 30 unless earlier terminated by either the Company or the bank. The terms of the line of credit include certain operating and financial covenants. No borrowings were outstanding as of November 27, 1999 or November 25, 2000.

8. EMPLOYEE BENEFIT PLANS

The Company maintains a profit-sharing retirement plan that covers substantially all full-time employees. Contributions are made at the discretion of the Company and its subsidiaries, and cannot exceed the maximum amount deductible under applicable provisions of the Internal Revenue Code. Contributions were approximately \$1.0 million in fiscal 1998, \$1.5 million in fiscal 1999, and \$1.7 million in fiscal 2000.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. LEASES

At November 25, 2000, the Company had the following minimum rental commitments under all noncancelable operating leases (in thousands):

FISCAL YEAR -----	RENTAL COMMITMENTS -----
2001	\$ 4,973
2002	4,759
2003	4,585
2004	4,306
2005	4,179
Thereafter	13,060

	35,862
 Future minimum rentals under sublease arrangements	 (2,573)

	\$ 33,289
	=====

Rent expense amounted to approximately \$2.3 million in fiscal 1998, \$3.1 million in fiscal 1999, and \$4.7 million in fiscal 2000.

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 28, 1998 -----	NOVEMBER 27, 1999 -----	NOVEMBER 25, 2000 -----
Basic	7,570,493	8,477,204	8,727,705
Dilutive effect of stock options	49,452	93,838	46,717
	-----	-----	-----
Diluted	7,619,945	8,571,042	8,774,422
		=====	=====
 Shares required to pay \$2.4 million in dividends at completion of the initial public offering	 59,519		

Pro forma - Diluted	7,679,464		
	=====		

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. COMMON STOCK

On March 31, 1998, the Company's Board of Directors authorized the declaration of a 52-for-1 stock split effected in the form of a dividend of 51 shares of common stock per share of common stock outstanding before the closing of the Company's initial public offering (the "Offering"). The accompanying consolidated financial statements give effect to this action for all periods presented.

In 1998, the Company's Board of Directors authorized the Company to amend and restate the Exit Agreement (as so amended and restated, the "Stock Restriction Agreement"). The Stock Restriction Agreement prohibits each person who was a stockholder of the Company before the closing of the Offering from selling or otherwise transferring a portion of the shares of common stock held immediately before the Offering without the consent of the Board of Directors of the Company for a specified period of time after the Offering. In addition, the Stock Restriction Agreement allows 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).

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. STOCK-BASED COMPENSATION

The Company has adopted the 1998 Incentive and Nonqualified Stock Option Plan, which originally provided for the grant of options to purchase up to 970,000 shares of common stock. In January 2001, the stockholders approved an amendment to the plan increasing the number of shares issuable under the plan to 1,870,000. 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 grant. Vesting terms are determined at the discretion of the Board of Directors generally ranging from immediate vesting to vesting at various rates over five years. All options terminate 10 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	357,500	\$ 18.90
Canceled	(16,500)	18.50

Outstanding at November 28, 1998	341,000	18.92
Granted	213,500	23.88
Canceled	(1,000)	29.63

Outstanding at November 27, 1999	553,500	20.81
Granted	346,500	13.72
Exercised	(1,900)	18.50
Canceled	(11,000)	23.68

Outstanding at November 25, 2000	887,100	18.01
	=====	
Options available for grant at November 25, 2000	81,000	
	=====	
Options exercisable:		
At November 25, 2000	201,877	\$ 20.64
	=====	=====
At November 27, 1999	79,227	\$ 20.83
	=====	=====
At November 28, 1998	3,500	\$ 23.75
	=====	=====
Weighted average remaining contractual life at November 25, 2000	8 years	

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. STOCK-BASED COMPENSATION (CONTINUED)

The weighted average fair market value of the options granted was \$9.19 in fiscal 1998, \$9.63 in fiscal 1999, and \$5.66 in fiscal 2000.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company 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: risk-free interest rate of approximately 5.6 percent in fiscal 1998, 5.5 percent in fiscal 1999, and 6.1 percent in fiscal 2000; the volatility factor of the expected market price of the Company's common stock was 62 percent in fiscal 1998, 57 percent in fiscal 1999, and 63 percent in fiscal 2000; and the weighted average expected life was 4.54 years in fiscal 1998, 3.56 years in fiscal 1999, and 3.88 years in fiscal 2000. The Company 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 the Company'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.

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

	FISCAL YEAR		
	1998	1999	2000
Net income - as reported	\$ 6,365	\$ 9,030	\$ 8,839
Net income - pro forma	\$ 6,116	\$ 8,400	\$ 8,291
Basic earnings per share - as reported	\$ 0.84	\$ 1.07	\$ 1.01
Basic earnings per share - pro forma	\$ 0.81	\$ 0.99	\$ 0.95
Diluted earnings per share - as reported	\$ 0.84	\$ 1.05	\$ 1.01
Diluted earnings per share - pro forma	\$ 0.80	\$ 0.98	\$ 0.94

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. STOCK-BASED COMPENSATION (CONTINUED)

The effect on 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.

The Company has adopted the 1998 Employee 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 a purchase price equal to 85 percent of fair market value on either the first or the last day of the one-year offering period under the Stock Purchase Plan. During fiscal 1999, 15,217 shares were issued under the Stock Purchase Plan.

Options granted to nonemployee consultants, amounting to options for the purchase of 38,500 shares of common stock at November 25, 2000, are accounted for at fair value in accordance with SFAS No. 123. During fiscal 1999, \$204,000 was charged to compensation expense, while in fiscal 2000, \$121,000 was credited to compensation expense in connection with these options.

CHARLES RIVER ASSOCIATES INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAXES

Components of the Company's deferred taxes are as follows:

	NOVEMBER 27, 1999	NOVEMBER 25, 2000
	(In thousands)	
Deferred tax assets:		
Accrued expenses	\$1,814	\$ 590
Allowance for doubtful accounts	374	542
Excess tax over book depreciation and amortization	100	125
	2,288	1,257
Deferred tax liabilities:		
Cash to accrual adjustment	671	336
Other	259	285
	930	621
Net deferred tax assets	\$1,358	\$ 636

The provision (credit) for income taxes for current year operations consists of the following:

	FISCAL YEAR		
	1998	1999	2000
	(In thousands)		
Currently payable:			
Federal	\$ 3,475	\$ 5,921	\$ 4,627
State	472	1,046	817
	3,947	6,967	5,444
Deferred:			
Federal	(1,056)	(670)	614
State	(45)	(115)	108
	(1,101)	(785)	722
	\$ 2,846	\$ 6,182	\$ 6,166

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAXES (CONTINUED)

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

	FISCAL YEAR		
	1998	1999	2000
Federal statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	6.1	6.3	6.3
S corporation earnings not subject to federal taxes	(13.7)	--	--
Adjustment to deferred taxes for change in tax status	13.7	--	--
Other	1.2	.4	1.0
	-----	-----	-----
	41.3%	40.7%	41.3%
	=====	=====	=====

14. RELATED-PARTY TRANSACTIONS

The Company made payments to stockholders of the Company who performed consulting services for the Company in the amounts of \$2.6 million in fiscal 1998, \$5.3 million in fiscal 1999, and \$6.2 million in fiscal 2000.

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	FEBRUARY 19, 1999	MAY 14, 1999	SEPTEMBER 3, 1999 (16 weeks)	NOVEMBER 27, 1999
	-----	-----	-----	-----
	(In thousands, except per share data)			
Revenues	\$14,413	\$16,740	\$23,480	\$19,337
Gross profit	5,730	7,341	10,240	8,339
Income from operations	2,644	3,243	4,454	3,861
Income before provision for income taxes and minority interest	2,904	3,446	4,689	4,140
Minority interest	33	--	--	--
Net income	1,755	2,061	2,771	2,443
Basic net income per share	0.21	0.25	0.33	0.28
Diluted net income per share	0.21	0.24	0.32	0.28

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

	QUARTER ENDED			
	FEBRUARY 18, 2000	MAY 12, 2000	SEPTEMBER 1, 2000 (16 weeks)	NOVEMBER 25, 2000
	----- (In thousands, except per share data) -----			
Revenues	\$ 18,869	\$ 19,845	\$ 23,953	\$ 19,880
Gross profit	8,340	8,721	10,897	8,150
Income from operations	3,844	4,031	4,276	1,242(1)
Income before provision for income taxes and minority interest	4,149	4,365	4,814	1,607
Minority interest	--	46	117	(93)
Net income	2,435	2,610	2,944	850
Basic net income per share	0.28	0.30	0.34	0.10
Diluted net income per share	0.28	0.30	0.34	0.10

(1) Includes special charge in the amount of \$878,000 (See note 3.)

CHARLES RIVER ASSOCIATES INCORPORATED

1998 INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN

SECTION 1. PURPOSE

This 1998 Incentive and Nonqualified Stock Option Plan (the "Plan") of Charles River Associates Incorporated (the "Company"), is designed to provide additional incentive to executives and other key employees of the Company, and any parent or subsidiary of the Company, and to certain other individuals providing services to or acting as directors of the Company or any such parent or subsidiary. The Company intends that this purpose will be effected by the granting of incentive stock options ("Incentive Stock Options") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and nonqualified stock options ("Nonqualified Options") under the Plan which afford such executives, key employees or other individuals an opportunity to acquire or increase their proprietary interest in the Company through the acquisition of shares of its Common Stock. The Company intends that Incentive Stock Options issued under the Plan will qualify as "incentive stock options" as defined in Section 422 of the Code and the terms of the Plan shall be interpreted in accordance with this intention. As used in the Plan the terms "parent" and "subsidiary" shall have the respective meanings set forth in Section 424 of the Code.

SECTION 2. ADMINISTRATION

2.1 The Plan Administrator. The Plan shall be administered by the Plan Administrator (the "Plan Administrator"), which shall consist of the Board of Directors of the Company (the "Board") or, if appointed by the Board, a committee consisting of at least two "Disinterested Directors." As used herein, the term Disinterested Director means any director of the Company who (i) is not a current employee of the Company or a member of an "affiliated group," as such term is defined in Section 1504(a) of the Code, which includes the Company (an "Affiliate"), (ii) is not a former employee of the Company or any Affiliate who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company's or any Affiliate's taxable year (iii) has not been an officer of the Company or any Affiliate; and (iv) does not receive remuneration from the Company or any Affiliate, either directly or indirectly, in any capacity other than as a director. If the Plan is not administered by the Board, none of the members of the Plan Administrator shall be an officer or other employee of the Company. It is the intention of the Company that the Plan, if not administered by the Board, shall be administered by a committee having two or more "Non-Employee Directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), but the authority and validity of any act taken or not taken by the Plan Administrator shall not be affected if any person administering the Plan is not a Non-Employee Director. Except as specifically reserved to the Board under the terms of the Plan, the Plan Administrator shall have full and final authority to operate, manage and administer the Plan on behalf of the Company. Action by the Plan Administrator shall require the affirmative vote of a majority of all members thereof.

2.2 Powers of the Plan Administrator. Subject to the terms and conditions of the Plan, the Plan Administrator shall have the power:

(a) To determine from time to time the persons eligible to receive options and the options to be granted to such persons under the Plan and to prescribe the terms, conditions, restrictions, if any, and provisions (which need not be identical) of each option granted under the Plan to such persons;

(b) To construe and interpret the Plan and options granted thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Plan Administrator may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, or in any option agreement, in the manner and to the extent it shall deem necessary or

expedient to make the Plan fully effective. All decisions and determinations by the Plan Administrator in the exercise of this power shall be final and binding upon the Company and optionees;

(c) To make, in its sole discretion, changes to any outstanding option granted under the Plan, including: (i) to reduce the exercise price, (ii) to accelerate the vesting schedule or (iii) to extend the expiration date; and

(d) Generally, to exercise such powers and to perform such acts as are deemed necessary or expedient to promote the best interests of the Company with respect to the Plan.

SECTION 3. STOCK

3.1 Stock to be Issued. The stock subject to the options granted under the Plan shall be shares of the Company's authorized but unissued common stock, without par value (the "Common Stock"), or shares of the Company's Common Stock held in treasury. The total number of shares that may be issued pursuant to options granted under the Plan shall not exceed an aggregate of 1,870,000 shares of Common Stock; provided, however, that the class and aggregate number of shares which may be subject to options granted under the Plan shall be subject to adjustment as provided in Section 8 hereof.

3.2 Expiration, Cancellation or Termination of Option. Whenever any outstanding option under the Plan expires, is cancelled or is otherwise terminated (other than by exercise), the shares of Common Stock allocable to the unexercised portion of such option may again be the subject of options under the Plan.

3.3 Limitation on Grants. In no event may any Plan participant be granted options with respect to more than 150,000 shares of Common Stock in any calendar year. The number of shares of Common Stock issuable pursuant to an option granted to a Plan participant in a calendar year that is subsequently forfeited, cancelled or otherwise terminated shall continue to count toward the foregoing limitation in such calendar year. In addition, if the exercise price of an option is subsequently reduced, the transaction shall be deemed a cancellation of the original option and the grant of a new one so that both transactions shall count toward the maximum shares issuable in the calendar year of each respective transaction.

SECTION 4. ELIGIBILITY

4.1 Persons Eligible. Incentive Stock Options under the Plan may be granted only to officers and other employees of the Company or any parent or subsidiary of the Company. Nonqualified Options may be granted to officers or other employees of the Company or any parent or subsidiary of the Company, and to members of the Board and consultants or other persons who render services to the Company or any such parent or subsidiary (regardless of whether they are also employees), provided, however, that options may be granted to members of the Board who are neither employees of the Company or any such parent or subsidiary nor consultants who provide economic consulting services to or in conjunction with the Company or any such parent or subsidiary ("Outside Directors") only as provided in Section 4.4.

4.2 Greater-Than-Ten-Percent Stockholders. Except as may otherwise be permitted by the Code or other applicable law or regulation, no Incentive Stock Option shall be granted to an individual who, at the time the option is granted, owns (including ownership attributed pursuant to Section 424(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of the Company or any parent or subsidiary (a "greater-than-ten-percent stockholder"), unless such Incentive Stock Option provides that (i) the purchase price per share shall not be less than one hundred ten percent of the fair market value of the Common Stock at the time such option is granted, and (ii) that such option shall not be exercisable to any extent after the expiration of five years from the date it is granted.

4.3 Maximum Aggregate Fair Market Value. The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under the Plan and any other plans of the Company or any parent or subsidiary for the issuance of incentive stock options) shall not exceed \$100,000 (or such greater amount as may from time to time be permitted with respect to incentive stock

options by the Code or any other applicable law or regulation). Any option granted in excess of the foregoing limitation shall be specifically designated as being a Nonqualified Option.

4.4 Option Grants to Outside Directors.

(a) Grant of Options Upon Election to Board. Each Outside Director joining the Board at or subsequent to the meeting of the Company's stockholders at which the Plan is approved (the "Approval Meeting") shall automatically be granted, upon such Outside Director so joining the Board, an initial Nonqualified Option to purchase 10,000 shares of Common Stock. Such Nonqualified Option shall vest and become exercisable in three equal annual installments cumulatively beginning on the first anniversary of the date of grant.

(b) Grant of Options Upon Re-Election to Board or Continuation on the Board. Each Outside Director who shall be re-elected by the stockholders of the Company to the Board at or subsequent to the Approval Meeting shall automatically be granted, immediately following the meeting of stockholders at which such Outside Director shall be re-elected, a Nonqualified Option to purchase 5,000 shares of Common Stock. In addition, each Outside Director whose term of office shall not expire at any annual meeting of stockholders or special meeting in lieu thereof subsequent to the Approval Meeting and who shall remain an Outside Director after such meeting shall automatically be granted, immediately following such meeting, a Nonqualified Option to purchase 5,000 shares of Common Stock. Each Nonqualified Option described in this Section 4.4(b) shall vest and become exercisable in full on the first anniversary of the date of grant.

(c) Purchase Price. The purchase price per share of Common Stock under each Nonqualified Option granted pursuant to this Section 4.4 shall be equal to the fair market value of the Common Stock on the date the Nonqualified Option is granted, such fair market value to be determined in accordance with the provisions of Section 6.3.

(d) Expiration. Each Nonqualified Option granted to an Outside Director under this Section 4.4 shall expire on the fifth anniversary of the date of grant with respect to all Nonqualified Options so granted prior to the date of the approval of this Plan by the Company's stockholders in 1999 and the tenth anniversary of the date of grant with respect to all other Nonqualified Options so granted.

SECTION 5. TERMINATION OF EMPLOYMENT OR DEATH OF OPTIONEE

5.1 Termination of Employment. Except as may be otherwise expressly provided herein, options shall terminate on the earlier of:

(a) the date of expiration thereof; or

(b) immediately upon the termination of the optionee's employment with or performance of services for the Company (or any parent or subsidiary of the Company) by the Company (or any such parent or subsidiary) for cause (as determined by the Company or such parent or subsidiary), without cause or voluntarily by the optionee;

provided, however, that Nonqualified Options granted to persons who are not employees of the Company (or any parent or subsidiary of the Company) need not, unless the Plan Administrator determines otherwise, be subject to the provisions set forth in clause (b) above.

An employment relationship between the Company (or any parent or subsidiary of the Company) and the optionee shall be deemed to exist during any period in which the optionee is employed by the Company (or any such parent or subsidiary). Whether authorized leave of absence, or absence on military or government service, shall constitute termination of the employment relationship between the Company (or any parent or subsidiary of the Company) and the optionee shall be determined by the Plan Administrator at the time thereof.

As used herein, "cause" shall mean (x) any material breach by the optionee of any agreement to which the optionee and the Company (or any parent or subsidiary of the Company) are both parties,

(y) any act or omission to act by the optionee which may have a material and adverse effect on the business of the Company (or any such parent or subsidiary) or on the optionee's ability to perform services for the Company (or any such parent or subsidiary), including, without limitation, the commission of any crime (other than ordinary traffic violations), or (z) any material misconduct or material neglect of duties by the optionee in connection with the business or affairs of the Company (or any such parent or subsidiary) or any affiliate of the Company (or any such parent or subsidiary).

5.2 Death or Retirement of Optionee. In the event of the death of the holder of an option that is subject to clause (b) of Section 5.1 above prior to termination of the optionee's employment with or performance of services for the Company (or any parent or subsidiary of the Company) and before the date of expiration of such option, such option shall terminate on the earlier of such date of expiration or one year following the date of such death. After the death of the optionee, his executors, administrators or any person or persons to whom his option may be transferred by will or by the laws of descent and distribution shall have the right, at any time prior to such termination, to exercise the option to the extent the optionee was entitled to exercise such option at the time of his death.

If, before the date of the expiration of an option that is subject to clause (b) of Section 5.1 above, the optionee shall be retired in good standing from the Company for reasons of age or disability under the then established rules of the Company, the option shall terminate on the earlier of such date of expiration or ninety (90) days after the date of such retirement. In the event of such retirement, the optionee shall have the right prior to the termination of such option to exercise the option to the extent to which he was entitled to exercise such option immediately prior to such retirement.

SECTION 6. TERMS OF THE OPTION AGREEMENTS

Each option agreement shall be in writing and shall contain such terms, conditions, restrictions, if any, and provisions as the Plan Administrator shall from time to time deem appropriate. Such provisions or conditions may include, without limitation, restrictions on transfer, repurchase rights, or such other provisions as shall be determined by the Plan Administrator; provided, however, that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional provisions shall not cause any Incentive Stock Option granted under the Plan to fail to qualify as an incentive stock option within the meaning of Section 422 of the Code.

Option agreements need not be identical, but each option agreement by appropriate language shall include the substance of all of the following provisions:

6.1 Expiration of Option. Notwithstanding any other provision of the Plan or of any option agreement, each option shall expire on the date specified in the option agreement, which date shall not, in the case of an Incentive Stock Option, be later than the tenth anniversary (fifth anniversary in the case of a greater-than-ten-percent stockholder) of the date on which the option was granted or as specified in Section 5 of this Plan.

6.2 Exercise. Each option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, subject to any limitations with respect to the number of shares for which the option may be exercised at a particular time and to such other conditions as the Plan Administrator in its discretion may specify upon granting the option.

6.3 Purchase Price. The purchase price per share under each option shall be determined by the Plan Administrator at the time the option is granted; provided, however, that the option price of any Incentive Stock Option shall not, unless otherwise permitted by the Code or other applicable law or regulation, be less than the fair market value of the Common Stock on the date the option is granted (110% of the fair market value in the case of a greater-than-ten-percent stockholder) and the option price of any Nonqualified Option shall not be less than 85% of the fair market value of the Common Stock on the date the option is granted. For the purpose of the Plan the fair market value of the Common Stock shall be the closing price per share on the date of grant of the option as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as

reported by the National Association of Securities Dealers Automated Quotation System ("Nasdaq") National Market System or, if the Common Stock is not listed on the Nasdaq National Market System, the mean of the bid and asked prices per share on the date of grant of the option or, if the Common Stock is not traded over-the-counter, the fair market value as determined by the Plan Administrator.

6.4 Transferability of Options. Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable, during his lifetime, only by the optionee. Notwithstanding the foregoing, the Plan Administrator may, in its sole discretion, permit the transfer or assignment of a Nonqualified Option by the original optionee for no consideration to: (i) any member of the optionee's Immediate Family; (ii) any trust solely for the benefit of members of the optionee's Immediate Family; (iii) any partnership whose only partners are members of the optionee's Immediate Family; or (iv) any limited liability company or corporate entity whose only members or other equity owners are members of the optionee's Immediate Family. For purposes of this Section 6.4, "Immediate Family" means an optionee's parents, spouse, children and grandchildren. Nothing contained in this Section 6.4 shall be construed to require the Plan Administrator to give its approval to any transfer or assignment of any Nonqualified Option or portion thereof, and approval to transfer or assign any Nonqualified Option or portion thereof does not mean that such approval will be given with respect to any other Nonqualified Option or portion thereof. The transferee or assignee of any Nonqualified Option shall be subject to all of the terms and conditions applicable to such Nonqualified Option immediately prior to the transfer or assignment and shall be subject to any conditions prescribed by the Plan Administrator with respect to such Nonqualified Option. In particular, and without limiting the generality of the foregoing, the termination of employment, retirement or death of the original optionee shall continue to determine the term and time for exercise of such Nonqualified Option for purposes of Sections 5.1 and 5.2 above.

6.5 Rights of Optionees. No optionee shall be deemed for any purpose to be the owner of any shares of Common Stock subject to any option unless and until the option shall have been exercised pursuant to the terms thereof, and the Company shall have issued and delivered certificates representing such shares to the optionee.

6.6 Certain Rights of the Company. The Plan Administrator may in its discretion provide upon the grant of any option hereunder that the Company shall have an option to repurchase upon such terms and conditions as determined by the Plan Administrator all or any number of shares purchased upon exercise of such option or a right of first refusal in connection with subsequent transfer of any or all of such shares. The repurchase price per share payable by the Company shall be such amount or be determined by such formula as is fixed by the Plan Administrator at the time the option for the shares subject to repurchase is granted. In the event the Plan Administrator shall grant options subject to the Company's repurchase option or right of first refusal, the certificates representing the shares purchased pursuant to such option shall carry a legend satisfactory to counsel for the Company referring to the Company's repurchase option or right of first refusal.

6.7 "Lockup" Agreement. The Plan Administrator may in its discretion specify upon granting an option that upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, the optionee shall agree in writing that for a period of time (not to exceed 180 days) from the effective date of any registration of securities of the Company, the optionee will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares issued pursuant to the exercise of such option, without the prior written consent of the Company or such underwriters, as the case may be.

SECTION 7. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE

7.1 Method of Exercise. Any option granted under the Plan may be exercised by the optionee by delivering to the Company on any business day a written notice specifying the number of shares of

Common Stock the optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the "Notice"), accompanied by payment for such shares.

7.2 Payment of Purchase Price. Payment for the shares of Common Stock purchased pursuant to the exercise of an option shall be made either by (i) cash or check equal to the option price for the number of shares specified in the Notice, or (ii) with the consent of the Plan Administrator, other shares of Common Stock which (a) either have been owned by the optionee for more than six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (b) have a fair market value on the date of surrender not greater than the aggregate option price of the shares as to which such option shall be exercised, (iii) with the consent of the Plan Administrator, delivery of such documentation as the Plan Administrator and the broker, if applicable, shall require to effect an exercise of the option and delivery to the Company of the sale or loan proceeds required to pay the option price, (iv) with the consent of the Plan Administrator, such other consideration which is acceptable to the Plan Administrator and which has a fair market value equal to the option price of such shares, or (v) with the consent of the Plan Administrator, a combination of (i), (ii), (iii) or (iv). For the purpose of the preceding sentence, the fair market value per share of Common Stock so delivered to the Company shall be determined in the manner specified in Section 6.3. As promptly as practicable after receipt of the Notice and accompanying payment, the Company shall deliver to the optionee certificates for the number of shares with respect to which such option has been so exercised, issued in the optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the optionee, at the address specified in the Notice.

SECTION 8. CHANGES IN COMPANY'S CAPITAL STRUCTURE

8.1 Rights of Company. The existence of outstanding options shall not affect in any way the right or power of the Company or its stockholders to make or authorize, without limitation, any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock or other capital stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

8.2 Recapitalizations, Stock Splits and Dividends. If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, in any such case without receiving compensation therefor in money, services or property, then (i) the number, class, and price per share of shares of stock subject to outstanding options hereunder shall be appropriately adjusted in such a manner as to entitle an optionee to receive upon exercise of an option, for the same aggregate cash consideration, the same total number and class of shares as he would have received as a result of the event requiring the adjustment had he exercised his option in full immediately prior to such event; (ii) the number and class of shares with respect to which options may be granted under the Plan; and (iii) the number and class of shares set forth in Sections 3.3 and 4.4, shall be adjusted by substituting for the total number of shares of Common Stock then reserved for issuance under the Plan that number and class of shares of stock that the owner of an equal number of outstanding shares of Common Stock immediately prior to the event requiring adjustment would own as the result of such event.

8.3 Merger without Change of Control. After a merger of one or more corporations with or into the Company or after a consolidation of the Company and one or more corporations in which the stockholders of the Company immediately prior to such merger or consolidation own after such merger or consolidation shares representing at least fifty percent (50%) of the voting power of the Company or the surviving or resulting corporation, as the case may be, each holder of an outstanding option shall, at no additional cost, be entitled upon exercise of such option to receive in lieu of the shares of Common Stock as to which such option was exercisable immediately prior to such event, the number and class of shares of stock or

other securities, cash or property (including, without limitation, shares of stock or other securities of another corporation or Common Stock) to which such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares for which such option shall be so exercised.

8.4 Change of Control. If the Company is merged with or into or consolidated with another corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation while unexercised options remain outstanding under the Plan, then in such event either:

(a) subject to the provisions of clause (c) below, after the effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, each holder of an outstanding option shall be entitled, upon exercise of such option, to receive, in lieu of the shares of Common Stock as to which such option was exercisable immediately prior to such event, the number and class of shares of stock or other securities, cash or property (including, without limitation, shares of stock or other securities of another corporation or common stock) to which such holder would have been entitled pursuant to the terms of the merger, consolidation, liquidation, sale or disposition if, immediately prior to such event, such holder had been the holder of a number of shares of Common Stock equal to the number of shares as to which such option shall be so exercised;

(b) the Plan Administrator may accelerate the time for exercise of some or all unexercised and unexpired options so that from and after a date prior to the effective date of such merger, consolidation, liquidation, sale or disposition, as the case may be, specified by the Plan Administrator such accelerated options shall be exercisable in full; or

(c) all outstanding options may be canceled by the Plan Administrator as of the effective date of any such merger, consolidation, liquidation, sale or disposition provided that (x) notice of such cancellation shall be given to each holder of an option and (y) each holder of an option shall have the right to exercise such option to the extent that the same is then exercisable or, if the Plan Administrator shall have accelerated the time for exercise of all unexercised and unexpired options, in full during the 10-day period preceding the effective date of such merger, consolidation, liquidation, sale or disposition.

8.5 Adjustments to Common Stock Subject to Options. Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding options.

8.6 Miscellaneous. Adjustments under this Section 8 shall be determined by the Plan Administrator, and such determinations shall be conclusive. No fractional shares of Common Stock shall be issued under the Plan on account of any adjustment specified above.

SECTION 9. GENERAL RESTRICTIONS

9.1 Investment Representations. The Company may require any person to whom an option is granted, as a condition of exercising such option, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Common Stock subject to the option for his own account for investment and not with any present intention of selling or otherwise

distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

9.2 Compliance with Securities Laws. The Company shall not be required to sell or issue any shares under any option if the issuance of such shares shall constitute a violation by the optionee or by the Company of any provision of any law or regulation of any governmental authority. In addition, in connection with the Securities Act of 1933, as now in effect or hereafter amended (the "Act"), upon exercise of any option, the Company shall not be required to issue such shares unless the Plan Administrator has received evidence satisfactory to it to the effect that the holder of such option will not transfer such shares except pursuant to a registration statement in effect under such Act or unless an opinion of counsel satisfactory to the Company has been received by the Company to the effect that such registration is not required. Any determination in this connection by the Plan Administrator shall be final, binding and conclusive. In the event the shares issuable on exercise of an option are not registered under the Act, the Company may imprint upon any certificate representing shares so issued the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Act and with applicable state securities laws:

The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be pledged, hypothecated, sold or otherwise transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory to the Corporation, in form and substance satisfactory to the Corporation, that registration is not required for such sale or transfer.

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Act; and in the event any shares are so registered the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

9.3 Employment Obligation. The granting of any option shall not impose upon the Company (or any parent or subsidiary of the Company) any obligation to employ or continue to employ any optionee; and the right of the Company (or any such parent or subsidiary) to terminate the employment of any officer or other employee shall not be diminished or affected by reason of the fact that an option has been granted to him/her.

9.4 Withholding Tax. Whenever under the Plan shares of Common Stock are to be delivered upon exercise of an option, the Company shall be entitled to require as a condition of delivery that the optionee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto.

SECTION 10. AMENDMENT OR TERMINATION OF THE PLAN

The Board of Directors may modify, revise or terminate this Plan at any time and from time to time, except that (i) the class of persons eligible to receive options and the aggregate number of shares issuable pursuant to this Plan shall not be changed or increased, other than by operation of Section 8 hereof, without the consent of the stockholders of the Company and (ii) the provisions of Section 4.4 shall not be amended more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, or the rules thereunder.

SECTION 11. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan by the Board of Directors nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

SECTION 12. EFFECTIVE DATE AND DURATION OF PLAN

The Plan shall become effective upon its adoption by the Board of Directors. No option may be granted under the Plan after the tenth anniversary of the effective date. The Plan shall terminate (i) when the total amount of Common Stock with respect to which options may be granted shall have been issued upon the exercise of options or (ii) by action of the Board of Directors pursuant to Section 10 hereof, whichever shall first occur.

* * * * *

This Appendix constitutes the UK Approved Part of the Charles River Associates Incorporated 1998 Incentive and Nonqualified Stock Option Plan. The terms of the UK Approved Part are as follows:

1. INTERPRETATION

(1) The following words and expressions have the following meanings except where the context otherwise requires:

"ACQUISITION PRICE" the price, as determined by the Plan Administrator, at which each Share subject to an Option may be acquired on the exercise of that Option, which must not be less than the Market Value of a Share at the Date of Grant or if the Option relates to unissued Shares, its nominal value, if greater.

The Acquisition Price may be varied under Rule 11 and, if Rule 13 has been applied, the "ACQUISITION PRICE" shall be the price for the acquisition of a share in the company whose shares are scheme shares determined under Rule 13;

"APPROVAL" approval of the UK Approved Part as a share option scheme under Schedule 9 of the ICTA;

"APPROVED PART" the UK Approved Section of the Plan, in its present form, as from time to time amended in accordance with the rules;

"AUDITORS" the auditors for the time being of the Company whose shares are scheme shares;

"CONTROL" has the same meaning as in Section 840 of the ICTA;

"DATE OF GRANT" the date on which an Option is granted under Rule 3;

"ELIGIBLE EMPLOYEE" any person holding Employment who is not precluded from participating in the Scheme by paragraph 8 of Schedule 9 of the ICTA;

"EMPLOYMENT" employment as an employee or director of the Company or any Affiliate who is resident in the United Kingdom and who is required to devote substantially the whole of his working time to the performance of his duties;

"GRANT PERIOD" the period of 42 days commencing on the day after any of the following:

(a) the date on which the Company releases its interim results or its final results for any financial period; or

(b) the date on which listing particulars or a document containing equivalent information relating to Shares is issued; or

(c) the date on which Approval is given;

provided that no Option may be granted until Approval has been obtained.

"GROUP" the Company and its Subsidiaries which are under the Control of the Company;

"ICTA" Income and Corporation Taxes Act 1988;

"ISSUE OR REORGANISATION" any variation in the capital of the Company (or any other company whose shares are scheme shares following an exchange of options pursuant to Rule 13) arising from or in connection with a capitalisation issue, an offer to the holders of Shares by way of rights, a subdivision, consolidation, reduction or other variation of share capital;

"MARKET VALUE" means an amount equal to the market value of a Share determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 agreed in advance for the purposes of the Scheme with the Shares Valuation Division of the Inland Revenue;

"OPTION" means a right to acquire Shares under the UK Approved Part;

"OTHER EXECUTIVE OPTION SCHEME" any Other Option Scheme the grant of any option under which is in practice substantially limited to persons of executive status;

"OTHER OPTION SCHEME" any employee share option scheme adopted by the Company in the United Kingdom, other than the Plan, providing for the issue of Shares;

"PARTICIPATING COMPANY" any company within the Group to which the Plan Administrator from time to time extends the Scheme;

"REMUNERATION" at any particular time, an Eligible Employee's relevant emoluments for the current or preceding year of assessment (whichever of those years gives the greater amount) or, if there were no relevant emoluments for the preceding year of assessment, his relevant emoluments for the period of twelve months beginning with the first day during the current year of assessment in respect of which there are relevant emoluments and "relevant emoluments" has the meaning ascribed to it in paragraph 28(4) of Schedule 9 of the ICTA;

"SHARE" a share of common stock of the Company or, if Rule 13 has been applied, the company whose shares are scheme shares which satisfies the conditions of paragraphs 10 to 14 of Schedule 9 of the ICTA;

"SUBSIDIARY" a company which is a subsidiary of the Company within the meaning of Section 736 of the Companies Act 1985;

(2) Other words or expressions, so far as not inconsistent with the context, shall have the same meanings as in Schedule 9 of the ICTA or the rules of the Plan.

(3) Words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine.

(4) Any reference, express or implied, to an enactment includes references to:

(a) that enactment as amended, extended or applied by or under any other enactment; and

(b) any enactment which that enactment re-enacts (with or without modification).

"UK APPROVED PART" the UK Approved Section of the Plan, in its present form, as from time to time amended in accordance with the rules.

2. ELIGIBILITY

No person is entitled as of right to participate in the UK Approved Part. The Plan Administrator may decide from time to time which Eligible Employee or Eligible Employees may participate and the extent of the participation.

3. GRANT OF OPTIONS

(1) The Plan Administrator may adopt any procedure for granting Options. Options may be granted by the Plan Administrator. The form for the time being of any Option certificate or other document shall be determined by the Plan Administrator subject to the approval of the Inland Revenue.

(2) Options shall be granted by deed. A single deed of grant may be executed in favour of any number of persons.

(3) The Date of Grant of an Option shall be the day on which the deed granting the Option is executed, or such later date as may be approved in the deed.

(4) A participant who is granted an Option by deed may, with the consent of the Plan Administrator, renounce the Option, in whole or in part, within 30 days of the Date of Grant and, to the extent renounced, shall be treated as if it had never been granted.

(5) If Shares are listed or dealt in on the Unlisted Securities Market of the London Stock Exchange the Date of Grant must be chosen so that each dealing day used to determine the Acquisition Price lies within a Grant Period. However, Options may be granted at any other time when the Plan Administrator considers that there are exceptional circumstances justifying the grant of Options.

(6) An Option certificate or deed of grant shall be sent to the Optionee as soon as practicable after an Option has been granted.

(7) An Option shall constitute a contract between the Company and the Optionee incorporating the provisions of the UK Approved Part and the Plan so far as relevant.

(8) An Option shall not be granted to an Eligible Employee if he is bound to retire in accordance with the terms of his contract of employment within two years of the Date of Grant.

4. PERFORMANCE REQUIREMENTS

(1) The Plan Administrator may grant an Option to an Eligible Employee subject to such objective additional terms and conditions as they consider appropriate.

(2) The Plan Administrator may subsequently alter or waive any additional terms and conditions imposed under sub-rule (1) provided that any alteration to a term or condition relating to performance must be such that the altered term or condition reflects a fairer measure of the performance required and is no more difficult to satisfy than the term or condition at the Date of Grant.

(3) The circumstances in which the Plan Administrator may alter or waive the additional terms and conditions imposed shall be specified in the letter of invitation (if the invitation procedure is used) or in the letter enclosing the option certificate or in the deed of grant.

(4) The Plan Administrator must act fairly and reasonably in imposing, altering or waiving any terms and conditions and no material terms and conditions may be imposed or subsequently altered or waived without the prior approval of the Board of Inland Revenue.

(5) Any additional terms and conditions to which an Option is subject under sub-rule 4(1) shall be deemed to be waived in any of the circumstances specified in Rules 8(1)(b), other than retirement at or after any age at which he is bound to retire in accordance with the terms of his contract of employment, 8(1)(c), 13 and 14.

5. PROHIBITION ON ASSIGNMENT

(1) No Option granted under the Scheme may be transferred, assigned, charged or otherwise alienated (without prejudice to any right of a person's legal personal representatives to exercise the Option following death).

(2) If an Optionee enters into a composition with his creditors in satisfaction of his debts or a bankruptcy order is made against him his Option will lapse.

6. LIMIT ON SHARES

The total number of Shares which may be issued under the Plan, including the UK Approved Part, shall not exceed the number set forth in the Plan. In the event of an Issue or Reorganisation this number of Shares may be adjusted in such manner as the Plan Administrator decides provided that the adjustment will not have effect unless the Auditors certify in writing that the adjustment is in their opinion fair and reasonable.

7. EXERCISE OF OPTIONS

(1) Save as provided in Rules 8, 9, 10, 13 and 14, an Option shall be capable of being exercised in full at any time following the earliest of:

(a) the third anniversary of the Date of Grant;

(b) the Optionee's death or ceasing to be in Employment by reason of retirement at any age at which the Optionee is bound to retire in accordance with the terms of his contract of employment, redundancy, injury or disability;

(c) the Optionee ceasing to be in Employment by reason of the Participating Company by which he is employed ceasing to be under the Control of the Company or by reason of the transfer or sale of the undertaking or part of the undertaking in which he is employed to a person who is not under the Control of the Company;

(d) the occurrence of the circumstances permitting the exercise of Options specified in Rule 13 or 14.

(2) If an Option is subject to additional terms and conditions under Rule 4(2) it may only be exercised in accordance with those terms and conditions.

(3) An Optionee shall not be treated for the purposes of Rule 7, 8 or 9 as ceasing to be in Employment until such time as he is no longer a director or employee of any company within the Group and a female Optionee who ceases Employment by reason of pregnancy or confinement and who is entitled to exercise and subsequently exercises her statutory right (or any corresponding contractual right) to return to work before exercising an Option shall be treated for those purposes as not ceasing to be in Employment.

(4) An Option may not be exercised by an Optionee at any time when he is ineligible to participate in the UK Approved Part by virtue of paragraph 8 of Schedule 9 of the ICTA.

8. LAPSE OF OPTION

(1) Unless provided otherwise elsewhere in the Rules, an Option shall lapse to the extent that it has not been exercised (whether or not it became exercisable) by the earliest of:

(a) the tenth anniversary of the Date of Grant;

(b) the expiry of 90 days from the date on which the Optionee ceases to be in Employment by reason of retirement at any age at which the Optionee is bound to retire in accordance with the terms of his contract of employment, redundancy, injury or disability, or the date on which the Optionee ceases to be in Employment by reason of the Participating Company by which he is employed ceasing to be under the Control of the Company or the transfer or sale of the undertaking or part of the undertaking in which he is employed to a person who is not under the Control of the Company;

(c) the expiry of the period referred to in Rule 13;

(d) the expiry of the period referred to in Rule 14;

(e) the date on which:

(i) the Optionee gives or is given notice to leave Employment if he subsequently ceases to be in Employment (and for the avoidance of doubt any purported exercise of the Option during the period of notice shall be of no effect); or

(ii) the Optionee ceases to be in Employment without any notice having been given in any circumstances other than death and those referred to in sub-paragraphs (b) and (c) of this paragraph unless (being female) she is entitled to exercise and subsequently does exercise the statutory right (or any corresponding contractual right) to resume Employment after an absence due to pregnancy or confinement.

(2) If an Optionee dies at any time when his Option is outstanding whether or not it is then capable of being exercised, the Option shall be and remain capable of exercise until the expiry of 90 days from the date of his death but shall lapse earlier in the circumstances specified in Rule 13 or Rule 14.

(3) An Option shall not lapse by virtue of this Rule if the occasion for lapse falls in a period when the Option is capable of being exercised under Rule 13 but the Option shall lapse on the expiry of that period or, if earlier, one year after the date of the Optionee's death.

9. CESSATION OF EMPLOYMENT -- SPECIAL CIRCUMSTANCES

(1) If an Optionee ceases to be in Employment, whether or not within the period specified in sub-rule 7(1)(a), in circumstances in which his Option is not exercisable under Rule 7 or would lapse immediately under Rule 8 the Plan Administrator, acting fairly and reasonably, may in its discretion permit his Option to be exercisable in whole or in part during such period (but not later than one year after his death) and on such other terms as they may decide.

(2) If an Option would lapse at the end of any period specified in Rule 8 following the cessation of the Optionee's Employment the Plan Administrator may defer the lapse of his Option until the end of such longer period as it may determine, acting fairly and reasonably, but not later than one year after his death and not exceeding a period which expires three years and six months after the Date of Grant or, if longer, three years and six months after the last occasion on which the Optionee exercised an option in circumstances qualifying for relief from income tax under Section 185 of the ICTA.

(3) If an Optionee ceases to be in Employment but continues to provide services to the Group on a part-time basis as an employee or a director or on a self-employed basis the Plan Administrator may determine acting fairly and reasonably that his Option shall neither become exercisable nor lapse by virtue of such cessation and that Rules 8 to 10 shall apply when he subsequently ceases to provide services to the Group, or in such other circumstances as the Plan Administrator may determine, acting fairly and reasonably, with such modifications as are necessary.

10. MANNER OF EXERCISE AND ISSUE OR TRANSFER OF SHARES

(1) An Option may be exercised by the Optionee giving notice of exercise in a form approved by the Plan Administrator accompanied by the relevant option certificate or deed of grant and payment of the total Acquisition Price of the Shares in respect of which the Option is exercised.

(2) The Company shall allot or procure the transfer of the Shares in respect of which the Option has been exercised within 30 days of the date of exercise.

(3) Shares issued under the UK Approved Part will rank pari passu in all respects with issued Shares of the same class. However, they will not be entitled to any rights attaching to Shares by reference to a record date prior to the date of exercise of the Option.

(4) An Option may be exercised in whole or in part and, in the event of an Option being exercised in part the Plan Administrator may call in or cancel any outstanding option certificate or deed of grant and furnish the Optionee with details of the date on which the Option was last exercised and the number of Shares outstanding under the Option. The Directors may determine, acting fairly and reasonably, that the Option may only be exercised in respect of a reasonable minimum number of Shares and/or in respect of a multiple of any round number of Shares, or in respect of the balance of Shares outstanding in the Option.

(5) The allotment or transfer of Shares under the Plan is subject to obtaining any approval or consent required under any applicable regulations or enactment.

11. ISSUE OR REORGANISATION

(1) In the event of any Issue or Reorganisation:

- (a) the number of Shares comprised in an Option; and/or
- (b) the Acquisition Price under an Option

may be adjusted in such manner as the Plan Administrator decides subject to the prior approval of the Inland Revenue and the written concurrence of the Auditors that in their opinion the adjustment is fair and reasonable.

(2) Following an adjustment under paragraph (1) above, Shares must continue to comply with paragraphs 10 to 14 of Schedule 9 of the ICTA.

(3) If an Option relates to unissued Shares an adjustment under paragraph (1) above may reduce or further reduce the Acquisition Price below the nominal value of a Share if:

(a) a part of the reserves of the Company equal to the difference between the adjusted Acquisition Price and the nominal value of the Shares concerned ("Relevant Amount") may be capitalised if the Option is exercised so as to pay up the Relevant Amount; and

(b) the Company has sufficient reserves available.

(4) The Plan Administrator may notify Optionees of any adjustments made under this Rule 11 and may call in, cancel, endorse, issue or reissue any option certificate or deed of grant following an adjustment.

12. TAKEOVER AND RECONSTRUCTION

(1) If:

(a) a general offer is made to acquire the whole of the issued ordinary share capital of the Company (or such part thereof as is not at the time owned by the offeror or any company controlled by the offeror and/or persons acting in concert with the offeror) and after the announcement of the general offer the offeror (and any such companies and/or persons) acquires Control of the Company, or

(b) a general offer is made to acquire the whole of the issued ordinary share capital of the Company (or such part thereof as aforesaid) by any person who (together with any company controlled by such person and/or persons acting in concert with him) has Control of the Company,

a participant may, subject to the provisions of Rule 7, be entitled to exercise his Option at any time during the period of six months following, in the case of an offer within paragraph (a) above, the date of the acquisition of Control and, in the case of an offer within paragraph (b) above, the date on which the offer is made or, if the offer was conditional, the later date on which the offer becomes unconditional.

(2) The Company shall use its best endeavours to procure that if a participant is allotted Shares pursuant to the exercise of Options in accordance with Rule 10(1) then if such Shares were not the subject of the said general offer the offeror shall make an offer to acquire from the participant his Shares upon the same terms as Shares of the same class were acquired under the general offer.

13. EXCHANGE OF OPTIONS

If any company (the "acquiring company") obtains Control of the Company as a result of making:

(i) a general offer to acquire the whole of the issued share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company, or

(ii) a general offer to acquire all the shares in the Company which are of the same class as the scheme shares,

any participant may at any time within the appropriate period, by agreement with the acquiring company, release his Option ("old rights") in consideration of the grant to him of rights ("new rights") which are equivalent to his Option but relate to shares in a different company (whether the acquiring company itself or some other company falling within paragraph 10(b) or (c) of Schedule 9 of the ICTA). "The appropriate period" and "equivalent" have the same meaning as in paragraph 15 of Schedule 9 of the ICTA and accordingly the new rights shall not be regarded for the purpose of the Scheme as equivalent to the old rights unless:

(a) the shares to which they relate satisfy the conditions specified, in relation to scheme shares, in paragraphs 10 to 14 of Schedule 9 of the ICTA; and

(b) the new rights will be exercisable in the same manner as the old rights and subject to the provisions of the Scheme as it had effect immediately before the release of the old rights; and

(c) the total Market Value, immediately before the release, of the shares which were subject to the participant's old rights is equal to the total market value, immediately after the grant of the shares in respect of which the new rights are granted to the participant; and

(d) the total amount payable by the participant for the acquisition of shares in pursuance of the new rights is equal to the total amount that would have been payable for the acquisition of shares in pursuance of the old rights.

The new rights shall for the purposes of the UK Approved Part be treated as having been granted at the time when the old rights were granted and references to Shares shall, in relation to the new rights, be taken as references to the shares of the company whose shares are scheme shares. References to the Company shall be taken to be references to the company whose shares are scheme shares in Rules 6, 7, 8, 9, 10, 11, 12(3), and 12(4).

14. VOLUNTARY WINDING UP

If a resolution for a shareholder's voluntary winding up of the Company is passed, an Optionee may exercise his Option, subject to Rule 8, within three months of the date of the resolution.

15. AMENDMENT

(1) Subject to paragraph (2) below the Plan Administrator may by resolution at any time amend the rules of the UK Approved Part in any respect except that any amendment made when the UK Approved Part is approved under Schedule 9 of the ICTA shall not have effect without the prior approval of the Inland Revenue.

(2) Subject to paragraph (4) below, no amendment to the UK Approved Part to the advantage of Optionees or Eligible Employees may be made:

(a) to the number of Shares specified in Rule 6 and the provisions for adjustment of that number (except as provided in Rule 6);

(b) to the definitions of "Acquisition Price", "Eligible Employee", "Employment", "Grant Period", "Group Remuneration" and "Issue or Reorganisation";

(c) which would alter to the advantage of Eligible Employees or Optionees, any of the provisions of Rules 4, 5, 6, 7, 8, 9, 11(4), 11(6), 12, 13, paragraph (2) of this Rule or to the Schedules

without the prior approval of a majority of the stockholders of the Company present at a meeting of stockholders.

(3) No amendment shall be made under paragraph (1) which would abrogate or materially affect adversely the subsisting rights of an Optionee unless it is made with his written consent or by a resolution

passed as if the Options constituted a separate class of share capital and the provisions of the Articles of Organisation of the Company relating to class meetings applied to that class mutatis mutandis.

(4) Paragraph (2) shall not apply to any amendment which:

(a) is confined to Options which do not involve the issue of new Shares (including the eligibility requirements and the terms of such Options insofar as they do not involve the issue of new Shares); or

(b) is not so confined and affects the limit in Rule 7(3) provided that the Plan Administrator is reasonably satisfied that the purpose or effect of the amendment is substantially to comply with any current published guidelines issued by institutional investors; or

(c) is not so confined and:

(i) is necessary or desirable in order to obtain or maintain Inland Revenue approval of the Approved Part under Schedule 9 of the ICTA or any other enactment, or to comply with or take account of the provisions of any proposed or existing legislation or of any Inland Revenue practice or concession, or to obtain or maintain favourable taxation treatment of the Company, any Subsidiary or any Optionee; and

(ii) does not affect the basic principles of the Approved Part.

16. DURATION AND TERMINATION

No Options may be granted under the Approved Part more than ten years after the date of adoption of the Approved Part by the Company. The Plan Administrator may at any time terminate the Approved Part and no further Options will be granted after that date, but Options granted before that date will continue to be valid and exercisable in accordance with these Rules.

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

TWELFTH AMENDMENT OF LEASE

THIS TWELFTH AMENDMENT OF LEASE, made and entered into as of this 19th day of March, 1998, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990, Eighth Amendment of Lease dated December 31 1991, Ninth Amendment of Lease dated September 2, 1992, Tenth Amendment of Lease dated August 24, 1995 and Eleventh Amendment to Lease dated November 25, 1996 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, pursuant to a letter dated February 6, 1998 Tenant exercised its Fourth Option to Lease Expansion Block 3 located on the 32nd floor containing 3,613 rentable square feet, and more particularly designated as "Expansion Block 3" on EXHIBIT "1" attached hereto and incorporated by reference ("Expansion Block 3"), commencing July 1, 1998, all pursuant to Section 31(A)(iii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 3 pursuant to a letter agreement dated February 19, 1998; and

WHEREAS, the parties hereto are mutually desirous of amending the Lease so as to provide for the above.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INCLUSION OF EXPANSION BLOCK 3. Effective as of July 1, 1998, the Lease shall be amended so as to include in the Premises, Expansion Block 3 as designated on EXHIBIT "1". The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 3 (3,613 rentable square feet).
2. EXPANSION BLOCK 3 BASE RENT. Providing Tenant is not in default beyond any applicable grace period, Tenant shall not be obligated to pay Base Rent for Expansion Block 3 during the months of July and August of 1998. Effective September 1, 1998 and continuing through April 25, 2008 (i.e., the expiration of the Extended Term), the Base Rent for Expansion Block 3 shall be \$117,061.20 (3,613 rentable square feet at \$32.40 per square foot), payable by Tenant to Landlord in equal monthly installments of \$9,755.10. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.
3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 3 shall be calendar year 1998, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 3 from and after July 1, 1999. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 3 shall be the fiscal year 1999, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 3 from and after July 1, 1999. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 3 for any fiscal year shall be .2262%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 3 (3,613 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).
4. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 3, at Tenant's sole expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 3 in the aggregate amount of \$113,809.50 (\$31.50 per rentable square foot) (the "Tenant Allowance"). During construction of the improvements in Expansion Block 3 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs

incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 3 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion Block 3 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 3 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

- 5. MISCELLANEOUS. Except as herein expressly modified all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Twelfth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Twelfth Amendment shall prevail. Terms not defined herein, but defined in the Lease, shall have the meanings given in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Twelfth Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Laurence W. Gaboury

Laurence W. Gaboury
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ Laurel E. Morrison

Title: VP and Treasurer

[MAP PLAN]

T32 Floor Plan

Expansion Block #3

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

THIRTEENTH AMENDMENT OF LEASE

THIS THIRTEENTH AMENDMENT OF LEASE, made and entered into as of this 13 day of August, 1999, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990, Eighth Amendment of Lease dated December 31 1991, Ninth Amendment of Lease dated September 2, 1992, Tenth Amendment of Lease dated August 24, 1995, Eleventh Amendment to Lease dated November 25, 1996 and Twelfth Amendment of Lease dated March 19, 1998 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, pursuant to a letter dated May 24, 1999 Tenant exercised its Fifth Option to Lease Expansion Block 4 located on the 32nd floor containing 3,497 rentable square feet, and more particularly designated as "Expansion Block 4" on EXHIBIT "1" attached hereto and incorporated by reference ("Expansion Block 4"), commencing September 1, 1999, all pursuant to Section 31(A)(iii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 4; and

WHEREAS, the parties hereto are mutually desirous of amending the Lease so as to provide for the above.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INCLUSION OF EXPANSION BLOCK 4. Effective as of September 1, 1999, the Lease shall be amended so as to include in the Premises Expansion Block 4 as designated on EXHIBIT "1". The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 4 (3,497 rentable square feet).
2. EXPANSION BLOCK 4 BASE RENT. Providing Tenant is not in default beyond any applicable grace period, Tenant shall not be obligated to pay Base Rent for Expansion Block 4 during the months of September and October of 1999. Effective November 1, 1999 and continuing through August 31, 2003 the Base Rent for Expansion Block 4 shall be \$179,221.25 (3,497 rentable square feet at \$51.25 per square foot), payable by Tenant to Landlord in equal monthly installments of \$14,935.10. Effective September 1, 2003 and continuing through April 25, 2008 (i.e. the expiration of the Extended Term) the Base Rent for Expansion Block 4 shall be \$192,335 (3,497 rentable square feet at \$55.00 per square foot), payable by Tenant to Landlord in equal monthly installments of \$16,027.92. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.
3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 4 shall be calendar year 2000, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 4 from and after January 1, 2001. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 4 shall be the fiscal year 2000, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 4 from and after July 1, 2000. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 4 for any fiscal year shall be .2189%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 4 (3,497 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).
4. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 4, at Tenant's sole expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 4 in the aggregate amount of \$94,419.00 (\$27.00 per rentable square foot) (the "Tenant Allowance"). During construction of the improvements in Expansion Block 4 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase

furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the Completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 4 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion Block 4 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 4 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

5. MISCELLANEOUS. Except as herein expressly modified all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Thirteenth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Thirteenth Amendment shall prevail. Terms not defined herein, but defined in the Lease, shall have the meanings given in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Thirteenth Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Paul M. Crowley

Paul M. Crowley
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ Laurel E. Morrison

Title: CFO

EXHIBIT "1"

T-32 EXPANSION BLOCK 4

[MAP PLAN]

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

FOURTEENTH AMENDMENT OF LEASE

THIS FOURTEENTH AMENDMENT OF LEASE, made and entered into as of this 20th day of April, 2000, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

WHEREAS, Landlord and Tenant entered into a lease dated March 1, 1978, demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Building"), which lease has been amended by First Amendment of Lease dated December 16, 1981, Second Amendment of Lease dated February 24, 1984, Third Amendment of Lease dated February 28, 1985, Fourth Amendment of Lease dated February 7, 1986, Fifth Amendment of Lease dated February 13, 1987, Sixth Amendment of Lease dated August 24, 1987, Seventh Amendment of Lease dated January 31, 1990, Eighth Amendment of Lease dated December 31 1991, Ninth Amendment of Lease dated September 2, 1992, Tenth Amendment of Lease dated August 24, 1995, Eleventh Amendment to Lease dated November 25, 1996, Twelfth Amendment of Lease dated March 19, 1998, and Thirteenth Amendment to Lease dated August 13, 1999 (which lease and the amendments thereto are hereinafter collectively referred to as the "Lease"); and

WHEREAS, Tenant requested to exercise its Sixth Option to Lease Expansion Block 5 located on the 32nd floor containing 4,456 rentable square feet, and more particularly designated as "Expansion Block 5" on EXHIBIT "1" attached hereto and incorporated by reference ("Expansion Block 5"), commencing March 1, 2000, all pursuant to Section 31(A)(vi) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 5; and

WHEREAS, the parties hereto are mutually desirous of amending the Lease so as to provide for the above.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows:

1. INCLUSION OF EXPANSION BLOCK 5. Effective as of March 1, 2000, the Lease shall be amended so as to include in the Premises Expansion Block 5 as designated on EXHIBIT "1". The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 5 (4,456 rentable square feet).
2. EXPANSION BLOCK 5 BASE RENT. Providing Tenant is not in default beyond any applicable grace period, Tenant shall not be obligated to pay Base Rent for Expansion Block 5 during the months of March, April, May, June and July of 2000. Effective August 1, 2000 and continuing through August 31, 2003 the Base Rent for Expansion Block 5 shall be \$229,484.00 (4,456 rentable square feet at \$51.50 per square foot), payable by Tenant to Landlord in equal monthly installments of \$19,123.67. Effective September 1, 2003 and continuing through April 25, 2008 (i.e. the expiration of the Extended Term) the Base Rent for Expansion Block 5 shall be \$250,650.00 (4,456 rentable square feet at \$56.25 per square foot), payable by Tenant to Landlord in equal monthly installments of \$20,887.50. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.
3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 5 shall be calendar year 2000, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 5 from and after January 1, 2001. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 5 shall be the fiscal year 2000, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 5 from and after July 1, 2000. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 5 for any fiscal year shall be .2551%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 5 (4,075 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).
4. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 5, at Tenant's sole expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 5 in the aggregate amount of \$112,375.00 (\$25.21 per rentable square foot) (the "Tenant Allowance"). During construction of the improvements in Expansion Block 5 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its

reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 5 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion Block 5 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 5 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

5. MISCELLANEOUS. Except as herein expressly modified all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Fourteenth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Fourteenth Amendment shall prevail. Terms not defined herein, but defined in the Lease, shall have the meanings given in the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Fourteenth Amendment to be duly executed under seal as of the day first above written.

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Paul M. Crowley

Paul M. Crowley
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ illegible

Title: CFO

EXHIBIT "1"

T-32 EXPANSION BLOCK 5

[MAP PLAN]

EXHIBIT 10.9

OFFICE LEASE

FOR

CHARLES RIVER ASSOCIATES INCORPORATED

SUITE NOS. 700, 800 AND 650
1201 F STREET, N.W.
WASHINGTON, D.C.

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- J. List of Base Building Plans and Specifications

OFFICE LEASE

THIS LEASE, made and entered into on this 29th day of November, 1999 by and between 1201 F Street L.L.C., a Delaware limited liability company, hereinafter called "LESSOR," and Charles River Associates Incorporated, a Massachusetts corporation, hereinafter called "LESSEE."

WITNESSETH, that, for and in consideration of the rents, mutual covenants, and agreements hereinafter set forth, the parties hereto do hereby mutually agree as follows:

1. DEMISED PREMISES

Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor, for the term and upon the conditions hereinafter provided, approximately 44,932 square feet of rentable area on the seventh (7th), eighth (8th), and sixth (6th) floors of the office building situated at 1201 F Street, N.W., Washington, D.C. 20004 (such building being hereinafter referred to as the "BUILDING" and such rentable area being hereinafter referred to as the "DEMISED PREMISES"). The Demised Premises has been assigned Suite Nos. 700, 800 and 650, and is outlined on the floor plan attached hereto and made a part hereof as EXHIBITS A-1, A-2 AND A-3.

Lessee and its agents, employees, and invitees shall have the non-exclusive right with others designated by Lessor to the free use of the common areas in the Building and the land on which the Building is located for the common areas' intended and normal purpose. Common areas include elevators, sidewalks, hallways, stairways, public bathrooms, common entrances, the lobby, fitness center, roof deck and other similar public areas and access ways. The parties agree that for this purpose the garage is not a common area and Lessee's rights to use the garage are set forth in the section entitled "PARKING."

Lessor shall complete (subject to punchlist items), prior to the Commencement Date, at its sole cost, (x) the base building (as evidenced by a certificate of substantial completion issued by Lessor's architect and (y) the "shell improvements" to the Demised Premises as described in EXHIBIT B (collectively "LESSOR'S WORK"). The foregoing notwithstanding, Lessor shall have right to defer until the Rent Commencement Date (hereinafter defined) the substantial completion, subject to punchlist items, of components of the base building which are not required by Lessee during the construction of its tenant improvements, such as restroom fixtures and finishes, elevator cab finishes, lobby finishes, etc. (collectively, the "DEFERRABLE BASE BUILDING IMPROVEMENTS"). Lessor shall use best efforts to complete all punchlist items within sixty (60) days following the Commencement Date (or in the case of Deferrable Base Building Improvements, within sixty (60) days following the Rent Commencement Date). The base building is being completed substantially in accordance with the plans and specifications listed on EXHIBIT J.

Lessor represents and warrants that (i) it has good and marketable fee simple title to the Building and the Land, (ii) subject to the requirement that it receive the approval of its existing lender to the Lease, there are no agreements, claims or litigation which adversely affect its ability

to enter into this Lease, and (iii) as of the Commencement Date, Lessor's Work will be in compliance with all applicable laws.

2. TERM

(A) Subject to and upon the covenants, agreements and conditions of Lessor and Lessee set forth herein, or in any Exhibit or Addendum hereto, the term of this Lease shall commence on the 1st day of May, 2000 (hereinafter called the "COMMENCEMENT DATE"), and expire on the last day of the second (2nd) month of the eleventh (11th) Lease Year (hereinafter defined). As of the date hereof, the projected Commencement Date is May 1, 2000, the projected Rent Commencement Date (hereinafter defined) is September 1, 2000 and the projected date of expiration of the initial Lease term is October 31, 2010.

(B) In the event Lessor is unable to complete (subject to punchlist items) Lessor's Work (other than Deferrable Base Building Improvements) by May 1, 2000, Lessor, its agents and employees, shall not be liable or responsible for any claims, damages or liabilities arising in connection therewith or by reason thereof, nor shall Lessee be excused or released from this Lease, because of Lessor's inability to deliver the Demised Premises. The Commencement Date shall be extended to the date which is five (5) business days after the date Lessor notifies Lessee that Lessor has completed (subject to punchlist items) Lessor's Work (other than Deferrable Base Building Improvements), and Lessee's obligations pursuant to this Lease shall commence thereon.

(C) When Lessee accepts possession of the Demised Premises, Lessor and Lessee shall execute the "Declaration as to Date of Delivery and Acceptance of Possession of Demised Premises," attached hereto as EXHIBIT D, which shall specify the Commencement Date.

(D) For the purposes of this Lease, the term "COMMENCEMENT DATE" shall also mean any extended Commencement Date which may be established pursuant to the operation of the provisions of this section of the Lease.

(E) Lessor shall endeavor to keep Lessee apprised from time to time of any delays in the Commencement Date.

(F) Notwithstanding the foregoing to the contrary, in the event Lessor fails to deliver possession of the Demised Premises to Lessee on or before September 1, 2000, and provided such delay in delivery is not the result of tenant delay or Force Majeure, Lessee shall have the right to terminate this Lease by delivering thirty (30) days' prior written notice of the exercise of such right to Lessor. In the event this Lease is terminated pursuant to the foregoing, Lessee shall not be entitled to any damages or other rights or remedies in connection therewith, all rights, obligations and liabilities of the parties hereunder shall be released and discharged, and Lessor shall return to Lessee any deposit made by Lessee pursuant to the section hereof entitled "DEPOSIT." Notwithstanding the foregoing to the contrary, in the event this Lease is terminated pursuant to the foregoing, all items purchased by Lessee with the Allowance (hereinafter defined) shall become the property of Lessor.

3. USE

Lessee shall use and occupy the Demised Premises solely for general office purposes in accordance with the applicable zoning regulations. The Demised Premises shall not be used for any other purpose without the prior written consent of Lessor. Lessee shall not use or occupy the Demised Premises for any unlawful purpose, and will comply with all present and future laws, including without limitation the Americans With Disabilities Act of 1990 and the regulations promulgated thereunder, as the same may be amended from time to time, ordinances, regulations, and orders of all governments, government agencies and any other public authority concerning the use, occupancy and condition of the Demised Premises and all machinery, equipment and furnishings therein.

4. RENT

(A) Lessee covenants and agrees to pay to Lessor rent of any kind or nature, including Monthly Rent (as hereinafter defined) and any sums, charges, expenses and costs identified in the Lease as additional rent to be paid by Lessee to Lessor. Lessee's obligation to pay rent shall begin on the date which is one hundred twenty (120) days following the Commencement Date, but in no event earlier than the date on which Lessor has substantially completed, subject to punchlist items, the Deferrable Base Building Improvements not completed prior to the Commencement Date (the "RENT COMMENCEMENT DATE") and shall continue to remain an obligation of Lessee until completely satisfied.

Lessee shall make all payments of rent by check, payable to "1201 F Street L.L.C.", delivered to P.O. Box 91852, Washington, D.C. 20090-1852, or to such other party or to such other address as Lessor may designate from time to time by written notice to Lessee, without demand and without deduction (except as otherwise specifically set forth in Sections 18 and 28), set-off or counterclaim. If Lessor at any time or times accepts rent after it shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute, or be construed as, a waiver of any or all of Lessor's rights hereunder.

(B) The monthly rent for the Demised Premises (hereinafter referred to as "MONTHLY RENT") as of the Rent Commencement Date, which Lessee hereby agrees to pay in advance to Lessor and Lessor hereby agrees to accept, shall be as follows:

PERIOD	MONTHLY RENT	ANNUAL RATE PER SQUARE FOOT
-----	-----	-----
First Lease Year	\$119,818.67	\$32.00
Second Lease Year	\$122,215.04	\$32.64
Third Lease Year	\$124,648.86	\$33.29
Fourth Lease Year	\$127,157.56	\$33.96
Fifth Lease Year	\$129,703.71	\$34.64
Sixth Lease Year	\$137,192.37	\$36.64
Seventh Lease Year	\$139,925.74	\$37.37
Eighth Lease Year	\$142,733.99	\$38.12
Ninth Lease Year	\$145,579.68	\$38.88
Tenth Lease Year	\$148,500.26	\$39.66

If a letter of credit is chosen by Lessee for the Deposit, it shall be (a) in form and substance satisfactory to Lessor in its reasonable discretion; (b) at all times in the amount of the Deposit, and shall permit multiple draws without a corresponding reduction in the amount of the letter of credit; (c) issued by a commercial bank reasonably acceptable to Lessor from time to time and located in the Washington, D.C. metropolitan area; (d) made payable to, and expressly transferable and assignable at no charge by, the owner from time to time of the Building (which transfer/assignment shall be conditioned only upon the execution by such owner of a written document in connection with such transfer/assignment); (e) payable at sight upon presentment to a local branch of the issuer of a simple sight draft accompanied by a notarized certificate stating that Lessee is in default under this Lease and the amount that Lessor is owed in connection therewith; (f) of a term not less than one year; and (g) at least thirty (30) days prior to the then-current expiration date of such letter of credit, either (1) renewed (or automatically and unconditionally extended) from time to time through the date which is one (1) month following the anticipated Rent Commencement Date (as such date may be subsequently revised by notice to Lessee), or (2) replaced with cash in the amount of the Security Deposit. Lessor and Lessee acknowledge that as of the date hereof the anticipated Rent Commencement Date is September 1, 2000. If Lessor transfers the Deposit to any transferee of the Building or Lessor's interest therein, then such transferee shall be liable for the return of the Deposit, and Lessor shall be released from all liability for the return thereof. Notwithstanding anything in this Lease to the contrary, any cure or grace periods set forth in the section of this Lease entitled "DEFAULT OF LESSEE" shall not apply to any of the foregoing, and, specifically, if Lessee fails to timely comply with the requirements of subsection (g) above, then Lessor shall have the right to immediately draw upon the letter of credit without notice to Lessee and apply the proceeds to the Deposit. Each letter of credit shall be issued by a commercial bank that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least P-2 (or equivalent) by Moody's Investor Service, Inc., or at least A-2 (or equivalent) by Standard & Poor's Corporation, and shall be otherwise acceptable to Lessor in its reasonable discretion. If the issuer's credit rating is reduced below P-2 (or equivalent) by Moody's Investors Service, Inc. or below A-2 (or equivalent) by Standard & Poor's Corporation, or if the financial condition of such issuer changes in any other materially adverse way, then Lessor shall have the right to require that Lessee obtain from a different issuer a substitute letter of credit that complies in all respects with the requirements of this Section, and Lessee's failure to obtain such substitute letter of credit within ten (10) days following Lessor's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Lessor to immediately draw upon the then existing letter of credit in whole or in part, without notice to Lessee. In the event the issuer of any letter of credit held by Lessor is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said letter of credit shall be deemed to not meet the requirements of this Section, and, within ten (10) days thereof, Lessee shall replace such letter of credit with other collateral acceptable to Lessor in its reasonable discretion (and Lessee's failure to do so shall, notwithstanding anything in this Lease to the contrary, constitute a default under the section of this Lease entitled "DEFAULT OF

LESSEE" for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid ten (10) day period). Any failure or refusal of the issuer to honor the letter of credit shall be at Lessee's sole risk and shall not relieve Lessee of its obligations hereunder with respect to the Deposit. The form Letter of Credit attached hereto as EXHIBIT F is hereby approved by Lessor. The increase in the Letter of Credit required on or before the Rent Commencement Date shall be evidenced by an amendment to the letter of credit satisfactory to Lessor.

6. OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES

(A) Lessee shall pay to Lessor, as additional rent, Lessee's proportionate share of the Operating Expenses (as defined below) incurred by Lessor during any calendar year within the Lease Term. Lessee's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office and retail areas in the Building, which percentage as of the date of this Lease is 19.93%. The amount of such percentage to be paid by Lessee for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Lessee, provided that for purposes hereof the Demised Premises shall be deemed leased by Lessee as of the date which is two (2) months following the Rent Commencement Date.

(B) The term "OPERATING EXPENSES" shall mean any and all reasonable expenses, charges and fees incurred in connection with managing, owning, operating, maintaining, servicing, insuring and repairing the Building, atrium (if any), related exterior appurtenances and the land upon which the Building is located (the "LAND") including all of the following, subject in each and all respects to the "Exclusions from Operating Expenses" hereinafter set forth:

(1) premiums and other charges for insurance (including, but not limited to, property insurance, rent loss insurance and liability insurance);

(2) all management fees incurred in the management of the Building, whether such services are provided by Lessor, an affiliate of Lessor or an independent management company;

(3) all costs incurred in connection with service and maintenance contracts (except elevator maintenance contracts), it being understood that Lessor shall use reasonable efforts to enforce any breach of warranty claims;

(4) maintenance and repair expenses and supplies;

(5) fixed rate amortization (calculated over the Approved Period (as hereinafter defined), with interest (fixed rate) at Lessor's cost of funds or (if the improvement is not financed) at a rate equal to 2% above the prime rate reported in The Wall Street Journal) for capital expenditures made by Lessor for the purpose of (x) complying with legal or insurance requirements imposed subsequent to the date hereof or (y) that are reasonably intended to result in a net decrease in Operating Expenses or Operating Costs. The "APPROVED PERIOD" shall mean the estimated useful life of the improvement except that with respect to an improvement made for the purpose of reducing Operating Expenses or Operating Costs, Lessor may amortize

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the expense over the period such that the yearly amortization amount is equal to the projected annual savings as reasonably estimated by Lessor;

(6) salaries, wages, and benefits of Building personnel, including any General Manager (such costs with respect to personnel serving multiple buildings to be prorated among the buildings receiving such services using a method selected by Lessor in its reasonable discretion);

(7) legal fees (except as excluded below), administrative expenses, and accounting fees and expenses;

(8) costs of any service not provided to the Building on the Commencement Date but thereafter provided by Lessor in the prudent management of the Building of general benefit to all tenants of the Building;

(9) charges for lobby attendant or security services;

(10) charges for cleaning services and supplies furnished to common and public areas of the Building;

(11) costs associated with the provision or operation of any common facilities and service amenities of general benefit to all tenants of the Building; and

(12) the cost of maintaining management or engineering offices for the Building (not to exceed 1,500 rentable square feet), including rent thereon.

Exclusions from "Operating Expenses"

Notwithstanding the foregoing to the contrary, Operating Expenses shall not include the following (collectively, "EXCLUDED ITEMS"):

(i) debt service, including interest, financing costs and amortization of mortgages;

(ii) painting or decorating other than in common or public areas of the Building;

(iii) any tenant work performed or alteration of space leased to tenants or occupants of the Building whether such work or alteration is performed for the initial occupancy by such tenant or occupant or thereafter;

(iv) the cost of alterations, capital improvements and replacements which under generally-accepted accounting principles are properly classified as capital expenditures, except as set forth in subsection (B)(5) above;

(v) any cash or other consideration paid by Lessor on account of, with respect to, or in lieu of tenant work or alterations described in clause (iii) above;

(vi) base ground rent (if any), plus escalations thereto, but exclusive of real estate taxes, utilities and other "net" elements constituting rent under a ground lease;

(vii) depreciation or amortization on the Building except as provided in subsection (B)(5) above;

(viii) repairs or replacements (a) necessitated by the gross negligence or willful misconduct of Lessor or its employees or agents, or (b) except as set forth in (B)(5) above, required to cure violations of governmental laws, ordinances, rules and regulations applicable to the Building;

(ix) costs of enforcement of leases;

(x) salaries, commissions, fringe benefits and other compensation paid to (a) officers or executives of Lessor, Lessor's Agent (except as specifically permitted herein, it being understood that compensation of personnel above the level of general manager shall in no event be included in Operating Expenses) or their affiliates or (b) employees of Lessor who devote only a portion of their time to the maintenance or operation of the Building to the extent that such salaries, fringe benefits and other compensation are properly allocated to work spent on matters unrelated to the Building;

(xi) leasing commissions, advertising and promotional expenses and any other comparable expenses directly related to leasing or procuring tenants or negotiating with prospective tenants;

(xii) legal fees, accounting fees and other professional and consulting fees (a) incurred in procuring tenants for the Building, (b) incurred in connection with Lessor's gross negligence or willful misconduct or non-compliance with any mortgage, deed of trust or ground lease relating to the Building, (c) relating to enforcing any leases or any landlord/tenant proceeding, (d) relating to the defense of Lessor's title to, or interest in, the Building, (e) relating to the refinancing or sale of the Building or any interest therein; or (f) relating to the internal affairs of the ownership entity or entities constituting Lessor;

(xiii) the cost of repairs incurred by reasons of fire or other casualty or condemnation to the extent that either (a) Lessor is compensated therefor through proceeds of insurance or condemnation awards; or (b) Lessor is not fully compensated therefor due to the failure of Lessor to obtain insurance against such fire or casualty or the decision of Lessor to self-insure; or (c) if Lessor is not fully compensated by reason of the coinsurance provisions of its insurance policies due to Lessor's failure to obtain and maintain a sufficient amount of insurance coverage;

(xiv) any cost representing an amount paid for services or materials to a related person, firm or entity to the extent such amount exceeds the amount that would be paid for such services or materials of comparable quality at the then-existing market rates to an unrelated person, firm or corporation (no management fee or related fees meeting the standard set forth in exclusion (xxiii), or portion thereof, shall be excluded from Operating Expenses pursuant to the provisions hereof);

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(xv) all expenses for which Lessor has received reimbursement (such as by insurance and by other tenants of the Building) except as additional rent under comparable provisions in this Section of this Lease;

(xvi) income or franchise taxes or such other taxes imposed upon or measured by Lessor's net income from the operation of the Building;

(xvii) costs allocable to properties other than the Building in which Lessor or any partner thereof has a direct or indirect interest;

(xviii) rentals and other related expenses incurred in leasing air-conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature;

(xix) direct and indirect costs incurred to clean up, contain, abate, remove, or otherwise remedy asbestos or hazardous waste (as determined by federal, state or local laws or regulations) from the Building unless the wastes were in or on the Demised Premises or the Building because of Lessee's acts or those of its agents, invitees, or subtenants;

(xx) the cost of performing special services or installations to or for tenants or occupants to the extent such service exceeds that provided by Lessor to Lessee without charge hereunder;

(xxi) electricity costs or overtime HVAC costs, if charged separately to any other tenant in the Building;

(xxii) recordation and transfer taxes and transfer gain taxes, including, without limitation, any such taxes incurred if this Lease is recorded;

(xxiii) fees or expenses of property management services provided by Lessor or parties related to or affiliated with Lessor, except to the extent such fees or expenses are not in excess of the market rate for services of comparable quality for first class office buildings in the downtown area of Washington, D.C. as charged by unaffiliated parties (provided that in no event will the following be deemed in excess of the market rate: property management fees equal to three percent (3%) of gross income derived from the Building, including net parking income (or rent under a garage lease, as applicable) and amounts received as reimbursements for Operating Expenses, Operating Costs, and Real Estate Taxes received by Lessor but excluding reimbursements of a capital nature (insurance or otherwise));

(xxiv) expenses incurred in connection with the management, repair, maintenance, and replacement of the garage facilities, such as by way of example, but not in limitation, parking management fees and restriping of parking spaces; however, utilities, Real Estate Taxes and building security expenses are not separately allocated to the garage and the management services fee included in Operating Expenses will include a percentage of the net income from parking garage operation (or rent under a garage lease, as applicable);

(xxv) Operating Costs (as hereinafter defined);

(xxvi) Real Estate Taxes (as hereinafter defined);

(xxvii) advertising and promotional expenses;

(xxviii) the cost of installing, operating, and maintaining any specialty facility such as an observatory, broadcasting facility, restaurant or luncheon club, athletic or recreational club, theater or cafeteria (it being understood that the operating costs associated with the fitness facility and roof deck are included in Operating Expenses and Operating Costs);

(xxix) the cost of any additions to the Building that result in a larger building;

(xxx) the cost of artwork; and

(xxxi) costs or payments associated with Lessor's obtaining air rights or development rights.

(C) Lessee shall pay to Lessor, as additional rent, Lessee's proportionate share of the Operating Costs (as defined below) incurred by Lessor during any calendar year within the Lease Term. Lessee's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office areas in the Building, which percentage as of the date of this Lease is 20.98%. The amount of such percentage to be paid by Lessee for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Lessee, provided that for purposes hereof the Demised Premises shall be deemed leased by Lessee as of the date which is two (2) months following the Rent Commencement Date.

(D) The term "OPERATING COSTS" shall mean the costs of (i) the cleaning contract and cleaning supplies, (ii) electricity and (iii) elevator maintenance contracts. Operating Costs shall not include Operating Expenses and Excluded Items.

(E) Lessee shall pay to Lessor, as additional rent, Lessee's proportionate share of the Real Estate Taxes (as defined below). Lessee's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office and retail areas in the Building, which percentage as of the date of this Lease is 19.93%. The amount of such percentage to be paid by Lessee for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Lessee, provided that for purposes hereof the Demised Premises shall be deemed leased by Lessee as of the date which is two (2) months following the Rent Commencement Date.

(F) The term "REAL ESTATE TAXES" shall mean (i) any and all real estate taxes and ad valorem taxes, surcharges, special assessments and impositions, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind levied against the Building or land upon which the Building is located, or in connection with the use thereof (including any transit, personal property, sales, rental, use, gross receipts and occupancy tax and other similar charges), (ii) any other present or future taxes or governmental charges that are imposed upon Lessor which are in the nature of or in substitution for real estate taxes, including any tax levied or measured by the rents payable by tenants of the Building except as set forth hereinbelow, and business improvement district taxes and (iii) reasonable expenses (including reasonable attorneys' fees and appraisers' fees) incurred in reviewing, protesting or seeking a reduction of

Real Estate Taxes. Real Estate Taxes shall not, however, include (x) income or franchise taxes or such other taxes imposed directly upon Lessor's net income from the operation of the Building and (y) recordation and transfer taxes, and (z) any fees, penalties and interest assessed or paid as a result of Lessor's delay or failure to pay taxes or assessments. If Lessor receives a refund or credit for any Real Estate Taxes that were included in Real Estate Taxes paid by Lessee, then provided no uncured default exists hereunder, Lessor shall promptly refund Lessee's proportionate share thereof.

(G) Lessor shall notify Lessee prior to the Rent Commencement Date and prior to the beginning of each calendar year thereafter of Lessor's estimate of the amount of Operating Expenses (the "ESTIMATED OPERATING EXPENSES"), the amount of Operating Costs (the "ESTIMATED OPERATING COSTS") and the amount of Real Estate Taxes (the "ESTIMATED REAL ESTATE TAXES") that Lessor reasonably estimates Lessor will incur for the Building during the coming calendar year, and pursuant to paragraph (H) hereof, shall advise Lessee of the amount of its Estimated Payments for the coming calendar year.

(H) Lessee shall pay to Lessor, as additional rent, an amount equal to the sum of (a) one-twelfth (1/12th) of Lessee's proportionate share of the Estimated Operating Expenses, (b) one-twelfth (1/12th) of Lessee's proportionate share of the Estimated Operating Costs, and (c) one-twelfth (1/12th) of Lessee's proportionate share of the Estimated Real Estate Taxes (collectively the "ESTIMATED PAYMENTS"). The components of the Estimated Payments described in clauses (a), (b) and (c) of the immediately preceding sentence shall be calculated independently without reference to one another. Lessee shall commence to make its first Estimated Payments on the Rent Commencement Date. Thereafter, Lessee shall make its Estimated Payments on the first day of each calendar month. Lessee shall pay the same amount of the Estimated Payments until the amount is adjusted, effective the next succeeding January 1, based upon Lessor's determination of the Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes for the following calendar year.

(I) Within ninety (90) days after the expiration of each calendar year (including the calendar years in which the Commencement Date and expiration or earlier termination of this Lease occurs), or as soon as reasonably practical thereafter, a firm of independent certified public accountants selected by Lessor, shall audit Lessor's books and records for the Building. Thereafter, Lessor shall determine the Operating Expenses, Operating Costs and Real Estate Taxes for such calendar year, consistent with such audit. The Operating Expenses, Operating Costs and Real Estate Taxes for each calendar year shall be those actually incurred, provided, however, that if the Building was not at least ninety-five percent (95%) occupied during the entire calendar year on a monthly weighted average basis, the Operating Expenses and Operating Costs shall be adjusted to project the Operating Expenses and Operating Costs as if the Building were ninety-five percent (95%) occupied on a monthly weighted average basis. The categories of expenses to be so adjusted in such event shall be limited to (i) electricity, (ii) nighttime janitorial services, (iii) management fee and (iv) water and sewer charges.

(J) Within one hundred twenty (120) days after the end of each calendar year, or as soon thereafter as reasonably practicable, Lessor shall submit to Lessee a statement (containing detail reasonably comparable to that set forth in EXHIBIT H attached hereto) setting forth Lessor's determination of (i) the Operating Expenses, Operating Costs and Real Estate Taxes for the

immediately preceding calendar year; (ii) Lessee's proportionate share of such expenses; and (iii) Lessee's net obligation for such Operating Expenses, Operating Costs and Real Estate Taxes for the immediately preceding calendar year ("LESSEE'S NET OBLIGATION") which reflects the credit of Lessee's Estimated Payments for Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes during the prior calendar year. Within thirty (30) days after the delivery of such statement (including any statement delivered after the expiration or earlier termination of this Lease), Lessee shall pay Lessor the full stated amount of Lessee's Net Obligation. If the aggregate amount of Lessee's Estimated Payments for Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes during the prior calendar year exceeds Lessee's proportionate share of (i) the Operating Expenses, (ii) the Operating Costs and (iii) the Real Estate Taxes, the excess, at Lessor's option, shall promptly be refunded to Lessee or credited to Lessee's next payments of Monthly Rent and Estimated Payment(s), until such excess is fully refunded to Lessee.

(K) Lessee, and/or an independent certified public accounting firm offering a full range of accounting services retained by Lessee on a non-contingent fee basis, may, at Lessee's expense, at reasonable times, upon reasonable notice, audit Lessor's books and records for the Building relating to Lessor's determination of the Operating Expenses, Operating Costs and Real Estate Taxes for the calendar year for which Lessor's current determination is being made. In any and all events any such request to audit Lessor's books and records shall be made no later than one hundred twenty (120) days following Lessee's receipt of Lessor's annual statement setting forth Lessee's Net Obligation. Lessee shall (and shall cause its employees, agents and consultants to) keep the results of any such audit or audited statements strictly confidential. Lessor shall compute the Operating Expenses, Operating Costs and Real Estate Taxes on the accrual basis. In the event that in response to an audit by Lessee, Lessor proposes to bill Lessee for additional charges incurred prior to the immediately preceding calendar year, Lessor shall not assert a claim for charges incurred earlier than two (2) calendar years preceding the immediately preceding calendar year, and if Lessor does assert a claim with respect to such two (2) calendar year period, then Lessee may audit Operating Expenses, Operating Costs, and Real Estate Taxes for such period (unless Lessee has already done so).

(L) Notwithstanding anything herein to the contrary, if it is determined pursuant to an audit undertaken by Lessee pursuant to subsection (J) hereinabove that Lessor overstated the aggregate of Operating Expenses, Operating Costs and Real Estate Taxes for any year, then Lessor shall promptly refund any excess payment to Lessee. If Lessor overstated such aggregate by more than three percent (3%), then Lessor shall reimburse Lessee for the reasonable out-of-pocket costs (exclusive of travel related expenses, so long as such records are available for audit in metropolitan Washington, D.C.) of any audit undertaken with respect to such year pursuant to subsection (J) hereinabove. Lessee may not audit any calendar year more than once.

7. PARKING

During the initial Lease Term and any Extension Periods, Lessor shall obtain for Lessee an allocation of thirty-five (35) contracts (computed on the basis of one contract per 1,300 square feet of rentable area in the Demised Premises) for use by Lessee and its employees of unreserved valet parking spaces in the parking facility located in the Building, provided that, as to fifteen (15) of such contracts (the "BASIC PARKING ALLOCATION"), Lessee notifies Lessor in writing of its

desire to obtain all or a specified number of said parking contracts, and Lessee enters into said contracts with the parking facility operator (the "OPERATOR") within sixty (60) days after the Rent Commencement Date.

Lessee shall be directly responsible to the Operator for the payment of any and all fees or charges thereunder, and Lessor shall be under no obligation to pay the Operator for said parking contracts. The parking contracts for both reserved and unreserved valet parking spaces shall contain the same terms and conditions as are usually contained in such contracts with other monthly parking customers of the Operator, and the monthly rates to be paid by Lessee shall be the prevailing monthly rates charged to other monthly parking customers of the Operator for reserved and unreserved valet spaces, as applicable, said rates to increase and decrease as the prevailing monthly parking rates for other applicable monthly parking customers increases and decreases from time to time (all consistent with then current market parameters for similar garages in first class office buildings in the neighborhood of the Building). In the event, as to the Basic Parking Allocation Lessee fails to execute with the Operator the monthly parking contracts within the sixty (60) day period, or subsequently relinquishes in any manner its parking contracts, Lessor shall be under no obligation to seek restoration of the relinquished contracts or waive Lessee's failure to execute said contracts prior to expiration of the applicable sixty (60) day period. As to the parking contracts not included in the Basic Parking Allocation (the "ADDITIONAL PARKING ALLOCATION"), in the event Lessee fails to claim such contracts, or any of them, prior to the expiration of such sixty (60) day period, or subsequently surrenders any of such contracts, Lessee shall have the right to subsequently claim or reclaim such contracts upon ninety (90) days prior written notice to Lessor.

Upon expansion of the Demised Premises pursuant to the expansion options described in the section of this Lease entitled "OPTIONS TO EXPAND," Lessor shall make available to Lessee, one additional parking contract for unreserved valet parking space per 1,300 square feet of additional space. Said additional contracts shall be made available on the same terms and conditions as set forth above (and divided into Basic Parking Allocation and Additional Parking Allocation on the same percentage basis).

8. OPTION TO EXTEND

Lessor grants to Lessee one (1) option to extend the term of this Lease, such option being for a period of five (5) years (hereinafter referred to as the "EXTENSION PERIOD"), provided Lessee (i) is not in default under this Lease (with respect to monetary obligations or material non-monetary obligations) beyond the expiration of applicable notice and cure provisions on the date Lessee notifies Lessor of its intent to exercise this option, and (ii) has not sublet more than forty-five percent (45%) of the Demised Premises (other than to subsidiaries or affiliates, as hereinafter defined). Lessee may exercise this option to extend only by serving on Lessor written notice of its intent to exercise the aforesaid option no later than thirteen (13) months, nor earlier than fifteen (15) months, prior to the date of expiration of the initial term of this Lease.

The Monthly Rent for the Extension Period shall be determined by the mutual agreement of Lessor and Lessee within thirty (30) days after the date Lessor receives Lessee's notice of its election to extend the term of this Lease for the Extension Period. The Monthly Rent for the

applicable Extension Period shall be based upon one hundred percent (100%) of the then current Market Base Rent (as hereinafter defined) for the Demised Premises.

Lessee's obligation to pay as additional rent its proportionate share of the Operating Expenses, Operating Costs and Real Estate Taxes as provided for in the section of this Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES", shall continue uninterrupted from the initial term of this Lease for the Extension Period. All other terms and provisions of this Lease shall remain in full force and effect during the Extension Period, provided, however, Lessee shall have no further option to extend the term of this Lease beyond that set forth herein.

In the event Lessor and Lessee are unable to agree within the thirty (30) day period upon the then current Market Base Rent for the Demised Premises in order to determine the Monthly Rent for the Extension Period, then the current Market Base Rent upon which the Monthly Rent for the Extension Period will be based shall be determined by a board of three (3) licensed real estate agents. Lessor and Lessee shall each appoint one (1) agent within ten (10) days after expiration of the thirty (30) day period, or sooner if mutually agreed upon. The two so appointed shall select a third within ten (10) days after they both have been appointed. Each agent on said board shall be licensed in the District of Columbia as a real estate agent, specializing in the field of commercial leasing in the downtown and central business district areas of Washington, D.C., having no less than ten (10) years experience in such field, and recognized as ethical and reputable within his or her field. Each agent, within ten (10) days after the third agent is selected, shall submit his or her determination of said market base rate. The current Market Base Rent shall be the mean of the two closest rental rate determinations, unless there are no two (2) closest rental rate determinations, in which case the middle of the three (3) shall govern, and the initial Monthly Rent for the Extension Period shall be based upon said current Market Base Rent. In arriving at their individual rental rate determinations, each agent shall consider and analyze all the components of this Lease (as well as the number of months in the future that the Extension Period will commence), and apply to them the current market factors for Market Base Rent. Lessor and Lessee shall each pay the fee of the agent selected by it and they shall share the payment of the fee of the third agent.

"MARKET BASE RENT" shall mean the prevailing base rental, expressed in dollars per rentable square foot, that would be received by landlords renting comparable space (i.e., quality, size and existing condition) in comparable buildings in equally desirable parts of downtown Washington, D.C. to private sector tenants as of the date a determination of Market Base Rent is required, adjusted to reflect any and all rental abatements and other such inducements of landlords then prevailing, including construction allowances and architectural allowances. In determining Market Base Rent the parties shall (x) not take into account or give credit to Lessee for any savings to Lessor that may be attributable to the avoidance of "downtime" for marketing, and/or construction, and (y) consider and analyze all of the components of the Lease (as well as the number of months in the future that the renewal or expansion, as applicable, will occur), and apply to them for the current market factors.

9. OPTIONS TO EXPAND

(A) Lessee shall have the option to add to the Demised Premises an additional area containing approximately Three Thousand Four Hundred Fifty-one (3,451) square feet of rentable area on the eighth (8th) floor of the Building (i.e. all of the remaining rentable area on such floor), as generally indicated on the floor plan attached as EXHIBIT A-2 (being identified as the "FIRST OPTION SPACE"), provided Lessee (i) is not in default of its obligations under this Lease (with respect to monetary obligations or material non-monetary obligations) beyond the expiration of any applicable notice and/or cure periods on the date Lessee notifies Lessor of its intent to exercise this right, and (ii) has not sublet more than forty five percent (45%) of the Demised Premises (other than to subsidiaries or affiliates, hereinafter defined). Lessee may exercise this option to expand by giving written notice later than the last day of the fourth (4th) Lease Year and no earlier than the first day of the ninth (9th) month of such Lease Year. Such notice shall specify that Lessee has elected to exercise this option. If Lessee gives notice of its intent to exercise said option to expand the Demised Premises to include the First Option Space, Lessor shall deliver the First Option Space to Lessee on a date designated by Lessor, which date shall be a date certain within the first nine (9) months of the sixth Lease Year (the "FIRST OPTION SPACE DELIVERY DATE"). Lessee may not lease less than all of the First Option Space. Lessor shall, no later than thirty (30) days following Lessee's written request (made no earlier than the first day of the ninth (9th) month of the fourth (4th) Lease Year, advise Lessee of the First Option Space Delivery Date. Upon Lessee's written request thereafter from time to time, Lessor shall advise Lessee of any anticipated delays with respect thereto. Upon Lessee's verbal request from time to time, Lessor shall verbally update Lessee regarding any potential delays in delivering the First Option Space.

Lessee's exercise of said option shall be subject to the following conditions: (i) Lessee shall accept the First Option Space as part of the Demised Premises, in its then "as is" condition subject to latent defects in the base building (but if such space has never been built out with tenant improvements, then finished with the shell improvements described in EXHIBIT B); (ii) the term of this Lease with regard to the First Option Space shall commence on the date on which Lessor delivers possession of the First Option Space to Lessee (the "FIRST OPTION SPACE COMMENCEMENT DATE"), and said term shall be coterminous with the term of this Lease and any extension thereof; (iii) Lessee's obligation to pay Monthly Rent for the First Option Space shall commence on the earlier of (x) the date that is sixty (60) days after the First Option Space Commencement Date and (y) the date on which Lessee commences to use the First Option Space for the normal conduct of business (the "FIRST OPTION SPACE RENT COMMENCEMENT DATE"); (iv) the Monthly Rent for the First Option Space shall be an amount equal to the product of the number of rentable square feet in the First Option Space multiplied by the Monthly Rent per rentable square foot Lessee is then paying for the Demised Premises; (v) the percentage of Lessee's proportionate share of Operating Expenses, Operating Costs and Real Estate Taxes shall be revised and increased to reflect the addition of the First Option Space to the Demised Premises in accordance with the calculation of such percentage set forth in the section of this Lease entitled "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES," such revised percentage to become effective as of the First Option Space Rent Commencement Date, with appropriate pro rata adjustments being made in the calculation of Lessee's proportionate share of the Operating Expenses, Operating Costs and Real Estate Taxes

for the calendar year in which such revised percentage becomes effective;
(vi) Lessee shall receive an improvements allowance (the "FIRST OPTION SPACE REMODELING ALLOWANCE") in an amount equal to the product of Ten Dollars (\$10.00) multiplied by the number of rentable square feet in the First Option Space, such allowance to be disbursed on a monthly basis in accordance with the same procedures utilized with respect to disbursement of the Allowance (hereinafter defined) and (vii) all other terms and conditions of this Lease shall be generally applicable to the First Option Space, except as the same are specifically modified by the mutual agreement of the parties at that time.

Notwithstanding the foregoing, in the event Lessor is unable to deliver possession of the First Option Space (or any portion thereof) to Lessee on the First Option Space Delivery Date, due to the prior tenant's failure to vacate the First Option Space on a timely basis or for any reason or condition beyond Lessor's control, then Lessor, its agents and employees, shall not be liable or responsible for any claims, damages, or liabilities in connection therewith or by reason thereof, nor shall the obligation of Lessee to accept said First Option Space (or any portion thereof) be excused, except that Monthly Rent and additional rent which would be directly attributed to the First Option Space shall not commence until the date which is sixty (60) days after the date Lessor delivers possession (following seven (7) business days notice of the availability thereof) of the First Option Space to Lessee (or, if earlier, the date on which Lessee commences to use the space for the normal conduct of business). In such event, Lessor shall use commercially reasonable efforts to (a) make the First Option Space available to Lessee at the earliest possible time, and/or (b) cause such existing tenant(s) to vacate the First Option Space at the earliest possible time. Lessor shall not, however, have any duty to file a suit for possession against a tenant holding over in the First Option Space prior to the date which is one (1) month following the expiration date of the lease therefor (but thereafter suit shall be promptly filed and diligently pursued). In order to minimize the risk of a holdover tenancy beyond the ninth (9th) month of the sixth Lease Year, and/or the duration of any such holdover tenancy (i) Lessor shall not lease the First Option Space for a term expiring later than the ninth (9th) month of the sixth Lease Year, (ii) in any such lease, Lessor shall include a provision for holdover rent comparable to the provision included in this Lease, and (iii) Lessor shall use commercially reasonable best efforts to enforce such holdover provisions starting upon the expiration of the tenant's lease (subject to the foregoing provision with respect to filing of a suit for possession). Notwithstanding anything set forth herein to the contrary, in the event that Lessor has failed for any reason to deliver possession of the First Option Space to Lessee within one hundred twenty (120) days after the First Option Space Delivery Date, Lessee shall have the right, but not the obligation, at any time thereafter (prior to the date on which Lessee actually delivers possession thereof to Lessee) to rescind the exercise of said option, and to be excused from accepting the First Option Space, without liability.

(B) Lessee shall have the option to add to the Demised Premises an additional area containing approximately Six Thousand Six Hundred Four (6,604) square feet of rentable area on the sixth (6th) floor of the Building (i.e. all of the remaining rentable area on such floor), as generally indicated on the floor plan attached as EXHIBIT A-3 (being identified as the "SECOND OPTION SPACE"), provided Lessee (i) is not in default of its obligations under this Lease (with respect to monetary obligations or material non-monetary obligations) beyond the expiration of any applicable notice and/or cure periods on the date Lessee notifies Lessor of its intent to

exercise this right, and (ii) has not sublet more than forty-five percent (45%) of the Demised Premises (other than to subsidiaries or affiliates, hereinafter defined). Lessee may exercise this option to expand by giving written notice no later than the last day of the sixth (6th) Lease Year and no earlier than the first day of the ninth (9th) month of such Lease Year. Such notice shall specify that Lessee has elected to exercise this option. If Lessee gives notice of its intent to exercise said option to expand the Demised Premises to include the Second Option Space, Lessor shall deliver the Second Option Space to Lessee on a date designated by Lessor, which date shall be a date certain within the first nine (9) months of the eighth (8th) Lease Year (the "SECOND OPTION SPACE DELIVERY DATE"). Lessee may not lease less than all of the Second Option Space. Lessor shall, no later than thirty (30) days following Lessee's written request (made no earlier than the first day of the ninth (9th) month of the sixth (6th) Lease Year, advise Lessee of the Second Option Space Delivery Date. Upon Lessee's written request thereafter from time to time, Lessor shall advise Lessee of any anticipated delays with respect thereto. Upon Lessee's verbal request from time to time, Lessor shall verbally update Lessee regarding any potential delays in delivering the Second Option Space.

Lessee's exercise of said option shall be subject to the following conditions: (i) Lessee shall accept the Second Option Space as part of the Demised Premises, in its then "as is" condition subject to latent defects in the base building (but if such space has never been built out with tenant improvements, then finished with the shell improvements described in EXHIBIT B); (ii) the term of this Lease with regard to the Second Option Space shall commence on the date on which Lessor delivers possession of the Second Option Space to Lessee (the "SECOND OPTION SPACE COMMENCEMENT DATE"), and said term shall be coterminous with the term of this Lease and any extension thereof; (iii) Lessee's obligation to pay Monthly Rent for the Second Option Space shall commence on the earlier of (x) the date that is sixty (60) days after the Second Option Space Commencement Date and (y) the date on which Lessee commences to use the Second Option Space for the normal conduct of business (the "SECOND OPTION SPACE RENT COMMENCEMENT DATE"); (iv) the Monthly Rent for the Second Option Space shall be an amount equal to the product of the number of rentable square feet in the Second Option Space multiplied by the Monthly Rent per rentable square foot Lessee is then paying for the Demised Premises; (v) the percentage of Lessee's proportionate share of Operating Expenses, Operating Costs and Real Estate Taxes shall be revised and increased to reflect the addition of the Second Option Space to the Demised Premises in accordance with the calculation of such percentage set forth in the section of this Lease entitled "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES," such revised percentage to become effective as of the Second Option Space Rent Commencement Date, with appropriate pro rata adjustments being made in the calculation of Lessee's proportionate share of the Operating Expenses, Operating Costs and Real Estate Taxes for the calendar year in which such revised percentage becomes effective; (vi) Lessee shall receive an improvements allowance (the "SECOND OPTION SPACE REMODELING ALLOWANCE") in an amount equal to the product of Ten Dollars (\$10.00) multiplied by the number of rentable square feet in the Second Option Space, such allowance to be disbursed on a monthly basis in accordance with the same procedures utilized with respect to disbursement of the Allowance; and (vii) all other terms and conditions of this Lease shall be generally applicable to the Second Option Space, except as the same are specifically modified by the mutual agreement of the parties at that time.

Notwithstanding the foregoing, in the event Lessor is unable to deliver possession of the Second Option Space (or any portion thereof) to Lessee on the Second Option Space Delivery Date, due to the prior tenant's failure to vacate the Second Option Space on a timely basis or for any reason or condition beyond Lessor's control, then Lessor, its agents and employees, shall not be liable or responsible for any claims, damages, or liabilities in connection therewith or by reason thereof, nor shall the obligation of Lessee to accept said Second Option Space (or any portion thereof) be excused, except that Monthly Rent and additional rent which would be directly attributed to the Second Option Space shall not commence until the date which is sixty (60) days after the date Lessor delivers possession (following seven (7) business days notice of the availability thereof) of the Second Option Space to Lessee (or, if earlier, the date on which Lessee commences to use the space for the normal conduct of business). In such event, Lessor shall use commercially reasonable efforts to (a) make the Second Option Space available to Lessee at the earliest possible time, and/or (b) cause such existing tenant to vacate the Second Option Space at the earliest possible time. Lessor shall not, however, have any duty to file a suit for possession against a tenant holding over in the Second Option Space prior to the date which is one (1) month following the expiration date of the lease therefor (but thereafter suit shall be promptly filed and diligently pursued). In order to minimize the risk of a holdover tenancy beyond the ninth (9th) month of the eighth Lease Year, and/or the duration of any such holdover tenancy (i) Lessor shall not lease the Second Option Space for a term expiring later than the ninth (9th) month of the eighth Lease Year, (ii) in any such lease, Lessor shall include a provision for holdover rent comparable to the provision included in this Lease, and (iii) Lessor shall use commercially reasonable best efforts to enforce such holdover provisions starting upon the expiration of the tenant's lease (subject to the foregoing provision with respect to filing of a suit for possession). Notwithstanding anything set forth herein to the contrary, in the event that Lessor has failed for any reason to deliver possession of the Second Option Space to Lessee within one hundred twenty (120) days after the Second Option Space Delivery Date, Lessee shall have the right, but not the obligation, at any time thereafter (prior to the date on which Lessee actually delivers possession thereof to Lessee) to rescind the exercise of said option, and to be excused from accepting the Second Option Space, without liability.

10. STORAGE SPACE

In addition to the Demised Premises, Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor from and after the Rent Commencement Date, approximately 500(+/- 10%, at Lessor's option) rentable square feet of storage space (i.e. in two (2) discrete but contiguous pieces) on a below grade level in the Building (the "STORAGE SPACE") in a location selected by Lessor and approved by Lessee, such approval not to be unreasonably withheld. The monthly rent for said Storage Space during the initial term (from and after the Rent Commencement Date) shall be calculated as follows:

PERIOD	ANNUAL RATE PER SQUARE FOOT
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First Lease Year	\$17.00
Second Lease Year	\$17.34
Third Lease Year	\$17.69
Fourth Lease Year	\$18.04
Fifth Lease Year	\$18.40

PERIOD	ANNUAL RATE PER SQUARE FOOT
Sixth Lease Year	\$20.40
Seventh Lease Year	\$20.81
Eighth Lease Year	\$21.23
Ninth Lease Year	\$21.65
Tenth Lease Year	\$22.08

Upon selection of the Storage Space, Lessor and Lessee shall execute an addendum to this Lease confirming the rent therefor based on the above amounts.

In the event that Lessee exercises its option to extend the term of the Lease as provided in the section of the Lease entitled "OPTION TO EXTEND," the monthly rent for the Storage Space, shall be increased by the same proportion of increase in Monthly Rent for the Demised Premises that is mutually agreed upon by the parties or otherwise established by the board of real estate agents as herein provided.

The Storage Space shall be constructed at Lessor's expense, and Lessor shall provide at its expense perimeter walls, entrance door, vinyl tile floors, fluorescent lighting at the level of 40 foot candles, and adequate ventilation which satisfies the requirements of all applicable District of Columbia codes and regulations.

11. ASSIGNMENT AND SUBLETTING

Lessee may not assign or otherwise transfer this Lease, or sublet (including permitting occupancy or use by another party) the Demised Premises, or any part thereof, without giving Lessor ten (10) business days prior written notice of Lessee's intention to assign this Lease or sublet all or any part of the Demised Premises. In the event Lessee seeks permission to sublease all or a part of the Demised Premises, the notice shall identify the proposed sublease term, including the proposed effective date thereof. In the event Lessee seeks permission to sublease a part of the Demised Premises, the notice shall also identify the area of the Demised Premises Lessee seeks to sublease. Within ten (10) business days after receipt of said notice of intent to assign or sublease, Lessor shall have the option (i) to elect to terminate the Lease, if Lessee desires to assign this Lease, or (ii) to sublet that portion of the Demised Premises from Lessee for the term which Lessee desires to sublet that portion of the Demised Premises, at the rate and upon the same terms and conditions as Lessee is leasing the Demised Premises from Lessor. Lessor may exercise the option by giving Lessee written notice of its election to exercise the option within said ten (10) business days period. In no event may Lessee assign the Lease as to less than all of the Demised Premises.

The effective date of termination, or the effective date of commencement of the sublease to Lessor, shall be the date Lessee has indicated it wishes to consummate any such assignment or sublease. Upon termination, all of the rights and obligations of Lessor and Lessee under the terms of this Lease shall be terminated, except that Lessee shall continue to be obligated to pay rent and all other charges for the Demised Premises which accrue to the date of termination. Notwithstanding anything to the contrary contained herein Lessee shall have the right to sublease a total of forty-five (45%) of the Demised Premises without being subject to Lessor's right to

sublet such space as described in the immediately preceding clause (ii), so that Lessor's right to sublease areas shall apply only to areas in excess of the forty-five percent (45%) threshold.

If Lessor does not exercise its option to terminate or sublet, Lessee may assign this Lease or sublet all or any part of the Demised Premises consistent with Lessee's notice. Lessee shall be required however to obtain Lessor's prior written consent to any assignee or any sublessee, which consent may not be unreasonably withheld, conditioned or delayed contingent upon the proposed assignee or sublessee being similar in kind and character to other office tenants in the Building and financially reliable. In the event Lessor has not responded to a request for consent to an assignment or sublease within fifteen (15) days of its receipt thereof, (which response may include a reasonable request for additional information or notice that Lessor is awaiting any required approval of its lender), Lessee may give Lessor a second notice requesting such consent. Provided such second notice states "PURSUANT TO SECTION 11 OF THE LEASE, THE FAILURE TO RESPOND TO THIS REQUEST FOR CONSENT WITHIN TEN (10) DAYS OF YOUR RECEIPT THEREOF SHALL BE DEEMED TO BE YOUR CONSENT THERETO," then Lessor's failure to respond thereto (which response may include a reasonable request for additional information or notice that Lessor is awaiting any required approval of its lender) within ten (10) days as aforesaid shall in fact be deemed consent thereto. Where Lessor is prepared to grant its consent, Lessor shall promptly seek any required lender consent. Lessor shall also have the right to approve the form of assignment or sublease agreement, such approval not to be unreasonably withheld, conditioned or delayed. In the event that Lessee removes all or any portion of such area from the market and thereafter elects to market the same for assignment or sublease, Lessee may not assign this Lease or sublet the Demised Premises without first affording Lessor the option to terminate or sublease as previously provided for in this section.

Lessee shall reimburse to Lessor, as additional rent, all costs and expenses, including reasonable attorney's fees, which Lessor incurs by reason of or in connection with Lessor's required review of any assignment, sublease, or leasehold mortgage proposed or granted by Lessee (whether or not permitted under this Lease), and all negotiations and actions with respect thereto, such additional rent to be due and payable within fifteen (15) days of receipt of a statement of such costs and expenses from Lessor.

If any sublease, assignment or other transfer (whether by operation of law or otherwise) provides that the subtenant, assignee or other transferee is to pay any amount in excess of the sum of (a) the rent and other charges due under this Lease, plus (b) the reasonable, out-of-pocket expenses (excluding any costs attributable to vacancy periods or "downtime") which Lessee reasonably incurred in connection with the procurement of such sublease, assignment or other transfer (including without limitation reasonable brokerage fees, attorneys' fees and expenses, remodeling costs, and allowances), then whether such excess be in the form of an increased monthly or annual rental, a lump sum payment, payment for the sale, transfer or lease of Lessee's fixtures, leasehold improvements, furniture and other personal property, or any other form (and if the subleased or assigned space does not constitute the entire Demised Premises, the existence of such excess shall be determined on a pro rata basis), Lessee shall pay fifty percent (50%) of any such excess as additional rent no later than thirty (30) days after Lessee's receipt thereof. Lessor shall have the right to inspect and audit Lessee's books and records relating to any sublease, assignment or other transfer and expenses incurred by Lessee in connection therewith.

No assignment of this Lease shall be effectuated by operation of law or otherwise without the prior written consent of Lessor, such consent not to be unreasonably withheld, conditioned or delayed. For the purposes of this Lease, the transfer of fifty percent (50%) or more of the ownership interest of Lessee or the transfer and/or issuance of more than fifty percent (50%) of the voting stock of Lessee, if Lessee is not a publicly held corporation, to any persons or entities that are not owners or stockholders of Lessee on the date of execution of this Lease shall be deemed an assignment of this Lease thereby giving Lessor the option to terminate this Lease as provided above.

Notwithstanding any other provision of this Lease to the contrary, Lessee has the right to assign this Lease or sublet the Demised Premises in whole or in part to any subsidiary, affiliate or successor entity upon giving Lessor ten (10) days prior written notice of such assignment or subleasing. Such an assignment or sublease shall not trigger Lessor's right to terminate the Lease, or to sublet the space from Lessee, or subsequently require Lessor's consent to any assignee or sublessee. A "SUBSIDIARY" of Lessee shall mean any corporation not less than fifty percent (50%) of whose outstanding voting stock shall, at the time, be owned, directly or indirectly, by Lessee. An "AFFILIATE" of Lessee shall mean any corporation which, directly or indirectly, controls or is controlled by or is under common control with Lessee. A "SUCCESSOR ENTITY" of Lessee shall mean a corporation or other business entity into or with which Lessee shall be merged or consolidated, or to which all or substantially all of the assets of Lessee may be transferred or sold. For purpose of the definition of "AFFILIATE," the word "CONTROL" (including "CONTROLLED BY" and "UNDER COMMON CONTROL WITH"), as used with respect to any corporation, partnership, or association, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policy of a particular corporation, partnership or association, whether through the ownership of voting securities or by contract or otherwise.

The consent by Lessor to any assignment or subletting to any party other than Lessor, including a subsidiary or affiliate, shall not be construed as a waiver or release of Lessee from the terms of any covenant or obligation under this Lease. Lessor's collection or acceptance of rent from any assignee of Lessee shall not constitute a waiver or release of Lessee of any covenant or obligation contained in this Lease, nor shall any such assignment or subletting be construed to relieve Lessee from giving Lessor said thirty (30) days notice or from obtaining the consent in writing of Lessor to any further assignment or subletting. In the event that Lessee is in default of any term or provision of this Lease (with respect to monetary obligations or material non-monetary obligations) beyond the expiration of an applicable notice and/or cure periods, Lessee hereby assigns to Lessor the rent due from any subtenant of Lessee and hereby authorizes and directs each such subtenant, upon notice from Lessor, to pay said rent directly to Lessor, the collection or acceptance of rent from any subtenant in such instance not to constitute a waiver or release of Lessee of any covenant or obligation contained in this Lease.

Lessee may not mortgage or encumber this Lease without the prior written consent of Lessor.

12. ALTERATIONS

Lessee shall make no alterations, installations, additions or improvements (hereinafter collectively called "ALTERATIONS") in or to the Demised Premises or the Building (other than Immaterial Alterations, hereinafter defined) without Lessor's prior written consent. Consent by Lessor to Lessee's Alterations shall not be unreasonably withheld, conditioned or delayed, except that as to Alterations made subsequent to the Rent Commencement Date, Lessor may withhold its consent for any reason with regard to requested Alterations (other than Immaterial Alterations) by Lessee which (i) affect the structure of the Building or the mechanical, plumbing or electrical systems of the Building, or (ii) could cause the imposition of additional costs or obligations on Lessor (which are not reimbursed or reimbursable by Lessee to Lessor's reasonable satisfaction). Except with respect to Immaterial Alterations (hereinafter defined), Lessee, at its sole cost and expense, shall provide Lessor with a copy of the original or revised full-floor mechanical and electrical plans for the floor or floors on which the Alterations are to be made, revised by the Building architect and engineers to show Lessee's proposed Alterations. If any Alterations are made without the prior written consent of Lessor (where such consent is required), Lessor may correct or remove the same, and Lessee shall be liable for any and all expenses incurred by Lessor in the performance of this work. All Alterations shall be made (i) at Lessee's sole expense, (ii) at such times and in such manner as Lessor may reasonably designate, (iii) in a good, workmanlike, first class and prompt manner, (iv) using new materials only, (v) in accordance with all applicable legal requirements and the requirements of any insurance company insuring the Building, (vi) in accordance with Lessor's reasonable Construction Rules and (vii) only by such contractors or mechanics as are approved in writing by Lessor in accordance with the next following sentence. Approval of contractors or mechanics by Lessor, which approval may not be unreasonably withheld, shall be based upon the contractors or mechanics being properly licensed, their financial posture, experience and past job performance. An "IMMATERIAL ALTERATION" shall mean an Alteration which (x) is not visible from the exterior of the Demised Premises or the Building, (y) is cosmetic in nature and does not affect the Building structure or any Building system, and (z) costs less than Fifty Thousand Dollars (\$50,000.00).

All Alterations to the Demised Premises, whether made by Lessor or Lessee, and whether at Lessor's or Lessee's expense, or the joint expense of Lessor and Lessee, shall be and remain the property of Lessor. Notwithstanding the foregoing, however, any Alterations, fixtures or any other property installed in the Demised Premises at the sole expense of Lessee and with respect to which Lessee has not been granted any credit or allowance by Lessor and which can be removed without causing material damage to the Building or the Demised Premises, shall be and remain the property of Lessee. In the event Lessee removes any of these Alterations and the like, Lessee agrees, at Lessor's election, to (A.) repair any damage to the Demised Premises and the Building caused by said removal and to restore the Demised Premises to a condition no less than the Building standard condition or (B.) pay Lessor, as additional rent, for all costs incurred by Lessor to undertake such repairs. Any replacements of any property or improvements of Lessor, whether made at Lessee's expense or otherwise, shall be and remain the property of Lessor.

Lessor, at the expiration or earlier termination of the term of the Lease, may elect to require Lessee to remove all or any part of the Alterations made by Lessee subsequent to the Rent Commencement Date, unless Lessor agrees in writing not to require the removal of any

Alterations at the time Lessor consents to the Alterations. Removal of Lessee's Alterations shall be at Lessee's cost and expense, and Lessee shall, at its cost and expense, repair any damage to the Demised Premises or the Building caused by such removal. Lessee shall have no duty to remove any Alterations made prior to the Rent Commencement Date and approved by Lessor as herein provided, including any internal stairway.

Lessee shall remove all of Lessee's property at the expiration or earlier termination of the Lease. In the event Lessee does not remove Lessee's property at the expiration or earlier termination of the Lease, such property shall become the property of Lessor.

In the event Lessee fails to remove its property or the Alterations requested to be removed by Lessor on or before the expiration or earlier termination of the term of the Lease, then Lessor may remove such property and Alterations from the Demised Premises at Lessee's expense, and Lessee hereby agrees to pay to Lessor, as additional rent, the cost of such removal together with any and all damages which Lessor may suffer and sustain by reason of the failure of Lessee to remove the same. Said amount of additional rent shall be due and payable upon receipt by Lessee of a written statement of costs and damages from Lessor.

Lessor shall provide to Lessee a cash construction allowance (the "ALLOWANCE") equal to Two Million Three Hundred Eighty-one Thousand Three Hundred Ninety-six and 00/100 Dollars (\$2,381,396.00) computed as the product of (i) 44,932 (i.e., the number of square feet of rentable area in the Demised Premises), and (ii) Fifty-three and 00/100 Dollars (\$53.00). The Allowance may be used to pay any and all costs associated with the design or construction of Lessee's improvements to the Demised Premises, including the costs of permits, licenses and construction management fees, life safety systems and sprinkler installations within the Demised Premises, space planning, architectural and design fees, phone and computer cabling and installation costs, and costs of fixtures, furnishings, and equipment. Any portion of the Allowance not applied to design or construction of improvements to the Demised Premises as aforesaid may be applied by Lessee to pay Monthly Rent and Estimated Payments first due and owing hereunder.

The Allowance shall be disbursed by Lessor, from and after the date hereof, on a monthly basis as costs are incurred, to (i) Lessee for reimbursement of approved expenditures made by Lessee; or (ii) directly to Lessee's general contractors (but not other vendors or subcontractors), such direct disbursements to be made only upon Lessor's receipt of a written request from Lessee authorizing such disbursements. In order to request a disbursement of the Allowance by Lessor, Lessee shall submit to Lessor (i) executed service or work contracts with contractors (approved by Lessor in accordance with the approval standards described above) for work to be performed and in which an advance payment is required; (ii) construction requisitions for work in progress with a certification of a space planner or architect that the work has been completed to the level specified in the requisition; or (iii) paid invoices for fully completed services or construction work, with any such construction work previously reviewed and approved by Lessor. Lessee shall also furnish Lessor with partial lien waivers from its general contractor(s) and subcontractors, current through the most recent requisition of the Allowance, and a final release of lien from any contractor whose work has been completed, it being understood that all contracts with general contractors shall provide for a retainage of 10%, such retainage to be paid upon delivery of the lien release and receipt of a certificate from the architect stating that such

work has been completed (including completion of the " punchlist"). Lessor shall promptly review the requisition materials submitted by Lessee, and, provided such materials are complete, and further provided that the aggregate disbursements of the Allowance (including the disbursement then being requisitioned by Lessee) do not exceed the total amount of the Allowance, Lessor shall make the requested disbursement within thirty (30) days following its receipt of Lessee's requisition materials. In the event the request is not complete with regard to the supporting documentation, then Lessor shall promptly notify Lessee of the deficiency.

In connection with Lessee's improvements to the Demised Premises, Lessee shall pay to CarrAmerica Development, Inc. ("CADI"), an affiliate of Lessor, in the form of a debit against the Allowance, the reasonable cost of monitoring Lessee's work, such cost to be billed on an hourly basis (at \$150.00 per hour) and not to exceed, in the aggregate, Fifteen Thousand and 00/100 Dollars (\$15,000.00).

Provided Lessee elects to do so by written notice to Lessor given no later than March 1, 2000, Lessee shall have the right to improve both the eighth (8th) floor and the sixth (6th) floor elevator lobbies with improvements and finishes of its own selection (but reasonably approved by Lessor following receipt of Lessee's plans and specifications therefor) in lieu of Owner making improvements using building standard multi tenant floor finishes and improvements. In the event Lessee so elects, then upon completion of such improvements and Lessor's inspection and reasonable approval thereof (but no earlier than the Rent Commencement Date), Lessor shall pay to Lessee, in addition to the Allowance, the aggregate sum of Fifty-five Thousand and 00/100 Dollars (\$55,000.00) in recognition of savings to Lessor in not having to itself improve such lobbies with building standard improvements (or expend funds therefor).

13. LIENS

If any mechanic's or other lien is filed against the Demised Premises, or the Building of which the Demised Premises are a part, for work claimed to have been done for Lessee or materials claimed to have been furnished to Lessee, such lien shall be discharged by Lessee, at its sole cost and expense, within ten (10) business days from the date Lessee receives written demand from Lessor to discharge said lien, by the payment thereof or by filing any bond required by law. If Lessee shall fail to discharge any such lien, Lessor may, at its option, discharge the same and treat the cost thereof as additional rent, due and payable upon receipt by Lessee of a written statement of costs from Lessor. It is hereby expressly covenanted and agreed that such discharge of any lien by Lessor shall not be deemed to waive or release Lessee from its default under the Lease for failing to discharge the same.

Lessee will indemnify and hold harmless Lessor from and against any and all claims, damages and expenses incurred by Lessor, arising from any liens placed against the Demised Premises or the Building and the land upon which it is situated, as a result of Lessee undertaking construction work in the Demised Premises at its own cost and under its own control and direction, or making any Alterations to the Demised Premises.

14. MAINTENANCE

(A) Lessee shall keep the Demised Premises and the fixtures and equipment therein in clean, safe and sanitary condition, shall take good care thereof, and shall suffer no waste or injury thereto. At the expiration or earlier termination of the term of this Lease, Lessee shall surrender the Demised Premises broom clean and in the same order and condition in which they were on the Commencement Date, ordinary wear and tear and damage by the elements, fire and other insured casualty excepted.

(B) Lessor shall keep and maintain in good order and repair (and in compliance with all applicable laws and codes), and replace as needed, the base-building structure, and systems, including the roof, foundations, exterior walls, windows, garage interior structural walls and slabs, elevators, electrical, mechanical, plumbing and HVAC systems, and the ground floor lobby and other common areas and facilities of the Building. Lessor shall keep, maintain and operate the Building at all times during the initial Lease Term and any and all Extension Periods as a first class office building in downtown Washington, D.C. Lessor shall promptly respond to any request for repair of any condition which is Lessor's responsibility as herein set forth, whether located in the Demised Premises or the common areas.

15. SIGNS AND ADVERTISEMENTS

No sign, advertisement or notice shall be inscribed, painted, affixed or displayed on any part of the outside or the inside of the Building (other than within the Demised Premises), except with Lessor's prior written consent and then only in such place, number, size, color and style (i.e., Building standard lettering) as is authorized by Lessor. If any such sign, advertisement or notice is exhibited without first obtaining Lessor's written consent, Lessor shall have the right to remove the same, and Lessee shall be liable for any and all expenses incurred by Lessor by said removal, as additional rent.

Lessor agrees to display Lessee's name and the names of Lessee's personnel whose primary work station is in the Building, on the Building directory, (provided that such strips shall not exceed in the aggregate one (1) strip for each 1,000 rentable square feet in the Demised Premises from time to time, or if greater, Lessee's pro rata share of the available space on the directory board) in the size and style of lettering used by Lessor, at Lessor's expense. Any changes in the initial strips shall be at Lessee's expense. Lessee may display its name on the main entry door of the Demised Premises in Building standard color, size and style of lettering, at Lessee's expense.

Lessor shall have the right to prohibit any published advertisement of Lessee which in its reasonable opinion tends to impair the reputation of the Building or its desirability as a high-quality office building, and, upon written notice from Lessor, Lessee shall immediately refrain from and discontinue any such advertisement.

16. DELIVERIES AND MOVING OF LESSEE'S PROPERTY

No furniture, equipment or other bulky matter of any description shall be received into the Building or carried in the elevators except in the manner and during the times reasonably

approved by Lessor. Lessee shall obtain Lessor's determination prior to moving said property into the Building. All moving of furniture, equipment and other material within the public areas shall be under the direct control and supervision of Lessor who shall, however, not be responsible for any damage to or charges for moving the same. Lessor shall have the sole right to reasonably determine the load capacities of the elevators of the Building and to determine if Lessee's property can be safely transported in the elevators. Lessee agrees promptly to remove from the sidewalks adjacent to the Building any of the Lessee's furniture, equipment or other material there delivered or deposited.

17. LESSEE'S EQUIPMENT

Lessee will not install or operate in the Demised Premises any electrically operated equipment or other machinery, other than typewriters, personal computers, LAN servers, word processing machines, adding machines, radios, televisions, tape recorders, dictaphones, bookkeeping machines, copying machines, clocks, and other business machines and equipment and kitchen equipment normally employed for general office use which do not require high electricity consumption for operation, without first obtaining the prior written consent of Lessor, who may condition such consent upon payment by Lessee of additional rent as compensation for additional consumption of electricity and/or other utility services. Such additional rent shall be in addition to Lessee's obligations, pursuant to the section of this Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES," to pay its proportionate share of increases in Operating Costs.

If any or all of Lessee's equipment requires electricity consumption in excess of the capacity of the electrical system installed by Lessor in the Demised Premises, all additional transformers, distribution panels and wiring that may be required to provide the amount of electricity required for Lessee's equipment shall be installed by Lessor at the cost and expense of Lessee. If Lessee's equipment causes Lessee's consumption of electricity to exceed an average of five (5) watts per rentable square foot, or if such equipment is to be consistently operated beyond the normal Building hours of 8:00 a.m. to 8:00 p.m., Monday through Friday, and 9:00 a.m. to 5:00 p.m. on Saturday, Lessor at its option may install (i) a separate electric meter for the Demised Premises at Lessee's sole cost and expense, or (ii) a separate meter for the specific equipment that is causing Lessee's excessive consumption of electricity at Lessee's sole cost and expense. In the event Lessor installs a separate meter for the Demised Premises, Lessee shall then pay the cost of electricity it consumes as recorded by such meter directly to the electric company, and an appropriate adjustment shall be made to Lessee's proportionate share of Operating Costs to reflect Lessee's reduced consumption of electricity because of such separate metering of the Demised Premises. In the event Lessor separately meters the specific equipment, Lessee shall be billed periodically by Lessor based upon such consumption, but no adjustment shall be made to Lessee's proportionate share of Operating Costs.

Lessee shall not install any equipment of any kind or nature whatsoever which will or may necessitate any changes, replacements or additions to, or in the use of, the water system, heating system, plumbing system, air-conditioning system, or electrical system of the Demised Premises or the Building without first obtaining the prior written consent of Lessor, such consent not to be unreasonably withheld. Business machines and mechanical equipment belonging to Lessee which cause noise or vibration that may be transmitted to the structure of the Building or

to any space therein to such a degree as to be reasonably objectionable to Lessor or to any tenant in the Building shall be installed and maintained by Lessee, at Lessee's expense, on vibration eliminators or other devices sufficient to eliminate such noise and vibration.

Lessor shall have the right to reasonably prescribe the weight and position of all heavy equipment and fixtures, including, but not limited to, data processing equipment, record and file systems, and safes which Lessee intends to install or locate within the Demised Premises. Lessee shall obtain Lessor's prior review and approval before installing or locating heavy equipment and fixtures in the Demised Premises, and if installation or location of such equipment or fixtures, in Lessor's opinion, requires structural modifications or reinforcement of any portion of the Demised Premises or the Building, Lessee agrees to reimburse Lessor, as additional rent, for any and all costs incurred by Lessor to make such required modifications or reinforcements, and such modifications or reinforcements shall be completed prior to Lessee installing or locating such equipment or fixtures in the Demised Premises. Lessee shall reimburse Lessor within thirty (30) days of receipt of any statement setting forth those costs.

18. SERVICES AND UTILITIES

(A) Lessor shall provide the following utilities and services, all in a manner consistent with industry standards for first class commercial office buildings in downtown Washington, D.C.:

(1) Hot and cold water and lavatory supplies, it being understood and agreed that hot and cold water shall be furnished by Lessor only at those points of supply provided for general use of other tenants in the Building. In connection therewith, Lessee shall have the right to exclude other users from the restrooms on floors where Lessee is a full floor user, provided that Lessee may not exclude therefrom tenants (and their invitees) of adjoining floors when the restrooms on such adjoining floors are under repair or renovation.

(2) Automatically operated elevator service (with full floor lock-off) at all times (i.e. at least one (1) working elevator in service 24 hours per day, 365 days per year).

(3) Cleaning and char services, as specified in EXHIBIT E, after normal business hours, Monday through Friday of each week, except on the holidays listed in subparagraph (4) below.

(4) Heat and air-conditioning in season, in accordance with the specifications set forth in EXHIBIT I attached hereto, Monday through Friday from 8:00 a.m. to 8:00 p.m., and on Saturday from 9:00 a.m. to 5:00 p.m., except for the following holidays: New Year's Day, Dr. Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Fourth of July, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day, and any other national holiday promulgated by a Presidential Executive Order or Congressional Act. Lessor shall provide heat and air-conditioning at times in addition to those specified in the preceding sentence at Lessee's expense, provided Lessee gives Lessor notice prior to 1:00 p.m. on a business day in the case of after-hours service on that business day and prior to 3:00 p.m. on the immediately preceding business day in the case of after-hours service on a Saturday, a Sunday or a holiday. Lessor shall charge Lessee for said after-hours services a rate equal to its actual cost (i.e. costs in

connection with utilities, labor, materials, etc., as well as depreciation and overhead, as reasonably determined by Lessor) of providing such after-hour services (provided that for the first two (2) Lease Years such rate shall not exceed Fifty Dollars (\$50.00) per hour per floor). In the event the same after-hours service is also requested by other tenants of a floor in addition to Lessee, the charge therefor to each tenant requesting such after-hours service shall be prorated among all requesting tenants based upon the respective square footages of each of the demised premises of the tenants requesting such after-hours service.

(5) Maintenance, painting and electric lighting service for all public areas and special service areas in the Building, including maintenance of any landscaping, and removal of snow and ice from sidewalks, and window washing.

(6) Security comparable to other first-class office buildings in the city or county where the Building is located, including a card key or other controlled access system to the Building (including the garage and lobby elevators, with a full floor elevator lock off). Lessor at its expense, shall furnish to Lessee up to 149 initial access cards for use by employees of Lessee (which Lessee may obtain within one (1) year following the Rent Commencement Date). Any changes to or deletions of an access key once issued by Lessor shall be at Lessee's cost and expense (provided Lessee may acquire additional cards as additional office space in the Building is leased at a rate of one (1) card per every additional 300 square feet so leased..

(7) Electricity and proper electrical facilities to furnish (24 hours per day, 365 days per year) sufficient electricity for lighting and equipment of Lessee installed pursuant to the section of this Lease entitled, "LESSEE'S EQUIPMENT."

(8) Subject to applicable regulatory prohibitions and the availability of insurance at commercially reasonable rates, a fitness facility on the P-1 level of the Building (subject to reasonable rules and regulations applicable to all Building tenants). The fitness facility (including men's and women's locker rooms with showers) shall be available to Lessee's employees (and those of its subtenants) whose regular work station is at the Building, on a non-exclusive first-come, first-served basis. Lessee's employees shall have access to the fitness facility at all times, except from the hours of 10:00 p.m. to 6:00 a.m. Lessor shall not be liable to Lessee or any of its employees for injuries received by such parties while using the fitness facility, and Lessee agrees to indemnify and save harmless Lessor from any such liability (except for liability for bodily injury where Lessee establishes that Lessor or its Agent has been negligent and that such negligence was the primary and direct cause of such bodily injury). Lessor may specifically condition the use of the fitness facility by an employee of Lessee upon such employee's execution of a written waiver and release holding Lessor harmless from any and all liability, damage, expense, cause of action, suit, claim, judgment and cost of defense arising from injury to such employee occurring in the fitness facility or resulting from the use thereof.

(9) Subject to applicable regulatory prohibitions and the availability of insurance at commercially reasonable rates, a roof deck (with tables and chairs), on a non-exclusive first-come, first-served basis. Lessee's employees (and those of its subtenants) shall have access to the roof deck at all times, except from the hours of 10:00 p.m. to 6:00 a.m. Lessor shall not be liable to Lessee or any of its employees for injuries received by such parties while using the roof deck, and Lessee agrees to indemnify and save harmless Lessor from any such liability (except

for liability for bodily injury where Lessee establishes that Lessor or its Agent has been negligent and that such negligence was the primary and direct cause of such bodily injury).

(10) Periodic extermination and other pest control.

(B) In the event any public utility supplying energy requires, or government law, regulation, executive or administrative order results in a requirement, that Lessor or Lessee must reduce, or maintain at a certain level, the consumption of electricity for the Demised Premises or Building, which affects the heating, air-conditioning, lighting, or hours of operation of the Demised Premises or Building, Lessor and Lessee shall each adhere to and abide by said laws, regulations or executive orders without any reduction in rent.

(C) Lessor's inability to furnish, to any extent, these defined services, or any cessation thereof, resulting from, but not limited to, any causes including from entry from inspections, repairs, alterations, improvements and installations by Lessor, its agents, employees or contractors pursuant to the section of this Lease entitled "ENTRY FOR INSPECTIONS, REPAIRS AND INSTALLATION," or from renovation, redecoration or rehabilitation of any area of the Building, including the lobby, or any of the surrounding public spaces, shall not render Lessor liable for damages to either person or property, nor be construed as an eviction of Lessee, nor work an abatement of any portion of rent, nor relieve Lessee from fulfillment of any covenant or agreement hereof. Should any of the Building equipment or machinery cease to function properly for any cause, Lessor shall use reasonable diligence to repair the same promptly, but Lessee shall have no claim for damages or for a rebate of any portion of rent on account of any interruptions in any services occasioned thereby or resulting therefrom.

(D) Notwithstanding the foregoing, if for reasons within the control of Lessor and not caused by Force Majeure, any interruption, curtailment, stoppage or suspension of the Essential Services (as hereinbelow defined) shall continue for more than five (5) consecutive business days and shall render the Demised Premises unusable, and if Lessee shall in fact substantially cease conducting business in the Demised Premises, then so long as Lessee is not in default hereunder, all rent and additional rent due hereunder shall be abated for the period beginning on the latter of the first (1st) consecutive business day of such failure or the day Lessee ceases to conduct business in the Demised Premises, and shall continue until use of the Demised Premises is restored to Lessee. If due to a force majeure event or an event beyond the control of Lessor, any interruption, curtailment, stoppage or suspension of the Essential Services shall continue for more than twenty (20) consecutive business days and shall render the Demised Premises unusable, and if Lessee shall in fact substantially cease conducting business in the Demised Premises, then so long as Lessee is not in default hereunder, all rent and additional rent payable hereunder shall be abated for the period beginning on the latter of the first (1st) consecutive business day of such failure or the day Lessee ceases to conduct business in the Demised Premises, and shall continue until use of the Demised Premises is restored to Lessee. For purposes hereof, "ESSENTIAL SERVICES" shall mean the provision of (a) cold water, (b) one (1) automatically-operated elevator, (c) reasonably sufficient heat and air conditioning in season (which, when the outside conditions are within the limits shown on Exhibit I, means heating and air conditioning in sufficient amounts such that the required range of temperatures set forth in EXHIBIT I are (subject to the conditions included in EXHIBIT I) not exceeded by more than 5(degree)F., on a substantially sustained basis), during the hours and days provided for in the first sentence of

item (iv) of subsection (A) of this Section, and (d) electricity. In connection with a failure of Essential Services described in clauses (c) and/or (d) thereof, in the event such failure affects all of one (1) floor of the Demised Premises, but not other floors thereof, Lessee in fact substantially ceases conducting business on that one (1) floor, and Lessee is otherwise entitled to abatement of rent pursuant to this paragraph, the rent shall be abated in the proportion that the rentable area of such floor bears to the rentable area of the Demised Premises.

(E) In the event Lessor fails to furnish any services or utilities or to perform any repairs or maintenance required under this Lease and such failure significantly interferes with Lessee's use and enjoyment of the Demised Premises, then, provided no monetary or material non-monetary default then exists, if such failure is not cured by Lessor within a reasonable period after Lessor is first given notice of such failure by Lessee, and Lessor is not working diligently to rectify the problem, Lessee may deliver written notice to Lessor and to any lender(s) of Lessor of which Lessee has notice stating that Lessee intends to obtain such service or utility or to perform such repair or maintenance. Prior to Lessee undertaking any action to cure or remedy such event or condition, Lessee shall first allow Lessor and Lessor's lender(s) fifteen (15) days following receipt by Lessor and Lessor's lender(s) of such written notice to cure or remedy the event or condition specified in Lessee's notice; provided, however, that if such event or condition cannot be cured within the fifteen (15) day period, such period shall be extended for a reasonable additional time, so long as Lessor or Lessor's lender(s) commences to cure such event or condition within the fifteen (15) day period and proceeds diligently thereafter to effect such cure. If Lessor or Lessor's lender(s) fails to cure or remedy such event or condition within such time period, then Lessee may cure or remedy such event or condition and deliver an invoice to Lessor for the reasonable and actual out-of-pocket costs and expenses incurred by Lessee therefor. Lessor shall pay to Lessee the amount of such invoice, plus interest thereon from the date of invoice at the rate of interest described in the section of this Lease entitled "LATE CHARGES", within thirty (30) days after delivery by Lessee, and the amount of such invoice (excluding interest), when paid by Lessor, shall be included within Operating Expenses or Operating Costs, to the extent such costs and expenses are included within the definition of Operating Expenses or Operating Costs contained in the section of this lease entitled "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES." In fulfilling its obligations to notify Lessor's lender(s) as hereinabove provided prior to proceeding with any action to cure or remedy an event or condition, Lessee may rely upon information most recently provided by Lessor as to the identity of any lender(s) and the address(es) thereof.

In the event Lessee seeks to cure or remedy any event or condition which gives rise to Lessee's remedies set forth in this Section 18(E), Lessee shall (i) proceed in accordance with all applicable rules, laws and governmental regulations; (ii) use only such contractors, suppliers, etc. as are duly licensed in the District of Columbia and insured to effect such repairs and who perform such repairs in first class buildings in the normal course of their business; (iii) upon commencing such repairs, complete the same within a reasonable period of time, (iv) effect such repairs in a good and workmanlike quality; (v) use new materials; (vi) make reasonable efforts to minimize any material interference or impact on the other tenants and occupants of the Building; and (vii) indemnify and hold Lessor and its lender(s) harmless from any and all liability, damage and expense arising from injury to persons or personal property arising out of or resulting from Lessee's exercise of such rights.

Notwithstanding the foregoing, the provisions of this section shall not (x) apply in the event the Demised Premises are damaged by fire, casualty or other event described in the section of this Lease entitled "DAMAGE TO THE BUILDING AND/OR THE DEMISED PREMISES", and (y) be available to any assignee of Lessee requiring Lessor's consent pursuant to the provisions of the section of this Lease entitled "ASSIGNMENT AND SUBLETTING."

19. LESSEE'S RESPONSIBILITY FOR DAMAGE

Any and all injury, breakage or damage to the Demised Premises or the Building arising from any cause done by Lessee or its agents, contractors, servants, employees and visitors, or by individuals and persons making deliveries to or from the Demised Premises, except as provided for in the section of this Lease entitled, "ALL RISK PROPERTY INSURANCE," shall be repaired by Lessor at the sole expense of Lessee, provided that as to any damage in the Demised Premises not involving base building components, Lessee shall be given notice and a reasonable opportunity to cure before Lessor exercises its rights hereunder. Payment of the cost of such repairs by Lessee shall be due as additional rent with the next installment of Monthly Rent after Lessee receives a bill for such repairs from Lessor. This provision shall not be in limitation of any other rights and remedies which Lessor has or may have in such circumstances.

20. ENTRY FOR INSPECTIONS, REPAIRS AND INSTALLATIONS

Lessee shall permit Lessor, or its agents, employees or contractors, upon twenty-four (24) hours prior notice (except in the event of an emergency) to Lessee, to enter the Demised Premises at all reasonable times and in a reasonable manner, without charge to Lessor or diminution of Monthly Rent payable by Lessee, to examine, inspect and protect the Building, and, upon one (1) day written notice, to make such repairs as in the judgment of Lessor may be deemed necessary to maintain or protect the Building, or to exhibit the Demised Premises to prospective tenants during the last year of the term of this Lease. Lessor shall use reasonable efforts to minimize interference to Lessee's business when making inspections, examinations and/or repairs and when exhibiting the Demised Premises, including, when reasonably necessary, performing such repairs at a time other than during normal working hours.

In the event of an emergency, Lessor may enter the Demised Premises without notice and make whatever repairs are necessary to protect the Building.

Lessee shall permit Lessor, or its agents, employees or contractors, upon no less than ten (10) days prior written notice to Lessee, to enter the Demised Premises at reasonable times and in a reasonable manner, without charge to Lessor or diminution of Monthly Rent payable by Lessee, to make installations related to the construction of pre-occupancy tenant work being performed by Lessor for other tenants of the Building, to make repairs, alterations and improvements arising due to repairs, alterations and improvements to any areas adjoining the Demised Premises, to erect, use and maintain pipes and conduits in and through the Demised Premises, or to make installations, improvements and repairs to utility services of the Building located in or about the Demised Premises. Lessor shall use reasonable efforts to minimize interferences with Lessee's business operations, including, when reasonably necessary, performing such work at a time other than normal working hours.

21. INSURANCE RATING

Lessee shall not conduct or permit to be conducted any activity, or place any equipment or property in or about the Demised Premises that will increase in any way the rate of All Risk Property insurance or other insurance on the Building, unless consented to by Lessor. Lessor's consent may be conditioned upon Lessee's payment of any costs arising directly or indirectly from such increase. If any increase in the rate of All Risk Property insurance or other insurance on the Building is stated by any insurance company or by the applicable Insurance Rating Bureau to be due to Lessee's activity, equipment or property in or about the Demised Premises, said statement shall be conclusive evidence that the increase in such rate is due to such activity, equipment or property and, as a result thereof, Lessee shall be liable for such increase. Any such rate increase and related costs incurred by Lessor shall be deemed additional rent due and payable by Lessee to Lessor upon receipt by Lessee of a written statement of the rate increase and costs. Lessee may contest, at its sole cost and expense, any insurance rate increase, provided such action by Lessee will not adversely affect the insurance coverage of Lessor.

22. INDEMNITY AND PUBLIC LIABILITY INSURANCE

(A) Lessee shall indemnify and save harmless Lessor and its Agent from any and all liability, damage, expense, cause of action, suits, claims, judgments and cost of defense arising from bodily injury in and on the Demised Premises, or public areas of the Building, which arise out of the negligence or willful misconduct of Lessee, its agents or employees.

(B) Lessee shall, at its sole cost, carry and keep in full force and effect at all times during the term of this Lease, a commercial general liability policy with a combined single limit of at least Five Million Dollars (\$5,000,000.00) including coverage for bodily injury, property damage and personal injury liability.

(C) Lessor shall indemnify and save harmless Lessee from any and all liability, damage, expense, cause of action, suits, claims, judgments and cost of defense arising from bodily injury in and on the Demised Premises, or upon any adjoining sidewalks or public areas of the Building, which arise out of the negligence or willful misconduct of Lessor, its agents or employees.

(D) Lessor shall, at its sole cost, carry and keep in full force and effect at all times during the term of this Lease, a commercial general liability policy with a single limit of at least Five Million Dollars (\$5,000,000.00) including coverage for bodily injury, property damage and personal injury liability.

23. WORKER'S COMPENSATION INSURANCE

Lessee shall carry and keep in full force and effect at all times during the term of this Lease, at its sole cost, worker's compensation or similar insurance in form and amounts required by law. Such insurance shall contain waiver of subrogation provisions in favor of Lessor and its Agent.

24. ALL RISK PROPERTY INSURANCE

Lessor shall obtain and maintain All Risk Property insurance covering the Building (including a reasonable allowance toward building standard tenant improvements). Lessee shall obtain and maintain throughout the term of this Lease and any extension periods All Risk Property insurance insuring against damage to and loss of tenant improvements, fixtures, equipment, furniture, and all other personal property in and about the Demised Premises, which policy shall name Lessor as loss payee. Lessor and Lessee hereby release each other and waive any claims they may have against the other for loss or damage to the Building, Demised Premises, tenant improvements, fixtures, equipment and/or any other personal property arising from a risk insured against under the All Risk Property insurance policies to be carried by Lessor and Lessee, as required above, even though such loss or damage was caused by the negligence of Lessor and Lessee, their agents or employees. Lessor and Lessee agree to obtain and maintain throughout the term of this Lease endorsements to their respective All Risk Property policies waiving the right of subrogation of their insurance companies against the other party and its agents and employees. Except to the extent expressly provided herein, nothing contained in this Lease shall relieve Lessor or Lessee of any liability to each other or to their insurance carriers which Lessor or Lessee may have under law or the provisions of this Lease in connection with any damage to the Building, Demised Premises, tenant improvements, fixtures, equipment, furniture, and all other personal property, by fire or other casualty.

25. LESSEE'S CONTRACTOR'S INSURANCE

Lessee shall require any contractor of Lessee performing work on the Demised Premises to carry and maintain, at no expense to Lessor:

(A) commercial general liability insurance, including contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement and contractor's protective liability coverage, to afford protection with limits, for each occurrence, of not less than One Million Dollars (\$1,000,000.00) with respect to personal injury, death, or property damage; and

(B) worker's compensation or similar insurance in form and amounts required by law.

26. REQUIREMENTS FOR LESSEE'S INSURANCE POLICIES

The company or companies writing any insurance which Lessee is required to carry and maintain or cause to be carried or maintained pursuant to this Lease as well as the form of such insurance shall at all times be subject to Lessor's reasonable approval and any such company or companies shall be a good and responsible insurance company, licensed to do business in the District of Columbia. Lessee's public liability and All Risk Property insurance policies and certificates evidencing such insurance shall name Lessor and its Agent as additional insured and shall also contain a provision by which the insurer agrees that such policy shall not be cancelled except after thirty (30) days written notice to Lessor. Lessee agrees to provide to Lessor prior to taking possession of the Demised Premises the certificates evidencing such insurance; Lessor

may withhold delivery of the Demised Premises without delaying the Commencement Date, or triggering any abatement of rent, if Lessee fails to provide Lessor with these certificates.

Any liability insurance carried or to be carried by Lessee hereunder shall be primary over any liability policy that might be carried by Lessor. If Lessee shall fail to perform any of its obligations regarding the acquisition and maintenance of insurance, Lessor may perform the same and the cost of same shall be deemed additional rent, payable upon Lessor's demand.

27. LIABILITY FOR DAMAGE TO PERSONAL PROPERTY AND PERSON

All personal property of Lessee, its employees, agents, subtenants, business invitees, licensees, customers, clients, family members, guests or trespassers, in and on the Demised Premises shall be and remain in and on the Demised Premises and the Building at the sole risk of said parties and Lessor shall not be liable to any such person or party for any damage to, or loss of personal property thereof, including loss or damage arising from, (a) any act, including theft, or any failure to act, of any other persons, (b) the leaking of the roof, (c) the bursting, rupture, leaking or overflowing of water, sewer or steam pipes, (d) the rupture or leaking of heating or plumbing fixtures, including security and protective systems, (e) short-circuiting or malfunction of electrical wires or fixtures, including security and protective systems or (f) the failure of the heating or air conditioning systems. Lessor shall also not be liable for the interruption or loss to Lessee's business arising from any of the above-described acts or causes (but nothing herein shall limit Lessee's rights under Section 18(D) and (E) hereof). Lessee specifically agrees to save Lessor harmless in all such cases.

Lessor shall not be liable for any personal injury to Lessee, Lessee's employees, agents, business invitees, licensees, customers, clients, family members, guests or trespassers arising from the use, occupancy and condition of the Demised Premises or the Building, unless such party establishes that there has been negligence or a willful act or failure to act on the part of Lessor, its agents or employees.

28. DAMAGE TO THE BUILDING AND/OR THE DEMISED PREMISES

If the Demised Premises is damaged by fire, casualty or other event insured against by Lessor's All Risk Property insurance policy covering the Building, and the Demised Premises can be fully repaired, in Lessor's reasonable opinion, within 180 days from the date of the insured fire, casualty or other event, Lessor, at Lessor's expense, shall repair such damage, provided, however, Lessor shall have no obligation to repair any damage to, or to replace, Lessee's tenant improvements or any other property located in the Demised Premises. Lessor shall, however, be obligated to restore the Demised Premises to EXHIBIT B condition, plus make available the applicable (i.e. on a square foot basis) allowance toward building standard tenant improvements maintained pursuant to its All Risk insurance policy. Except as otherwise provided herein, if the entire Demised Premises is rendered untenable by reason of the insured fire, casualty or other event, then Monthly Rent and additional rent with respect to Operating Expenses, Operating Costs and Real Estate Taxes shall abate for the period from the date of such damage to the date when such damage is repaired, and if only a portion of the Demised Premises is so rendered untenable, then Monthly Rent and additional rent with respect to Operating

Expenses, Operating Costs and Real Estate Taxes shall abate for such period in the proportion which the area of the portion of the Demised Premises so rendered untenable bears to the total area of the Demised Premises, provided, however, if, prior to the date when all of such damage is repaired, any portion of the Demised Premises so damaged shall be rendered tenantable and shall be used or occupied by Lessee or any person claiming through or under Lessee, then the amount by which the Monthly Rent and additional rent with respect to Operating Expenses, Operating Costs and Real Estate Taxes shall abate shall be equitably apportioned for the period from the date of any such use or occupancy to the date when all such damage is repaired. No compensation or claim or reduction of rent will be allowed or paid by Lessor by reason of inconvenience, annoyance, or injury to business arising from the necessity of repairing the Demised Premises or any portion of the Building of which they are a part.

Notwithstanding the foregoing, if, prior to or during the term of this Lease, (a) the Demised Premises is so damaged that, in Lessor's reasonable opinion, the Demised Premises cannot be fully repaired within 180 days from the date the damage occurred, (b) the Building is so damaged that, in Lessor's reasonable opinion, substantial repair or reconstruction of the Building shall be required which cannot be fully repaired within 180 days from the date the damage occurred (whether or not the Demised Premises is damaged or rendered untenable), or (c) the Demised Premises is damaged and thereby rendered untenable within the last eighteen (18) months of the Lease Term (as the same may have been extended) then, in any of such events:

(1) Lessor, at its option, may give to Lessee, within sixty (60) days after such fire or other casualty, thirty (30) days notice of termination of this Lease and, in the event such notice is given, this Lease shall terminate (whether or not the term shall have commenced) upon the expiration of such thirty (30) days with the same effect as if the date of expiration of such thirty (30) days were the date definitely fixed for expiration of the term of the Lease, and the then-applicable Monthly Rent and additional rent with respect to Operating Expenses, Operating Costs and Real Estate Taxes shall be apportioned as of such date, including any rent abatement as provided above; and

(2) provided (i) Lessor, under the terms of the construction and/or permanent financing documents on the Building then in effect, is not deprived of the use of insurance proceeds as a result of granting a tenant the right to terminate its lease in case of a fire or other casualty, and (ii) the Demised Premises is damaged and thereby rendered untenable during the last eighteen (18) months of the Lease Term (as the same may have been extended), Lessee shall have the right to terminate this Lease upon thirty (30) days' written notice to Lessor, said notice to be given within sixty (60) days after such fire or other casualty. In the event such notice is given, this Lease shall terminate upon the expiration of such thirty (30) days with the same effect as if the date of expiration of such thirty (30) days were the date definitely fixed for expiration of the term of the Lease, and the then-applicable Monthly Rent and additional rent with respect to Operating Expenses, Operating Costs and Real Estate Taxes shall be apportioned as of such date, including any rent abatement as provided above.

In the event that Lessor's restoration of the Demised Premises or access thereto is not substantially completed by Lessor within two hundred ten (210) days from the date of the damage (but excluding any days during the occurrence of an event of Force Majeure, hereinafter

defined), Lessee shall also have the right to terminate this Lease by delivering thirty (30) days prior written notice to Lessor, no later than two hundred and forty (240) days from the date of the damage, of the exercise of such right. In the event the restoration of the Demised Premises is substantially completed within such thirty (30) day period, such right of termination shall be deemed to be void and without effect. In the event that Lessor's restoration of the Demised Premises or access thereto is not substantially completed by Lessor for any reason (including without limitation for reasons of any one or more events of Force Majeure) within one (1) year from the date of the damage, Lessee shall also have the right to terminate this Lease by delivering thirty (30) days prior written notice to Lessor, no later than thirteen (13) months from the date of the damage, of the exercise of such right. In the event the restoration of the Demised Premises is substantially completed within such thirty (30) day period, such right of termination shall be deemed to be void and without effect.

29. DEFAULT OF LESSEE

This Lease shall, at the option of Lessor, cease and terminate if (i) Lessee fails to pay rent, including any installment of Monthly Rent or any additional rent, although no legal or formal demand has been made, and such failure to pay rent continues for a period of five (5) business days after written notice addressed to Lessee has been delivered by Lessor to the Demised Premises, or (ii) Lessee violates or fails to perform any of the other conditions, covenants or agreements of this Lease made by Lessee, and any violation or failure to perform any of those conditions, covenants or agreements continues for a period of twenty (20) days after written notice thereof has been delivered by Lessor to Lessee, or, in cases where the violation or failure to perform cannot be corrected within twenty (20) days, Lessee does not begin to correct the violation or failure to perform within twenty (20) days after receiving Lessor's written notice and/or Lessee thereafter does not diligently pursue the correction of the violation or failure to perform. Any said violation or failure to perform or to pay any rent, if left uncorrected, shall operate as a notice to quit, any further notice to quit or notice of Lessor's intention to re-enter being hereby expressly waived. Lessor may thereafter proceed to recover possession under and by virtue of the provisions of the laws of the jurisdiction in which the Building is located or by such other proceedings, including re-entry and possession, as may be applicable. If Lessor elects to terminate this Lease, everything herein contained on the part of Lessor to be done and performed shall cease without prejudice to the right of Lessor to recover from Lessee all rent accruing up to and through the date of termination of this Lease or the date of recovery of possession of the Demised Premises by Lessor, whichever is later. Should this Lease be terminated before the expiration of the term of this Lease by reason of Lessee's default as hereinabove provided, or if Lessee abandons the Demised Premises before the expiration or termination of the term of this Lease, Lessor shall use reasonable efforts to relet the Demised Premises and to mitigate damages in accordance with applicable law. If the full rent hereinabove provided is not realized by Lessor, Lessee shall be liable for all damages sustained by Lessor, including, without limitation, deficiency in rent, reasonable attorneys' fees, brokerage fees, and expenses of placing the Demised Premises in first-class rentable condition. Any damage or loss of rent sustained by Lessor may be recovered by Lessor, at Lessor's option, at the time of the reletting, or in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive relettings, or, at Lessor's option, may be deferred until the expiration of the term of this Lease, in which event the cause of action shall not be deemed to

have accrued until the date of expiration of said term. The provisions contained in this section shall be in addition to and shall not prevent the enforcement of any claim Lessor may have against Lessee for anticipatory breach of the unexpired term of this Lease.

30. REPEATED DEFAULTS

If Lessee is in default of this Lease (with respect to monetary or material non-monetary obligations) for the same or substantially the same reason more than twice during any twelve (12) month period during the term of this Lease, then, at Lessor's election, Lessee shall not have any right to cure such repeated default, the terms and conditions of the section of this Lease entitled, "DEFAULT OF LESSEE," notwithstanding. In the event of Lessor's election not to allow a cure of a repeated default, Lessor shall have all of the rights provided for in that section of this Lease for an uncured default.

31. WAIVER

If Lessor institutes legal or administrative proceedings against Lessee and a compromise or settlement thereof is made, the same shall not constitute a waiver of Lessee's obligations to comply with any covenant, agreement or condition, nor of any of Lessor's rights hereunder. No waiver by Lessor of any breach of any covenant, condition, or agreement specified herein shall operate as an invalidation or as a continual waiver of such covenant, condition or agreement itself, or of any subsequent breach thereof. No payment by Lessee or receipt by Lessor of a lesser amount than the amount of rent due Lessor shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or letter accompanying a check for payment of such rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such rent or to pursue any other remedy provided for in this Lease or in the governing law of the jurisdiction in which the Building is located. No re-entry by Lessor, and no acceptance by Lessor of keys from Lessee, shall be considered an acceptance of a surrender of the Lease.

32. SUBORDINATION

This Lease is subject and subordinate to the lien of all and any mortgages (which term "MORTGAGES" shall include both construction and permanent financing and shall include deeds of trust and similar security instruments) which may now or hereafter encumber or otherwise affect the real estate (including the Building) of which the Demised Premises is a part, or Lessor's leasehold interest therein, and to all and any renewals, extensions, modifications, recastings or refinancings thereof. In confirmation of such subordination, Lessee shall, at Lessor's request, promptly execute any requisite or appropriate certificate or other document. Lessor shall obtain from its current lender a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") on the lender's form attached hereto as EXHIBIT G (with such changes as to factual matters as are required to make statements of fact accurate). In addition, Lessor shall obtain from any future lender an SNDA on (x) a form substantially similar to the form attached hereto as EXHIBIT G, or, at Lessor's option, (y) such lender's standard form. Lessor shall bear the reasonable processing fee (if any) of the lender providing the initial SNDA (up to \$2,500.00). Lessee shall bear any

costs in excess of such amount, as well as all of the fees and costs of any SNDA from any future lender.

Lessee agrees that in the event any proceedings are brought for the foreclosure of any such mortgage, Lessee shall attorn to the purchaser at such foreclosure sale, if requested to do so by such purchaser. Lessee shall also recognize such purchaser as the Lessor under this Lease. Lessee waives the provisions of any statute or rule of law, now or hereafter in effect, which may give or purport to give Lessee any right to terminate or otherwise adversely affect this Lease and the obligations of Lessee hereunder in the event that any such foreclosure proceeding is prosecuted or completed.

If the Building, the Demised Premises or any part respectively thereof is at any time subject to a mortgage or a deed of trust or other similar instrument, and this Lease or the rents are assigned to such mortgagee, trustee or beneficiary, and Lessee is given written notice thereof, including the post office address of such assignee, then Lessee may not terminate this Lease for any default on the part of Lessor without first giving written notice by certified or registered mail, return receipt requested, to such Assignee, Attention: Mortgage Loan Department. The notice shall specify the default in reasonable detail, and afford such assignee a reasonable opportunity to make performance, at its election, for and on behalf of Lessor.

Lessor represents that as of the date hereof the sole deed of trust encumbering the Building or the Land is that certain Deed of Trust and Security Agreement dated as of March 23, 1999 securing NationsBank N.A. and Massachusetts Mutual Life Insurance Company.

33. CONDEMNATION

If the whole or a substantial part of the Demised Premises or the Building is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date when title vests in such governmental authority. Lessee shall have no claim against Lessor or the condemning authority for any portion of the amount of the condemnation award or settlement that Lessee claims as its damages arising from such condemnation or acquisition, or for the value of any unexpired term of the Lease. Lessee may make a separate claim against the condemning authority for a separate award for the value of any of Lessee's tangible personal property and trade fixtures, for moving and relocation expenses and for such business damages and/or consequential damages as may be allowed by law, provided the same shall not diminish the amount of Lessor's award.

If less than a substantial part of the Demised Premises is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, the rent shall be equitably adjusted on the date when title vests in such governmental authority and the Lease shall otherwise continue in full force and effect. For purposes of this section, a "substantial part of the Demised Premises" shall be considered to have been taken if twenty-five percent (25%) or more of the Demised Premises is condemned or acquired in lieu of condemnation, or if less than twenty-five percent (25%) of the Demised Premises is taken and

the portion of the Demised Premises taken renders the entire Demised Premises untenable for the conduct of Lessee's business.

If twenty-five percent (25%) or more of the Building is condemned (whether or not the Demised Premises shall have been condemned) and Lessor elects to demolish the remainder of the Building, Lessor may elect to terminate this Lease.

34. RULES AND REGULATIONS

Lessee, its agents and employees, shall abide by and observe the rules and regulations attached hereto as EXHIBIT C and such other reasonable rules and regulations as may be promulgated from time to time by Lessor for the operation and maintenance of the Building, provided a copy thereof is sent to Lessee. Nothing contained in this Lease shall be construed to impose upon Lessor any duty or obligation to enforce such rules and regulations, or the terms, conditions or covenants contained in any other lease as against any other tenant, and Lessor shall not be liable to Lessee for violation of the same by any other tenant, any other tenant's employees, agents, business invitees, licensees, customers, clients, family members or guests. Lessor shall not discriminate against Lessee in the enforcement of any rule or regulation.

35. RIGHT OF LESSOR TO CURE LESSEE'S DEFAULT

If Lessee defaults (beyond any applicable notice and cure periods) in the making of any payment to any third party, or doing any act required to be made or done by Lessee for or on behalf of said third party relating to the Demised Premises, then Lessor may, but shall not be required to, make such payment or do such act, and the amount of the expense thereof, if made or done by Lessor, with interest thereon at a rate equal to two (2) percentage points above the then applicable Wall Street Journal Prime Rate (U.S. money center commercial banks) or its successor (or in the absence thereof such similar rate reasonably designated by Lessor), accruing from the date paid by Lessor, shall be paid by Lessee to Lessor and shall constitute additional rent hereunder due and payable by Lessee upon receipt of a written statement of costs from Lessor. The making of such payment or the doing of such act by Lessor shall not operate to cure Lessee's default, nor shall it prevent Lessor from the pursuit of any remedy to which Lessor would otherwise be entitled.

36. LATE CHARGES

If Lessee shall fail to pay any installment of rent, including Monthly Rent, additional rent or other charges to be paid by Lessee pursuant to this Lease and Lessee shall not have cured such failure within five (5) days after written notice from Lessor, Lessee shall be obligated to pay a late charge equal to five percent (5%) of any rent or other charge not so paid when due. In addition, any installments of Monthly Rent, additional rent or other charges to be paid by Lessee pursuant to this Lease which are not paid by Lessee within five (5) days after receipt of notice from Lessor that the same is due and payable shall bear interest at a rate equal to two (2) percentage points above the then applicable Wall Street Journal Prime Rate (U.S. money center commercial banks) or its successor (or in the absence thereof such similar rate reasonably

designated by Lessor), accruing from the date such installment or payment became due and payable to the date of payment thereof by Lessee. Such interest shall constitute additional rent due and payable to Lessor by Lessee upon the date of payment of the delinquent payment referenced above. The foregoing late charges and interest shall not be payable with respect to a charge (other than Monthly Rent, Estimated Payments, Lessee's Net Obligation, and payments of damages pursuant to Section 29 hereof) that Lessee is disputing reasonably and in good faith. The foregoing notwithstanding, once Lessor has given written notice of an overdue payment pursuant to this Section of this Lease on one (1) occasion in any calendar year, then for the remainder of such calendar year the giving of such notice shall not be a condition to Lessor's assessment of a late charge or interest as aforesaid, and such interest and late charge shall be due and payable on any subsequent occasion during such calendar year when rent is not paid within five (5) days after the same becomes due and payable.

37. NO PARTNERSHIP

Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Lessor and Lessee, or to create any other relationship between the parties hereto other than that of lessor and lessee.

38. NO REPRESENTATIONS BY LESSOR

Neither Lessor nor any agent or employee of Lessor has made any representations or promises with respect to the Demised Premises or the Building except as herein expressly set forth, and no rights, privileges, easements or licenses are acquired by Lessee except as herein expressly set forth. Lessee, by taking possession of the Demised Premises, shall accept the same in the then "as is" condition, except for latent defects and punchlist items. Taking of possession of the Demised Premises by Lessee shall be conclusive evidence that the Demised Premises and the Building are in good and satisfactory condition at the time of such taking of possession (except for latent defects), as provided for in EXHIBIT D.

39. BROKER AND AGENT

Lessor and Lessee each represent and warrant one to another that, except as hereinafter set forth, neither of them has employed any broker in carrying on the negotiations, or had any dealings with any broker, relating to this Lease. Lessee represents that it has employed CB Richard Ellis as its broker; Lessor represents that it has employed Carr Real Estate Services as its broker, and further agrees to pay the commissions accruing to each identified broker pursuant to certain outside agreement(s). Lessor shall indemnify and hold Lessee harmless, and Lessee shall indemnify and hold Lessor harmless, from and against any claim or claims for brokerage or other commission arising from or out of any breach of the foregoing representation and warranty by the respective indemnitors.

Lessor appoints and Lessee recognizes, until such time as Lessor otherwise notifies Lessee in writing, Carr Real Estate Services as Lessor's exclusive agent (referred to in this Lease as "AGENT") for the management and operations of the Building and for the service of process,

issuance and receipt of all notices, and instituting and processing all legal actions on behalf of Lessor under this Lease.

40. ENFORCEMENT OF LEASE

In the event either party is required or elects to take legal action to enforce against the other party the performance of the other party's obligations under this Lease, then the non-prevailing party shall immediately reimburse the prevailing party for all costs and expenses including, without limitation, reasonable attorneys' fees, incurred by the prevailing party in its successful prosecution or defense of that legal action.

41. NOTICES

All notices or other communications hereunder shall be in writing and shall be deemed duly given if delivered in person; by certified mail, return receipt requested; or by registered mail, postage prepaid: (A) if to Lessor, at 1850 K Street, N.W., Suite 500, Washington, D.C. 20006, Attention: Washington D.C. Lease Administration, with a copy to Lessor at 1850 K Street, N.W., Suite 500, Washington, D.C. 20006, Attention: Washington D.C. Market Officer; and (B) if to Lessee, at 600 13th Street, N.W., Suite 700, Washington, D.C. 20005-3094 prior to the Rent Commencement Date and at the Demised Premises thereafter, in either case with a copy to Lessee at John Hancock Tower, 200 Clarendon Street, T-33, Boston, Massachusetts, 02116-5092, Attn:Chief Financial Officer. The party to receive notices and the place notices are to be sent for either Lessor or Lessee may be changed by notice given pursuant to the provisions of this section.

42. ESTOPPEL CERTIFICATES

Lessee agrees, at any time and from time to time, upon not less than ten (10) days prior written notice by Lessor, to execute, acknowledge and deliver to Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (ii) stating the dates to which the rent and other charges hereunder have been paid by Lessee, (iii) stating whether or not, to the best knowledge of Lessee, Lessor is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which Lessee may have knowledge, (iv) stating the address to which notices to Lessee should be sent and, if Lessee is a corporation, the name and address of its registered agent in the jurisdiction in which the Building is located, and (v) agreeing not to pay Monthly Rent more than thirty (30) days in advance or to amend the Lease without the consent of any mortgage lender having a security interest in the Building. Any such statement delivered pursuant hereto may be relied upon by any owner of the Building, any prospective purchaser of the Building, any mortgagee or prospective mortgagee of the Building or of Lessor's interest, or any prospective assignee of any such mortgage.

43. HOLDING OVER

In the event Lessee does not immediately surrender the Demised Premises on the date of expiration of the term of this Lease or any extension period thereof, Lessee shall, by virtue of this section of the Lease, become a lessee by the month and hereby agrees to pay to Lessor a Monthly Rent equal to one hundred fifty percent (150%) of the sum of (a) the Monthly Rent in effect during the last month of the term of this Lease as it may have been extended, plus (b) the one-twelfth (1/12th) payment made with Monthly Rent pursuant to the section of this Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES." The month-to-month tenancy shall commence with the first day next after the expiration of the term of this Lease. Lessee as a month-to-month tenant shall continue to be subject to all of the conditions and covenants of this Lease. Lessee shall give to Lessor at least thirty (30) days written notice of any intention to quit the Demised Premises. Lessee shall be entitled to thirty (30) days written notice to quit the Demised Premises, except in the event of nonpayment of the modified Monthly Rent in advance, in which event Lessee shall not be entitled to any notice to quit, the usual thirty (30) days notice to quit being hereby expressly waived.

In the event Lessee holds over after the expiration of the term of the Lease or extension period thereof, and Lessor desires to regain possession of the Demised Premises promptly at the expiration of the term of this Lease or extension period thereof, then at any time prior to Lessor's acceptance of modified Monthly Rent from Lessee as a month-to-month tenant hereunder, Lessor, at its option, may forthwith re-enter and take possession of the Demised Premises without process, or by any legal process in force in the jurisdiction in which the Building is located.

44. RIGHTS RESERVED BY LESSOR

Lessor shall have the following rights, exercisable without notice to Lessee, without liability for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Lessee's use or possession of the Demised Premises or giving rise to any claim for set-off, abatement of rent or otherwise:

(A) To change the Building's name or street address;

(B) To affix, maintain and remove any and all signs on the exterior and interior of the Building;

(C) To reasonably designate and approve, prior to installation, all window shades, blinds, drapes, awnings, window ventilators, lighting and other similar equipment to be installed by Lessee that may be visible from the exterior of the Demised Premises or the Building;

(D) To decorate and make repairs, alterations, additions and improvements, whether structural or otherwise, in, to and about the Building and any part thereof, and, during the continuance of any of such work, to temporarily close doors, entry ways, and common areas in the Building and to interrupt or temporarily suspend Building services and facilities, all without

affecting Lessee's obligations hereunder, so long as the Demised Premises remain accessible and tenantable at all times;

(E) To grant to anyone the exclusive right to conduct any business or render any service in the Building, provided Lessee is not thereby excluded from uses expressly permitted herein;

(F) To alter, relocate, reconfigure and reduce the common areas of the Building, as long as the Demised Premises remain reasonably accessible; and

(G) To alter, relocate, reconfigure, reduce and withdraw the common areas located outside the Building, including parking and access roads, as long as the Demised Premises remain reasonably accessible.

Any improvements undertaken by Lessor pursuant to its rights reserved in this section shall be undertaken in a manner consistent with industry standards for first class office buildings in downtown Washington, D.C., and in connection therewith, Lessor shall use commercially reasonable efforts to minimize interference with Lessee's use of the Demised Premises.

45. COVENANTS OF LESSOR

Lessor covenants that it has the right to make this Lease for the term of the Lease aforesaid. Further Lessor covenants that if Lessee shall pay the rent and shall perform all of the covenants, agreements and conditions specified in this Lease to be performed by Lessee, Lessee shall, for the term of the Lease, freely, peaceably and quietly occupy and enjoy the full possession of the Demised Premises without molestation or hindrance by Lessor, or anyone claiming through or under Lessor. Entry in the Demised Premises for inspections, repairs, alterations, improvements and installations by Lessor, its agents, employees or contractors pursuant to the section of this Lease entitled "INSPECTIONS, REPAIRS AND INSTALLATIONS" and the exercise by Lessor of Lessor's rights reserved in the section of this Lease entitled "RIGHTS RESERVED BY LESSOR" shall not constitute a breach by Lessor of this covenant, nor entitle Lessee to any abatement or reduction of rent. In addition, planned activities of Lessor, whether in the form of renovation, redecoration or rehabilitation of any area of the Building, including the lobby, and any of the surrounding public spaces by Lessor or in the form of organized activities, public or private, shall not be deemed violation by Lessor of Lessor's covenant of quiet enjoyment benefiting Lessee.

46. LENDER APPROVAL

The terms and conditions of this Lease are contingent upon the consent of Lessor's construction and/or permanent lender(s), such approval to be evidenced by the execution and delivery of the SNDA attached hereto as EXHIBIT G by the holder(s) of the mortgage or deed of trust on the Building. The terms and conditions of this Lease shall not be effective until the Effective Date (as hereinafter defined). The term "EFFECTIVE DATE" shall mean the later to occur of the following dates: (a) the date of this Lease and (b) the date upon which Lessor delivers to Lessee the SNDA. If for any reason (including any reason that is not within the reasonable control of any party hereto) the Effective Date does not occur on or before the date which is thirty (30) days after the date of this Lease, then either Lessor or Lessee shall have the right to

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cancel this Lease upon five (5) days prior written notice to the other, such notice to be given, if at all, prior to the time when such SNDA is executed and delivered to Lessee. If the Lease is cancelled by Lessor or Lessee as aforesaid, (i) this Lease shall be null and void as if the same had never been executed by Lessor and Lessee, (ii) Lessor shall promptly return any Deposit tendered by Lessee, and (iii) neither party hereto shall have any rights against or obligations to the other under this Lease.

47. GENDER

Feminine or neuter pronouns shall be substituted for those of the masculine form, and the plural shall be substituted for the singular number, in any place or places herein in which the context may require such substitution or substitutions.

48. BENEFIT AND BURDEN

The terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and each of their respective representatives, successors and permitted assigns. Lessor may freely and fully assign its interest hereunder. In the event of any sale or transfer of the Building by operation of law or otherwise by the party named as Lessor hereunder (or any subsequent successor, transferee or assignee), then said party, whose interest is thus sold or transferred shall be and is completely released and forever discharged from and with respect to all covenants, obligations and liabilities as Lessor hereunder after the date of such sale or transfer, provided and to the extent that said party's successor, transferee or assignee shall have agreed in writing to assume all of said party's covenants, obligations and liabilities hereunder. Subject to the provisions of Section 32 hereof, and any Subordination Non-Disturbance and Attornment Agreement to which Lessee is a party, at the time of any such transfer of the Building or Land any rights or remedies under the Lease then applicable (such as for rent credits or abatements), shall not be impaired and shall continue to be enforceable against the transferee owner.

In the event Lessor shall be in default under this Lease, and if as a consequence of such default, Lessee shall recover a money judgment against Lessor, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment against the right, title and interest of Lessor in the Building as the same may then be constituted and encumbered and Lessor shall not be liable for any deficiency. In no event shall Lessee have the right to levy execution against any property of Lessor other than its interests in the Building.

Nothing herein shall limit Lessee's rights to seek and obtain specific performance, or other equitable remedies, in accordance with applicable law.

49. RENTABLE AREA

Any representations in this Lease regarding the rentable square footage figures for the Building and the Demised Premises have been conclusively accepted and agreed upon by Lessor and Lessee; no remeasurement of the Building or the Demised Premises shall result in any

modification of this Lease or adjustment of any rent payable hereunder. The Building and the Demised Premises have been measured in accordance with the Washington, D.C. Association of Realtors Standard Method of Measurement dated January 1, 1989.

50. GOVERNING LAW

This Lease and the rights and obligations of Lessor and Lessee hereunder shall be governed by the laws of the jurisdiction in which the Building is located. The parties acknowledge and agree that no suit for breach of lease may be filed by either party which claim accrued more than three (3) years prior to the date the suit is filed.

51. BANKRUPTCY

If Lessee or any guarantor of this Lease files any debtor proceedings, or if Lessee or any guarantor takes or has taken against it in any court pursuant to any statute either of the United States or of any State a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Lessee's or any such guarantor's property, or if Lessee or any such guarantor makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, then this Lease shall terminate and Lessor, in addition to any other rights or remedies it may have, shall have the immediate right of reentry and may remove all persons and property from the Demised Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee, all without service of notice or resort to legal process and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby.

52. SAVINGS CLAUSE

If any provision of this Lease or the application thereof to any person or circumstance is to any extent held invalid, then the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby, and each provision of the Lease shall be valid and enforced to the fullest extent permitted by law.

53. CORPORATE LESSEE

(A) If Lessee is or will be a corporation, the persons executing this Lease on behalf of Lessee hereby covenant, represent and warrant that Lessee is a duly incorporated or a duly qualified (if a foreign corporation) corporation and authorized to do business in the District of Columbia; and that the person or persons executing this Lease on behalf of Lessee is an officer or are officers of Lessee, and that he or they as such officers are duly authorized to sign and execute this Lease. Upon request of Lessor to Lessee, Lessee shall deliver to Lessor documentation satisfactory to Lessor evidencing Lessee's compliance with the provisions of this section. Further, Lessee agrees to promptly execute all necessary and reasonable applications or documents confirming such registration as requested by Lessor or its representatives, required by

the jurisdiction in which the Building is located to permit the issuance of necessary permits and certificates for Lessee's use and occupancy of the Demised Premises. Any delay or failure by Lessee in submitting such application or document so executed shall not serve to delay the Commencement Date or delay or waive Lessee's obligations to pay rent hereunder.

(B) Lessor hereby represents and warrants that the person executing this lease on behalf of Lessor is duly authorized to sign and execute this Lease.

54. JOINT AND SEVERAL LIABILITY

If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Lessee, the liability of each of them shall be joint and several. In like manner, if Lessee is a partnership or other business association the members of which are, by virtue of statute or general law, subject to personal liability, the liability of each individual who was, is or becomes a member of such partnership or association at any time from the date of execution of this Lease to and including the expiration or earlier termination of the term of this Lease, shall be joint and several.

55. FINANCIAL STATEMENTS

Upon Lessor's written request, but not more frequently than once per year (plus up to one (1) additional time during any year in connection with a pending sale or financing transaction), Lessee shall promptly furnish Lessor from time to time with financial statements prepared in accordance with GAAP reflecting Lessee's current financial condition, and written evidence of ownership and ownership interests if Lessee is other than a sole proprietorship. Lessor shall, except when directed by a court of competent jurisdiction or other governmental authority or in connection with litigation arising from a default hereunder by Lessee, keep such financial statements in confidence.

56. BUSINESS DAY/WORKING DAY

The terms "BUSINESS DAY" and "WORKING DAY" are terms describing each calendar day Monday through Friday except any holiday identified specifically or generically in the section of this Lease entitled, "SERVICES AND UTILITIES" falling on one of such calendar days.

57. FORCE MAJEURE

In the event Lessor is in any way delayed, interrupted or prevented from performing any of its obligations under this Lease, and such delay, interruption or prevention is due to fire, act of God, governmental act, action or inaction (including, without limitation, government delays in issuing any required building, construction, occupancy or other permit, certificate or approval or performing any inspection or review in connection therewith, provided that Lessor has filed complete applications for such permits, certificates or approvals in a timely manner and has otherwise satisfied all conditions therefor to the extent the same is within Lessor's reasonable control) strike, labor dispute, inability to procure materials provided that any such strike, dispute

or inability to procure materials is not due to Lessor's failure to perform its obligations or to order such materials in a timely manner, or any other cause beyond Lessor's reasonable control (each, an event of "FORCE MAJEURE") (whether similar or dissimilar), then Lessor shall be excused from performing the affected obligations for the period of such delay, interruption or prevention. Lessor shall use commercially reasonable efforts to minimize delays resulting from events of Force Majeure.

58. RENT RELATED REQUIREMENTS

(A) No rent or other payment in respect of the Demised Premises shall be based in any way upon net income or profits from the Demised Premises. Lessee may not enter into or permit any sublease or license or other agreement in connection with the Demised Premises which provides for a rental or other payment based on net income or profit.

(B) If Lessor is advised by its counsel at any time that any part of the payments by Lessee to Lessor under this Lease may be characterized as unrelated business income under the United States Internal Revenue Code and its regulations, then Lessee shall enter into any amendment proposed by Lessor to avoid such income, so long as the amendment does not require Lessee to make more payments or accept fewer services from Lessor, than this Lease provides.

59. ENTIRE AGREEMENT

This Lease, together with EXHIBITS A-1, A-2, A-3, B, C, D E, F, G, H, I, AND J attached hereto and made a part hereof, contains and embodies the entire agreement of the parties hereto, and no representations, inducements, or agreements, oral or otherwise, between the parties not contained and embodied in this Lease and said Exhibits shall be of any force or effect, and the same may not be modified, changed or terminated in whole or in part in any manner other than by an agreement in writing duly signed by all parties hereto.

(Signatures on following page)

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease under seal as of the day and year first above mentioned.

LESSOR:

1201 F STREET L.L.C.

By: CarrAmerica Realty, L.P.
Member

By: CarrAmerica GP Holdings, Inc.
General Partner

By: /s/ Robert O. Carr (SEAL)

Name: Robert O. Carr

Title: Vice President

LESSEE:

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ George C. Eads (SEAL)

Name: George C. Eads

Title: Vice President

EXHIBIT "A-2"

8TH FLOOR PLAN, DEMISED PREMISES

[MAP OF 8TH FLOOR]

DEMISED PREMISES: Eighth (8th) Floor - Approximately 14,878 rentable square feet
(areas A and B)

CARRAMERICA

RENTAL COMPILATION

DATE 5/4/99

1201 F STREET NW

WASHINGTON, DC

FLOOR 8TH

SPACE	TENANT	FLOOR USEABLE AREA	FLOOR COMMON PRO RATA	FLOOR SUBTOTAL	BUILDING COMMON PRO RATA AREA	TENANT RENTABLE AREA
A	CHARLES RIVER ASSOCIATES	10,902	1,134	12,036	150	12,186
B	CHARLES RIVER ASSOCIATES AREA B	2,409	250	2,659	33	2,692
C	EXPANSION AREA C	3,087	321	3,408	43	3,451
TOTAL		16,398	1,705	18,103	226	18,329

NOTE EXTENDED HALL EAST OF THE MAIN LOBBY IS PRORATED TO ALL AREAS.

NOTE COMPILATION BASED ON SPECTOR KNAPP & BAUGHMAN DRAWINGS DATED 10/1/99

EXHIBIT "A-3"

6TH FLOOR PLAN, DEMISED PREMISES

[MAP OF 6TH FLOOR]

DEMISED PREMISES: Sixth (6th) floor - Area A - Approximately 11,725 rentable square feet

CARRAMERICA

RENTAL COMPILATION

DATE 10/14/99

1201 F STREET NW

WASHINGTON, D.C.

FLOOR 6TH

SPACE	TENANT	FLOOR USEABLE AREA	FLOOR COMMON PRO RATA	FLOOR SUBTOTAL	BUILDING COMMON PRO RATA AREA	TENANT RENTABLE AREA
A	CHARLES RIVER ASSOCIATES	10,522	1,058	11,580	145	11,725
B	EXPANSION B	3,182	433	3,615	45	3,660
C	EXPANSION C	2,559	349	2,908	36	2,944
TOTAL		16,263	1,840	18,103	226	18,329

NOTE EXTENDED ELEVATOR LOBBY IS PRORATED TO ALL AREAS.

NOTE EXTENDED HALL EAST OF THE MAIN LOBBY IS PRORATED TO AREAS B AND C ONLY.

NOTE COMPILATION BASED ON SPECTOR KNAPP & BAUGHMAN DRAWING DATED 10/1/99.

EXHIBIT "B"

SHELL DEFINITION FOR SINGLE-TENANT FLOOR (ABOVE GRADE)
7 MAY 1998

The following improvements are to be provided by and at the expense of Lessor (except as noted):

1. Lessor shall provide a HVAC system of one variable air volume (VAV) air conditioning unit (ACU) to serve each office floor. The ACU will supply air through medium pressure ductwork to VAV terminal units. Each terminal VAV unit will be controlled by an individual thermostat. The Lessor shall provide VAV terminal units and ductwork connecting VAV terminal units to ACU. Lessor-provided VAV terminal units and ductwork shall be located as indicated in the Base Building construction drawings. The Base Building VAV locations are such that each VAV perimeter control zone size will be approximately 150 useable square feet (USF) and each VAV interior control zone will be approximately 800 USF.

Lessee shall be responsible for the cost of HVAC work installed with the Above-Shell Improvements. Such HVAC work generally consists of all work "downstream" from the VAV terminal units including taps, ductwork, registers, and perimeter linear diffusers. The Above-Shell HVAC work also includes the final placement of the Lessor-supplied thermostats and any specialty or supplemental cooling systems.
2. Lessor-provided improvements on a typical single-tenant floor will include men's and women's restrooms, stairwells, one electrical room with telecommunications riser, one mechanical room, and all common area life-safety and fire equipment (including any required fire hose valve cabinets, pull stations, fire extinguishers, and smoke detectors).
3. For lighting in the Demised Premises, Lessor shall provide two watts per USF of high voltage power (480/277 volt) in the electrical room on each floor. For other electrical requirements, Lessor shall provide five watts per USF of low voltage power (208/120 volt) in the electrical room on each floor.
4. Lessor shall provide "Mecho"-type shades on all exterior windows including the curved windows on the corners of the floors.
5. Lessor shall deliver the Demised Premises sprinklered to a loft condition utilizing extended coverage heads. General ratio is 1 sprinkler head per 225 useable square feet.
6. Lessor shall provide three wet stacks on each floor.
7. Lessor shall provide a fully finished (unprimed/unpainted) gypsum board surface, ready to receive Lessee's finishes, on all perimeter walls including perimeter columns and free standing columns.
8. Lessor shall provide elevator security lock-off capacity on a floor-by-floor basis.

EXHIBIT "B"

SHELL DEFINITION FOR MULTI-TENANT FLOOR (ABOVE GRADE)

The following improvements are to be provided by and at the expense of Lessor (except as noted):

1. Lessor shall provide a HVAC system of one variable air volume (VAV) air conditioning unit (ACU) to serve each office floor. The ACU will supply air through medium pressure ductwork to VAV terminal units. Each terminal VAV unit will be controlled by an individual thermostat. The Lessor shall provide VAV terminal units and ductwork connecting VAV terminal units to ACU. Lessor-provided VAV terminal units and ductwork shall be located as indicated in the Base Building construction drawings. The Base Building VAV locations are such that each VAV perimeter control zone size will be approximately 150 useable square feet (USF) and each VAV interior control zone will be approximately 800 USF.

Lessee shall be responsible for the cost of HVAC work installed with the Above-Shell Improvements. Such HVAC work generally consists of all work "downstream" from the VAV terminal units including taps, ductwork, registers, and perimeter linear diffusers. The Above-Shell HVAC work also includes the final placement of the Lessor-supplied thermostats and any specialty or supplemental cooling systems.
2. Lessor-provided improvements on a typical multi-tenant floor will include a completed elevator lobby, common area corridors (stairwell-to-stairwell), men's and women's restrooms, stairwells, one electrical room with telecommunications riser, one mechanical room, and all common area life-safety and fire equipment (including any required fire hose valve cabinets, pull stations, fire extinguishers, and smoke detectors). Demising walls for common corridors shall comply with minimum code requirements for the separation of exit corridors from office areas.
3. For lighting in the Demised Premises, Lessor shall provide two watts per USF of high voltage power (480/277 volt) in the electrical room on each floor. For other electrical requirements, Lessor shall provide five watts per USF of low voltage power (208/120 volt) in the electrical room on each floor.
4. Lessor shall provide "Mecho"-type shades on all exterior windows including the curved windows on the corners of the floors.
5. Lessor shall deliver the Demised Premises sprinklered to a loft condition utilizing extended coverage heads. General ratio is 1 sprinkler head per 225 useable square feet.
6. Lessor shall provide three wet stacks on each floor.
7. Lessor shall provide a fully finished (unprimed/unpainted) gypsum board surface, ready to receive Lessee's finishes, on all perimeter walls including perimeter columns and free standing columns.
8. Lessor shall provide elevator security lock-off capacity on a floor-by-floor basis.

EXHIBIT "C"

RULES AND REGULATIONS

1. The sidewalks, entrances, passages, courts, elevators, vestibules, stairways, corridors or halls or other parts of the Building not occupied by any Lessee shall not be obstructed or encumbered by any Lessee or used for any purpose other than ingress and egress to and from the Demised Premises, and if the Demised Premises are situated on the ground floor of the Building, the Lessee thereof shall, at said Lessee's own expense, keep the sidewalks and curb directly in front of said Demised Premises clean and free from ice and snow. Lessor shall have the right to control and operate the public portions of the Building, and the facilities furnished for the common use of the Lessees, in such a manner as Lessor deems best for the benefit of the Lessees generally. No Lessee shall permit the visit to the Demised Premises of persons in such numbers or under such conditions as to interfere with the use and enjoyment by other Lessees of the entrances, corridors, elevators and other public portions or facilities of the Building.

2. No awnings or other projections shall be attached to the outside walls of the Building without the prior written consent of the Lessor. No drapes, blinds, shades, or screens shall be attached to or hung in, or used in connection with any window or door of the Demised Premises, without the prior written consent of the Lessor. Such awnings, projections, curtains, blinds, shades, screens or other fixtures must be of a quality, type, design and color, and attached in the manner approved by Lessor.

3. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by Lessee on any part of the outside or inside of the Demised Premises or Building without the prior written consent of the Lessor. In the event of the violation of the foregoing by any Lessee, Lessor may remove same without any liability, and may charge the expense incurred by such removal to the Lessee or Lessees violating this rule. Interior signs on doors and directory tablet shall be inscribed, painted or affixed for each Lessee by the Lessor at the expense of such Lessee, and shall be of a size, color and style acceptable to the Lessor.

4. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor placed in the halls, corridors or vestibules without the prior written consent of the Lessor.

5. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the Lessee who, or whose servants, employees, agents, visitors or licensees, shall have caused the same.

6. There shall be no marking, painting, drilling into or in any way defacing any part of the Demised Premises or the Building. No boring, cutting or stringing of wires shall be permitted. Lessee shall not construct, maintain, use or operate within the Demised Premises or elsewhere within or on the outside of the Building, any electrical device, wiring or apparatus in connection with a loud speaker system or other sound system.

7. No bicycles, vehicles or animals, birds or pets of any kind shall be brought into or kept in or about the premises, and no cooking shall cause or permit any unusual or objectionable odors to be produced upon or permeate from the Demised Premises.
8. No space in the Building shall be used for manufacturing, for the storage of merchandise, or for the sale of merchandise, goods or property of any kind at auction.
9. No Lessee shall make, or permit to be made, any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring buildings or premises of those having business with them whether by the use of any musical instrument, radio, talking machine, unmusical noise, whistling, singing, or in any other way. No Lessee shall throw anything out of the doors or windows or down the corridors or stairs.
10. No inflammable, combustible or explosive fluid, chemical or substance shall be brought or kept upon the Demised Premises.
11. No additional locks or bolts of any kind shall be placed upon any of the doors, or windows by any Lessee, nor shall any changes be made in existing locks or the mechanism thereof. The doors leading to the corridors or main halls shall be kept closed during business hours except as they may be used for ingress or egress. Each Lessee shall, upon the termination of its tenancy, restore to Lessor all keys to stores, offices, storage, and toilet rooms either furnished to or otherwise procured by such Lessee, and in the event of the loss of any keys, so furnished, such Lessee shall pay to the Lessor the cost thereof.
12. All removals, or the carrying in or out of any safes, freight, furniture or bulky matter of any description must take place during the hours which the Lessor or its Agent may determine from time to time. The Lessor reserves the right to inspect all freight to be brought into the Building and to exclude from the Building all freight which violates any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part.
13. Lessor shall have the right to prohibit any advertising by any Lessee which, in Lessor's opinion, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Lessor, Lessee shall refrain from or discontinue such advertising.
14. Any person employed by any Lessee to do janitor work within the Demised Premises must obtain Lessor's consent and such person shall, while in the Building and outside of said Demised Premises, comply with all instructions issued by the Superintendent of the Building. No Lessee shall engage or pay any employees on the Demised Premises, except those actually working for such Lessee on said premises.
15. The Lessor reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself to the building management or watchman on duty. Lessor may at his option require all persons admitted to or leaving the Building between the hours of 6:00 p.m. and 8:00 a.m., Monday through Saturday, Sundays and legal holidays to register. Each Lessee shall be responsible for all persons for whom he authorizes entry into or exit out of the Building, and shall be liable to the Lessor for all acts of such persons.

16. The premises shall not be used for lodging or sleeping or for any immoral or illegal purpose.
17. Each Lessee, before closing and leaving the Demised Premises at any time, shall see that all windows are closed and all lights turned off.
18. The requirements of Lessee will be attended to only upon application at the office of the Building. Employees shall not perform any work or do anything outside of the regular duties, unless under special instruction from the management of the Building.
19. Canvassing, soliciting and peddling in the Building is prohibited and each Lessee shall cooperate to prevent the same.
20. No water cooler, plumbing or electrical fixtures shall be installed by any Lessee.
21. There shall not be used in any space, or in the public halls of the Building, either by any Lessee or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and sole guards.
22. Access plates to underfloor conduits shall be left exposed. Where carpet is installed, carpet shall be cut around access plates. Where Lessee elects not to provide removable plates in their carpet for access into the underfloor duct system, it shall be the Lessee's responsibility to pay for the removal and replacement of the carpet for any access needed into the duct system at any time in the future.
23. Mats, trash or other objects shall not be placed in the public corridors.
24. The Lessor does not maintain or clean suite finishes which are non-standard, such as kitchens, bathrooms, wallpaper, special lights, etc. However, should the need for repairs arise, the Lessor will arrange for the work to be done at the Lessee's expense.
25. Drapes installed by the Lessee for their use which are visible from the exterior of the Building must be approved by Lessor in writing and be cleaned by the Lessee.
26. The Lessor will furnish and install light bulbs for the building standard fluorescent or incandescent fixtures only. For special fixtures, the Lessee will stock his own bulbs, which will be installed by the Lessor when so requested by the Lessee.
27. Lessee shall comply with all workplace smoking Laws. There shall be no smoking in bathrooms, elevator lobbies, elevators, and other common areas.
28. Each Lessee shall handle its newspapers and "office paper" in the manner required by the District of Columbia Recycling Act (as the same may be amended from time to time) and shall conform with any recycling plan instituted by Lessor.
29. Violation of these rules and regulations, or any amendments thereto, shall be sufficient cause for termination of this Lease at the option of the Lessor.

30. The Lessor may upon request by any Lessee, waive the compliance by such Lessee of any of the foregoing rules and regulations, provided that (i) no waiver shall be effective unless signed by Lessor or Lessor's authorized Agent, (ii) any such waiver shall not relieve such Lessee from the obligation to comply with such rule or regulation in the future unless expressly consented to by Lessor, and (iii) no waiver granted to any Lessee shall relieve any other Lessee from the obligation of complying with the foregoing rules and regulations unless such other Lessee has received a similar waiver in writing from Lessor.

31. Lessor shall be reasonable in the exercise of its discretion under, and in its enforcement of, these Rules and Regulations. In the event of any inconsistency between these Rules and Regulations and the Lease, the Lease terms shall govern and control.

EXHIBIT "D"

DECLARATION AS TO DATE OF DELIVERY
AND ACCEPTANCE OF POSSESSION OF
DEMISED PREMISES

Attached to and made a part of the Lease, dated the ____ day of _____, 1999 entered into by and between 1201 F Street L.L.C., as Lessor and Charles River Associates Incorporated, as Lessee.

Lessor and Lessee do hereby declare and evidence that possession of the Demised Premises was accepted by Lessee on the ____ day of _____, 20___. The Lease is now in full force and effect. For the purpose of this Lease, the Commencement Date is established as the ____ day of _____, 20___. As of the date of delivery and acceptance of possession of the Demised Premises as herein set forth, there is no right of set off against rents claimed by Lessee against Lessor.

Lessee states that its registered agent is _____, having an address at _____, and that it is a corporation in good standing in the jurisdiction in which the Building is located.

LESSOR:
1201 F STREET L.L.C.

By: CarrAmerica Realty, L.P.
Member
By: CarrAmerica GP Holdings, Inc.
General Partner

By: _____
Name: _____
Title: _____

LESSEE:
CHARLES RIVER ASSOCIATES INCORPORATED

By: _____
Name: _____
Title: _____

EXHIBIT "E"

SPECIFICATIONS FOR OFFICE CLEANING

1. DEMISED PREMISES:

(Includes office area, kitchens, stock rooms, xerox rooms and conference rooms)

Daily:

1. Collect trash.
2. Empty ash trays; damp wipe clean.
3. Dust furniture, desks, machines, phones, file cabinets, window ledges, etc. (papers left on desks will not be disturbed).
4. Vacuum carpet; dry sweep resilient tile and wood floors, spot clean.
5. Spot clean walls, doors and partitions.

Weekly:

1. Vacuum upholstered furniture.

Monthly:

2. Recondition resilient tile floors.
3. Dust picture frames, charts, graphs, etc.
4. Vacuum air vents.

Quarterly:

5. Clean partitions.
6. Dust vertical surfaces; walls, etc.

WINDOWS:

As Needed:

- 7. Dust and clean venetian blinds.

DOORS & LIGHTS:

Daily:

- 8. Turn off lights and check all doors on completion of work.

TRASH:

Daily:

- 9. Deposit all trash in the designated area.
NOTE: Only trash placed in waste containers, or clearly marked "TRASH" will be removed.

PRIVATE LAVATORIES AND KITCHENS:

Daily:

- 10. Remove all trash, garbage and refuse.

2. PUBLIC AREAS:

(A) Lavatories:

Daily:

- 11. Clean and disinfect all toilet bowls, wash bowls and urinals.
- 12. Resupply all dispensers.

As Needed:

- 13. Wash or wipe all surfaces in rest rooms.

(B) Corridors:

Daily:

14. Collect trash.
15. Empty ash trays; damp wipe clean.
16. Vacuum carpet, dry sweep resilient tile and wood floors, spot clean.
17. Spot clean walls and doors.
18. Spot clean carpet.

Should Lessee install specialty items, other than typical "Building Standard" items, which will increase in any way the rate being charged by the cleaning contractor for the demised premises, Lessee shall be liable for such increases and will reimburse Lessor for any additional cost.

EXHIBIT "F"

FORM OF LETTER OF CREDIT

Irrevocable Letter of Credit No. _____

_____, 1999

1201 F Street, L.L.C.
c/o Carr Real Estate Services, Inc.
Suite 500
1850 K Street, N.W.
Washington, D.C. 20006

Account Party: Charles River Associates Incorporated

Beneficiary: 1201 F Street L.L.C., its transferees and assigns

Amount: \$_____ U.S. Dollars

Ladies and Gentlemen:

A. We hereby issue this irrevocable, unconditional letter of credit number _____ (the "CREDIT") in your favor, payable in immediately available funds in one or more draws of any sum or sums not exceeding in the aggregate _____ Dollars (\$_____), by your draft(s) at sight presented at _____, Washington, D.C., together with a signed, notarized certificate stating one (1) of the following:

1. "The undersigned, an authorized representative of Beneficiary, hereby certifies that a default has occurred under that certain Lease dated _____, 1999, by and between 1201 F Street L.L.C., as landlord, and Charles River Associates Incorporated, as tenant, and Beneficiary is entitled to the amount drawn hereunder in connection with such default."

OR

2. "The undersigned, an authorized representative of Beneficiary, hereby certifies that Beneficiary has not received, at least thirty (30) days prior to the expiration date of this Credit, a replacement or extension letter of credit as required under Section [5(G)] of that certain Lease dated _____, 1999, by and between 1201 F Street L.L.C., as landlord, and Charles River Associates Incorporated, as tenant, and Beneficiary is entitled to the amount drawn hereunder in connection therewith."

We will accept such statement as conclusive, binding and correct without having to investigate or having to be responsible for the accuracy, truthfulness, correctness or validity

thereof, and notwithstanding the claim of any person to the contrary.

Drafts presented under this Credit shall specify the number of this Credit as set forth above and shall be presented on or before the expiration date hereof.

B. This Credit is assignable and transferable and may be transferred one or more times, without charge, upon our receipt of your written notice that an agreement to transfer or assign this Credit has been executed.

C. This Credit shall be automatically renewed from year to year commencing on the first anniversary of the date hereof, unless and until we shall give thirty (30) days prior written notice to you, by certified mail, return receipt requested, at the address set forth above, of our intent not to renew this Credit at the expiration of such thirty (30) day period. During such thirty (30) day period, this Credit shall remain in full force and effect and Beneficiary may draw up to the full amount hereof when accompanied by one of the statements described in the first paragraph of this Credit.

D. We hereby engage with you that drafts drawn under and in compliance with the terms of this Credit will be duly honored upon presentation to us.

E. This Credit sets forth in full the terms of our undertaking and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, or by any document, instrument or agreement in which this Credit is referred to, or to which this Credit relates, and any such reference shall not be deemed to incorporate herein by reference any such document, instrument or agreement.

F. Except as otherwise expressly stated herein, this Credit is subject to the International Standby Practices (1998 Revision), International Chamber of Commerce Publication No. 590, and any subsequent revision thereto.

[BANK]

By: _____

Authorized Officer

EXHIBIT "G"

LEASE SUBORDINATION, ATTORNMENT
AND
NON-DISTURBANCE AGREEMENT

THIS AGREEMENT, made this ____ day of _____, 19__, by and
between

(herein "Lessee"), and MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY, a
Massachusetts corporation, and NATIONSBANK, N.A., a national banking association
(herein collectively "Lender").

RECITALS

A. Lender is the holder of a certain promissory note (herein the "Note")
issued by _____ ("Lessor"), dated _____ in the
principal sum of _____
DOLLARS (\$_____) and of the mortgage of even date therewith (herein the
"Mortgage") securing the Note, recorded on _____,
_____ which Mortgage encumbers the real property (herein called the
"Subject Property") described on Exhibit A, attached hereto and made a part
hereof.

B. Lessee and _____ as Lessor, entered
into a lease agreement (herein the "Lease") dated _____ by which Lessee
leased from Lessor certain premises commonly known as _____ (herein
the "Leased Premises"), and constituting a portion of the Subject Property.

C. Lessee desires to be able to obtain the advantages of the Lease and
occupancy thereunder in the event of foreclosure of the Mortgage and Lender
wishes to have Lessee confirm the priority of the Mortgage over the Lease.

NOW, THEREFORE, in consideration of the mutual covenants and conditions
set forth hereinbelow, the parties hereto agree as follows:

1. Lessee hereby covenants and agrees that all its rights and interests
whatsoever under the Lease in the Leased Premises and the Subject Property are
and shall remain subject and subordinate to the lien of the Mortgage and to all
the terms, conditions and provisions thereof, to all advances made or to be made
thereunder or under the Note, and to any increases, renewals, extensions,
modifications, substitutions, consolidations or replacements thereof or of the
Note.

2. So long as Lessee is not in default (beyond any period given Lessee
in the Lease to cure such default) in the payment of rent or additional charges
or in the performance of any of the other terms, covenants or conditions of the
Lease on Lessee's part to be performed, Lessee shall not be disturbed by Lender
in its possession of the Leased Premises during the term of the Lease, or any
extension or renewal thereof, or in the enjoyment of its rights under the Lease.

3. If the interest of the Lessor under the Lease shall be acquired by Lender or any purchaser ("Purchaser") by reason of exercise of the power of sale or the foreclosure of the Mortgage or other proceedings brought to enforce the rights of the holder thereof, by deed in lieu of foreclosure or by any other method, and Lender or Purchaser succeeds to the interest of Lessor under the Lease, Lessee shall attorn to Lender or Purchaser as its lessor, said attornment to be effective and self-operative without the execution of any other instruments on the part of either party hereto immediately upon Lender's or Purchaser's succeeding to the interest of the Lessor under the Lease, and the Lease shall continue in accordance with its terms between Lessee as lessee and Lender or Purchaser as lessor; provided, however, that:

(a) Lender shall not be personally liable under the Lease and Lender's liability under the Lease shall be limited to the ownership interest of Lender in the Subject Property;

(b) Lender shall not be liable for any act or omission of any prior lessor (including Lessor);

(c) Lender shall not be subject to any offsets or defenses which Lessee might have against any prior lessor (including Lessor);

(d) Lender shall not be bound by any prepayment of rent or deposit, rental security or any other sums deposited with any prior lessor (including Lessor) under the Lease unless actually received by Lender;

(e) Lender shall not be bound by any agreement or modification of the Lease made without Lender's consent;

(f) Lender shall not be bound by any restriction on competition beyond the Leased Premises.

4. Lessee certifies to Lender that the Lease is presently in full force and effect with no defaults thereunder by the Lessor or by Lessee and unmodified except as indicated hereinabove; that no rent under the Lease has been paid more than thirty (30) days in advance of its due date; that the address for notices to be sent to Lessee is as set forth in the Lease, or at the Leased Premises; and that the Lessee, has no charge, lien, claim or offset under the Lease or otherwise, against rents or other charges due or to become due thereunder.

5. Lessee agrees with Lender that from and after the date hereof, Lessee will not terminate or seek to terminate the Lease by reason of any act or omission of the Lessor thereunder until Lessee shall have given written notice, by registered or certified mail, return receipt requested, of said act or omission to Lender, which notice shall be addressed to Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, Attention: Senior Vice President, Real Estate Investment Division, and until a reasonable period of time shall have elapsed following the giving of such notice, during which period Lender shall have the right, but shall not be obligated, to remedy such act or omission.

6. This Agreement shall inure to the benefit of and shall be binding upon Lessee and Lender, and their respective heirs, personal representatives, successors and assigns. This Agreement may not be altered, modified or amended except in writing signed by all of the parties hereto. In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. This Agreement shall be governed by and construed according to the laws of the State of _____.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

[ATTEST OR WITNESSES (2)]

LESSEE:

By _____
 Its _____

[SEAL]

[ATTEST OR WITNESSES (2)]

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By _____
 Its _____

[SEAL]

[ATTEST OR WITNESSES (2)]

NATIONSBANK, N.A.

By _____
 Its _____

[SEAL]

ACKNOWLEDGEMENTS

STATE OF _____)
) ss.
COUNTY OF _____)

On this, the ____ day of _____, 19__, before me, the undersigned party, personally appeared _____ who acknowledged himself to be the _____ of _____, a _____, and that he as such bring authorized to do so, executed the foregoing Lease Subordination, Attornment and Non-Disturbance Agreement for the purposes therein contained by signing the name of the _____ by himself as _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

My Commissions Expires:

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF _____)

On this, the ____ day of _____, 19__, before me, the undersigned party, personally appeared _____ who acknowledged himself to be the _____ of MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, and that he as such _____ being authorized to do so, executed the foregoing Lease Subordination, Attornment and Non-Disturbance Agreement for the purposes therein contained by signing the name of the corporation by himself as _____.

EXHIBIT "H"

SAMPLE ANNUAL STATEMENT

[OLIVER CARR CO. LOGO]

SUITE
STREET, N.W.
WASHINGTON, D.C.

PRO-FORMA OPERATING EXPENSE INVOICE

RENTAL ESCALATION INVOICE

199 Operating Expenses	\$	
Proportionate Share	X	%

SUB-TOTAL	\$	

199 Operating Costs	\$	
Proportionate Share	X	%

SUB-TOTAL	\$	

Total 199 Proportionate Share		
Prorated for /1-12/31	X	/365

Less Prepayments Through 12/31/	\$()	

TOTAL AMOUNT DUE	\$	
	=====	

=====

=====

ASSOCIATES

SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 19 AND 19

	19	19
	-----	-----
MANAGEMENT:		
Management Fees (Note 1)	\$	\$
Telephone Office		
	-----	-----
Total Management	\$	\$
	-----	-----
PAYROLL:		
Payroll	\$	\$
Payroll Tax		
Benefits		
	-----	-----
Total Payroll	\$	\$
	-----	-----
UTILITIES:		
Electricity	\$	\$
Water/Sewer		
	-----	-----
Total Utilities	\$	\$
	-----	-----
OPERATING SERVICES:		
Porter Supplies	\$	\$
Janitorial Contract		
Security		
Window Cleaning		
Trash Removal		
Exterminating		
Uniforms		
Landscaping		
	-----	-----
Total Operating Services	\$	\$
	-----	-----

ASSOCIATES

SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 19 AND 19

	19	19

REPAIRS AND MAINTENANCE		
Engineer Supplies	\$	\$
Building & Grounds		
Painting & Wallcovering		
HVAC		
Electrical		
Plumbing		
Elevators		

Total Repairs and Maintenance	\$	\$

TAXES, INSURANCE AND PROFESSIONAL FEES:		
Personal Property Tax	\$	\$
Real Estate Tax		
Vault Rental		
Sales and Use Tax		
Professional Fees		
Insurance		

Total Taxes, Insurance and Professional Fees	\$	\$

TOTAL OPERATING EXPENSES	\$	\$
	=====	

EXHIBIT "I"

HVAC PERFORMANCE SPECIFICATIONS

The building HVAC System has the capability to provide a thermal environment to satisfy the following conditions:

SUMMER: Maintain room conditions not in excess of 76(Degree)

F. dry bulb and 50% relative humidity when the coincident outside conditions do not exceed 94(Degree)F. dry bulb and 78(Degree)F. wet bulb.

WINTER: Maintain room conditions of not less than

72(Degree)F., dry bulb when the outside air temperature is not less than 5(Degree)F. dry bulb. Average relative humidity shall be maintained at 40% or at a lower level, as required, to prevent condensation on exterior walls and windows.

The above conditions shall be maintained, based on the following:

(A) Light colored blinds, fully lowered with slats at a 45(Degree) azimuth, coincident with peak sun load, or other equivalent solar barrier.

(B) Electrical equipment heat ejection load of four watts per square foot.

(C) People load of one person per 100 square feet.

1201 F STREET OFFICE BUILDING
NORTH WEST, WASHINGTON DC

EXHIBIT J

CONTRACT DOCUMENTS:

* DRAWING DATE UNDER "REASON FOR ISSUE"

DRAWINGS		DATE *
A001	Drawings Index/Code Information/Symbols	2/18/99
A002	Streetscape Plan	10/6/98
A003	Topographic Survey	9/15/98
C.1	Existing and Demolition Plan	9/15/98
C.2	Sedimentation and Erosion Control Plan	10/6/98
C.3	Site Plan	9/15/98
C.4	Site Details	9/15/98
C.5	Stormwater Management Plan	9/15/98
C.6	Sedimentation and Erosion Control Details	9/15/98
A100	P3 Level - Garage Plan	2/18/99
A101	P2 Level Garage Plan	2/18/99
A102	P1 Level Garage Plan	2/18/99
A103	B1 Level Office Plan	2/18/99
A104	1st Floor Plan	2/18/99
A105	2nd Floor Plan	2/18/99
A106	3rd Floor Plan	2/18/99
A107	Typical Floor Plan (4th - 10th)	10/6/98
A108	11th Floor Plan	2/18/99
A109	12th Floor Plan	2/18/99
A110	Penthouse and Main Roof Plan	2/18/99
A111	Upper Pent./Elev. Mach. Room Plan	2/18/99
A112	Penthouse Roof Plan	2/18/99
A100.1	P3 Level Slab Edge Location Plan	2/18/99
A101.1	P2 Level Slab Edge Location Plan	2/18/99
A102.1	P1 Level Slab Edge Location Plan	2/18/99
A103.1	B1 Level Slab Edge Location Plan	2/18/99
A104.1	1st Floor Slab Edge Location Plan	2/18/99
A105.1	2nd Floor Slab Edge Location Plan	2/18/99
A106.1	3rd Floor Slab Edge Location Plan	2/18/99
A107.1	Typical Slab Edge Location Plan (4th - 10th)	2/18/99
A108.1	11th Floor Slab Edge Location Plan	2/18/99
A109.1	12th Floor Slab Edge Location Plan	2/18/99
A110.1	Penthouse Slab Edge Location Plan	2/18/99
A111.1	Upper Pent. Slab Edge Location Plan	2/18/99
A112.1	Pent. Roof Slab Edge Location	2/18/99
A200	Material Key/Window Types	2/18/99
A201	South (F Street) Elevation	10/6/98
A202	East (12th Street) Elevation	10/6/98
A203	West Elevation	2/18/99

1201 F STREET OFFICE BUILDING
NORTH WEST, WASHINGTON DC

EXHIBIT J

A204	North Elevation	2/18/99
A205	Penthouse Elevations	2/18/99
A206	North/South Building Section	2/18/99
A207	Below Grade Section & Details	2/18/99
A301	First Floor Lobby Elevations	2/18/99
A302	First Floor Lobby Elevations	2/18/99
A303	Elevator Lobby Details 2nd-12th	2/18/99
A305	Elevator Cab Plans and Elevations	2/18/99
A306	Elevator Cab Elevations	2/18/99
A307	Elevator Cab Elevations	2/18/99
A308	Toilet Room Elevations	2/18/99
A400	General Notes/Details/Material Key	2/18/99
A401	South (F Street) Elevation	10/6/98
A402	East (12th Street) Elevation	10/6/98
A403	West Elevation	2/18/99
A404	North Elevation	2/18/99
A405	Elev. A Detail - Typ. Flrs./South & East	2/18/99
A406	Elev. B Detail - Win. Grp/Typ. Flrs./South & East	2/18/99
A407	Wall Sections & Dtls. - Typ. Flrs./South & East	2/18/99
A408	Plan Detail Typ. Flrs. / South & East	2/18/99
A409	Elevation C/Sect. Details - Main Entrance	2/18/99
A410	Wall Sections & Details - Main Entrance	2/18/99
A411	1st Floor Plan Detail - Main Entrance	2/18/99
A412	2nd Floor Plan Detail- Main Entrance	2/18/99
A413	3rd Floor Plan Detail- Main Entrance	2/19/99
A414	Elevation D Details - Southeast Corner	10/6/98
A415	Wall Sections & Details - Southeast Corner	2/18/99
A416	1st Floor Plan Detail - Southeast Corner	2/18/99
A417	2nd Floor Plan Detail - Southeast Corner	2/18/99
A418	3rd Floor Plan Detail - Southeast Corner	2/18/99
A419	Elevation E Detail- Retail Frontage East	10/6/98
A420	Wall Sections Retail Frontage - East	2/18/99
A421	1st Floor Plan Details Retail Frontage	2/18/99
A422	2nd Floor Plan Detail - Retail Frontage	2/18/99
A423	3rd Floor Plan Detail - Retail Area	2/18/99
A424	Elevation F Detail- Parking Entrance/East	2/18/99
A425	Wall Sections & Details - Parking Entrance	2/18/99
A426	1st & 2nd Floor Plan Detail - Garage Entrance	2/18/99
A428	Details - Entry & Storefront	2/18/99
A429	Details - Storefront Spandrel & Soffit	2/18/99
A430	Elev/Section Details Entr. Canopy	10/6/98
A431	Entrance Canopy Details	10/6/98
A432	Elevations / Details Exterior Light Fixtures	2/18/99
A433	Elevation / Section Details - Eagle	2/18/99
A434	Elevation Section Details - Flagpole	2/18/99

1201 F STREET OFFICE BUILDING
NORTH WEST, WASHINGTON DC

EXHIBIT J

A435	Elevation / Section Details - Pedestal	2/18/99
A436	Elevation G Details - Niche Bldg. South	2/18/99
A437	Wall Sections Niche Building South	2/18/99
A438	1st Floor Plan Detail - Niche Building	2/18/99
A439	2nd & Terrace Plan Detail - Niche Building	2/18/99
A440	Wall Sections & Detail	2/18/99
A442	Elevation H Details - Service Area - North	2/18/99
A443	Wall Sections & Details - Service Area	2/18/99
A451	Elev. I Detail- South Wall/Trellis (10th Flr. to Roof/Tower)	10/6/98
A452	Wall Sections South Wall/Trellis (10th Flr. to Roof)	2/19/99
A453	Detail Section	2/18/99
A455	Elevation J Section/Detail - Terrace/Trellis (11th Flr. - Roof) South	2/18/99
A456	Wall Sections -Terrace/Trellis (11th Flr. - Roof) South	2/18/99
A457	11th and 12th Floor Plan Detail	2/18/99
A459	Elevation Details - South Tower	10/6/98
A460	Wall Sections - Tower Area (11th Flr. - Roof Terrace) Typ.	2/18/99
A461	11th Floor Plan Detail - Tower Area	2/18/99
A462	12th Floor Plan Detail - Tower Area	2/18/99
A463	Elevation / Section - Corner @ Dome (11th Flr.)	2/18/99
A465	Wall Section	10/6/98
A467	Plan Details - Tower Area	2/18/99
A468	Elevation L Details East Wall/Trellis 10th Flr- Roof/Tower	10/6/98
A469	Typ. Terrace Elevation & Section	10/6/98
A470	11th and 12th Floor Plan Detail	10/6/98
A471	11th-12th Floor Plan Detail- North East	2/18/99
A473	Roof Details and Details	2/18/99
A501	P3 Level & P2 Level Core Plans	2/18/99
A502	P1 Level & B1 Level Core Plans	2/18/99
A503	First and Second Floor Lobby/Core Plans	2/18/99
A504	Third - Twelfth Floor & Penthouse Core Plans	2/18/99
A505	Upper Penthouse Core Plan & Core Details	2/18/99
A506	Elevator & Stair Sections	2/18/99
A506a	Penthouse & Upper Penthouse Core Plans & Core Details	2/18/99
A507	Stair Details	2/18/99
A508	Elevator Sections & Details	2/18/99
A509	Man-Lift Sections and Details	10/6/98
A511	Plan Details	2/18/99
A512	Airshaft Plans & Details	2/18/99
V-T1	General Elevator Information	10/6/98

1201 F STREET OFFICE BUILDING
NORTH WEST, WASHINGTON DC

EXHIBIT J

VT2	Hoistway & Pit Plans PE1-PE7	10/6/98
VT3	Plans & Hoistway Section	10/6/98
VT4	Hoistway Sect PE2-PE4 & PE6-PE7	2/18/99
VT5	Manlift Plan & Section	10/6/98
VT6	Manlift Elevations & Details	10/6/98
A601	P3 - B1 Level RCP's	2/18/99
A602	First Floor Lobby RCP	2/18/99
A603	First Floor RCP	2/18/99
A604	Third - Twelfth Floor RCP	2/18/99
A605	Penthouse & Upper P.H. Level RCP	2/18/99
A701	First Floor Lobby Flooring Plan	2/18/99
A702	Lobby Details	10/6/98
A703	Lobby Details	10/6/98
A704	2nd Floor Lobby Glass Rail	10/6/98
A705	Main Lobby Reception Desk	2/18/99
A706	West Wing Mural Details	10/6/98
A707	Exterior & Interior Signage	2/12/99
A708	Lobby Details	10/6/98
A709	Toilet Room Details	2/18/99
A801	Partition Types	2/18/99
A802	Partition & Column Details	10/6/98
A900	Door Schedule	2/18/99
A901	Door Details	10/6/98
A902	Room Finish Schedule	10/6/98
A903	Louver Schedule	10/6/98
S100	P3 Level Foundation Plan	3/12/99
S100A	P3 Level Foundation Rebar Plan	3/12/99
S101	P2 Level Framing Plan	3/12/99
S102	P1 Level Framing Plan	3/12/99
S103	B1 Level Framing Plan	3/12/99
S104	1st Floor Framing Plan	3/12/99
S105	2nd Floor Framing Plan	3/12/99
S106	3rd Floor Framing Plan	3/12/99
S107	4th - 10th Floor Framing Plan	3/12/99
S108	11th Floor Framing Plan	3/12/99
S109	12th Floor Framing Plan	3/12/99
S110	Main Roof Framing Plan	3/12/99
S111	Elev. Mach. Room & PH Roof Framing Plan	3/12/99
S112	Dimension Plan	3/12/99
S200	Column Schedule	3/12/99
S201	Column Schedule	3/12/99
S300	Beam Schedule	3/12/99

1201 F Street Office Building
North West, Washington DC

EXHIBIT J

S301	Beam Schedule	3/12/99
S302	Beam Schedule	3/12/99
S400	Typical Details	3/12/99
S401	Typical Details	3/12/99
S500	Structural Notes	3/12/99
S600	Foundation Sections	3/12/99
S601	Wall Sections	3/12/99
S602	Ramp Sections	3/12/99
S603	Sections	3/12/99
ST00	Stair Sections	3/12/99
S800	Sections	3/12/99
S801	Sections	3/12/99
S900	Sections	3/12/99
S901	Sections	3/12/99
M000	Mechanical General Information	9/22/98
M100	Mechanical P3 Level Garage Plan	2/18/99
M101	Mechanical P2 Level Garage Plan	2/18/99
M102	Mechanical P1 Level Garage Plan	2/18/99
M103	Mechanical B1 Level Office Plan	2/18/99
M 104	Mechanical 1st Floor Plan	9/22/98
M105	Mechanical 2rid Floor Plan	2/18/99
M106	Mechanical 3rd Floor Plan	2/18/99
M107	Mechanical Typical Floor Plan (4th - 9th)	2/18/99
M 108	Mechanical 10th Floor Plan	2/18/99
M109	Mechanical 11th Floor Plan	2/18/99
M110	Mechanical 12th Floor Plan	2/18/99
M111	Mechanical Penthouse Plan	9/22/98
M 112	Mechanical Penthouse Plan	9/22/98
M113	1/4" Scale Typical Core HVAC Plan	2/18/99
M201	Mechanical Schedules	2/18/99
M202	Mechanical Riser Diagrams	9/22/98
M203	Mechanical Details	2/18/99
M204	Mechanical Details	2/18/99
P000	Plumbing General Information	2/18/99
P100	Plumbing P3 Level Garage Plan	2/18/99
P101	Plumbing P2 Level Garage Plan	9/22/98
P102	Plumbing P1 Level Garage Plan	2/18/99
P103	Plumbing B1 Level Office Plan	2/18/99
P104	Plumbing 1st Floor Plan	9/22/98
P105	Plumbing 2nd Floor Plan	9/22/98
P106	Plumbing 3rd Floor Plan	9/22/98
P107	Plumbing Typical Floor Plan (4th - 10th)	9/22/98
P108	Plumbing 1 lth Floor Plan	9/22/98
P109	Plumbing 12th Floor Plan	2/18/99
P110	Plumbing Penthouse/Roof Plan	2/18/99

1201 F Street Office Building
North West, Washington DC

EXHIBIT J

P111	Plumbing Core Plan	9/22/98
P201	Plumbing Sanitary Riser Diagrams	2/18/99
P202	Plumbing Water Riser Diagrams	9/22/98
P203	Plumbing Storm Riser Diagrams	2/18/99
P204	Plumbing Fire Protection Riser Diagram	2/18/99
E000	Electrical General Information	10/6/98
E100	Electrical P3 Level Garage Plan	2/18/99
E101	Electrical P2 Level Garage Plan	2/18/99
E102	Electrical P1 Level Garage Plan	10/6/98
E103	Electrical B1 Level Office Plan	2/18/99
E104	Electrical 1 st Floor Plan	2/18/99
E105	Electrical 2nd Floor Plan	2/18/99
E106	Electrical 3rd Floor Plan	2/18/99
E107	Electrical Typical Floor Plan (4th - 10th)	2/18/99
E108	Electrical 11th Floor Plan	2/18/99
E109	Electrical 12th Floor Plan	2/18/99
E110	Electrical Lower Penthouse Plan	2/18/99
E111	Electrical Upper Penthouse Plan	2/18/99
E112	Electrical Typical Core Plan	9/22/98
E113	Electrical Typical Core Plan	10/6/98
E201	Power Riser Diagram	9/22/98
E202	Main Electrical Room Plan & Switch-Board Details	9/22/98
E203	Fire Alarm Riser Diagram - Part I	9/15/98
E204	Fire Alarm Riser Diagram - Part 2, Matrix	9/15/98
E205	Fire Alarm Annunciator Detail	9/15/98
E206	Telephone Riser Diagram	9/22/98
E207	Tenant Floor Panel Schedules	2/18/99
E208	Miscellaneous Panel Schedules	2/18/99
E209	Emergency Panel Schedules	10/6/98

SPECIFICATION SECTIONS

00800	Supplementary Conditions	9/28/98
01100	Summary of Work	7/13/98
01190	Definitions and Explanations	7/13/98
01216	Measurement and Payment	7/13/98
01230	Alternates	10/2/98
01250	Contract Modifications	7/13/98
01270	Unit Prices	9/15/98
01290	Applications for Payment	7/13/98
01310	Project Meetings	7/13/98
01320	Construction Photographs	7/13/98
01325	Project Schedules	7/13/98
01330	Shop Drawings, Product Data and Samples	7/13/98
01420	Codes and Reference Standards	7/13/98
01450	Testing and Inspection Services	9/15/98

1201 F Street Office Building
North West, Washington DC

EXHIBIT J

01510	Temporary Utilities	7/13/98
01520	Construction Facilities	7/13/98
01550	Vehicular Access and Parking	7/13/98
01560	Temporary Barriers and Enclosures	7/13/98
01570	Temporary Controls	7/13/98
01610	Year 2000 Compliance	9/15/98
01630	Product Substitution Procedures	7/13/98
01650	Product Delivery, Storage and Handling	7/13/98
01720	Field Engineering	7/13/98
01730	Product Installation and Protection	7/13/98
01740	Final Cleaning	7/13/98
01770	Closeout Procedures	7/13/98
01780	Project Record Documents	7/13/98
02250	Shoring and Bracing	7/13/98
02290	Site Monitoring	7/13/98
02300	Earthwork	7/13/98
02620	Subsurface Drainage System	9/15/98
02780	Unit Pavers	9/15/98
02870	Site Furnishings	10/2/98
02930	Exterior Plants	9/15/98
02950	Miscellaneous Paving Repairs	9/15/98
03100	Concrete Formwork	9/15/98
03200	Concrete Reinforcement	8/5/98
03310	Cast-in-Place Concrete	9/15/98
03350	Concrete Finishing	9/15/98
03380	Post-Tensioned Concrete	8/5/98
03450	Architectural Precast Concrete	10/2/98
04060	Unit Masonry Mortar and Grout	9/15/98
04065	Stone Mortar and Grout	9/15/98
04210	Unit Masonry	9/15/98
04400	Stonework	9/15/98
05080	Fluoropolymer Finish	8/5/98
05120	Structural Steel	10/2/98
05310	Steel Deck	8/5/98
05410	Load-bearing Metal Studs	9/15/98
05500	Metal Fabrications	9/15/98
05700	Ornamental Metal	10/2/98
06070	Wood Treatment	9/15/98
06100	Rough Carpentry	9/15/98
06400	Architectural Woodwork	10/2/98
06610	Glass Fiber Reinforced Gypsum	10/2/98

1201 F Street Office Building
North West, Washington DC

EXHIBIT J

07130	Sheet Membrane Waterproofing	9/15/98
07166	Crystalline Waterproofing	9/15/98
07180	Traffic Coatings	9/15/98
07210	Building Insulation	10/2/98
07240	Exterior Insulation and Finish Systems (EIFS)	9/15/98
07550	Hot Fluid-Applied Roofing	9/15/98
07620	Sheet Metal Flashing and Trim	9/15/98
07810	Applied Fireproofing	9/15/98
07840	Firestopping	9/15/98
07900	Joint Sealants	9/15/98
08110	Steel Doors and Frames	9/15/98
08210	Wood Doors	10/2/98
08310	Access Doors and Panels	9/15/98
08330	Coiling Doors and Grilles	9/15/98
08360	Sectional Overhead Doors	9/15/98
08400	Exterior Wall Performance Requirements	9/15/98
08410	Aluminum Entrances and Window Wall	10/2/98
08610	Metal Canopy	10/2/98
08710	Finish Hardware	10/2/98
08800	Glass and Glazing	10/2/98
09100	Metal Support Assemblies	9/15/98
09215	Veneer Plaster	9/15/98
09250	Gypsum Board	9/15/98
09310	Quarry Tile (Tile)	9/15/98
09510	Acoustical Ceilings	9/15/98
09545	Metal Ceiling Systems	9/15/98
09650	Resilient Flooring	9/15/98
09680	Carpet	9/15/98
09720	Wall Coverings	10/2/98
09900	Painting and Finishing	10/2/98
10150	Metal Toilet Compartments	10/2/98
10180	Stone Toilet Compartments	9/15/98
10200	Louvers and Vents	9/15/98
10350	Flagpoles	9/15/98
10410	Directories	9/15/98
10440	Signage	9/15/98
10505	Metal Lockers	9/15/98
10510	Wood Lockers	9/15/98
10520	Fire Protection	9/15/98
10550	Postal Specialties	9/15/98
10800	Toilet Accessories	9/15/98
11010	Window Washing System	9/15/98
12492	Shades	10/2/98

ADDENDUM NO. 1 TO LEASE

THIS ADDENDUM NO. 1 TO LEASE ("ADDENDUM NO. 1") is dated as of the 2nd day of December, 1999 by and between 1201 F STREET L.L.C., a Delaware limited liability company (hereinafter referred to as "LESSOR"), and CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation (hereinafter referred to as "LESSEE").

W I T N E S S E T H:

WHEREAS, by Lease dated November 29, 1999, (the "LEASE"), Lessor leased to Lessee and Lessee leased from Lessor, approximately 44,932 square feet of area on the sixth (6th), seventh (7th), and eighth (8th) floors of the office building located at 1201 F Street, N.W., Washington, D.C. 20004 (such area being hereinafter referred to as the "DEMISED PREMISES," and the building being hereinafter referred to as the "BUILDING"); and

WHEREAS, Lessor and Lessee desire to revise and modify the Lease with respect to the following provisions:

- 1. Storage Space
- 2. Other Terms and Provisions

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. STORAGE SPACE

As of the date hereof Section 10 of the Lease is deemed deleted and replaced with the following:

10. STORAGE SPACE

In addition to the Demised Premises, Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor from and after the Rent Commencement Date, approximately 503 rentable square feet of storage space (i.e. in two (2) discrete pieces) on the B-3 level in the Building (the "STORAGE SPACE") in the locations shown on EXHIBIT A-4 attached hereto. The monthly rent for said Storage Space during the initial term (from and after the Rent Commencement Date) shall be as follows:

Period	Monthly Storage Rent	Annual Rate Per Square Foot
-----	-----	-----
First Lease Year	\$712.58	\$17.00
Second Lease Year	\$726.84	\$17.34

Period -----	Monthly Storage Rent -----	Annual Rate Per Square Foot -----
Third Lease Year	\$741.51	\$17.69
Fourth Lease Year	\$756.18	\$18.04
Fifth Lease Year	\$771.27	\$18.40
Sixth Lease Year	\$855.10	\$20.40
Seventh Lease Year	\$872.29	\$20.81
Eighth Lease Year	\$889.89	\$21.23
Ninth Lease Year	\$907.50	\$21.65
Tenth Lease Year	\$925.52	\$22.08

In the event that Lessee exercises its option to extend the term of the Lease as provided in the section of the Lease entitled "OPTION TO EXTEND," the monthly rent for the Storage Space, shall be increased by the same proportion of increase in Monthly Rent for the Demised Premises that is mutually agreed upon by the parties or otherwise established by the board of real estate agents as herein provided.

The Storage Space shall be constructed at Lessor's expense, and Lessor shall provide at its expense perimeter walls, entrance door, vinyl tile floors, fluorescent lighting at the level of 40 foot candles, and adequate ventilation which satisfies the requirements of all applicable District of Columbia codes and regulations.

2. OTHER TERMS AND PROVISIONS

All other provisions of the Lease shall remain in effect and unchanged except as modified herein, and all terms, covenants and conditions shall remain in effect as modified by this Addendum No. 1. If any provision of this Addendum No. 1 conflicts with the Lease, the provisions of this Addendum No. 1 shall control.

IN WITNESS WHEREOF, Lessor and Lessee has caused this Addendum No. 1 to be signed in their names under seal by themselves or by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by all its terms and conditions.

LESSOR:

1201 F STREET L.L.C.

By: CarrAmerica Realty GP Holdings, Inc.
General Partner

By: /s/ Robert O. Carr

Name: Robert O. Carr
Title: Vice President

LESSEE:

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ E. Maria Rivera

Name: E. Maria Rivera
Title: Office Manager

EXHIBIT A-4
FLOOR PLANS, STORAGE SPACE

[MAP OF B-3 LEVEL]

CARRAMERICA

RENTAL COMPILATION

DATE 10/15/99

1201 F STREET NW

WASHINGTON, D.C.

FLOOR B-3

SPACE	TENANT	FLOOR USEABLE AREA	FLOOR COMMON PRO RATA	FLOOR SUBTOTAL	BUILDING COMMON PRO RATA AREA	TENANT RENTABLE AREA
A	TENANT STORAGE ROOM	328	0	328	0	32
B	TENANT STORAGE ROOM	175	0	175	0	17
TOTAL		503	0	503	0	50

ADDENDUM NO. 2 TO LEASE

THIS ADDENDUM NO. 2 TO LEASE ("ADDENDUM NO. 2") is dated as of the 22nd day of September, 2000 by and between 1201 F STREET L.L.C., a Delaware limited liability company ("LESSOR"), and CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation ("LESSEE").

W I T N E S S E T H:

WHEREAS, by Lease dated March 29, 1999, as amended by Addendum No. 1 dated December 2, 1999 (as amended, the "LEASE"), Lessor leased to Lessee and Lessee leased from Lessor, approximately 44,932 square feet of area on the sixth (6th), seventh (7th), and eighth (8th) floors of the office building located at 1201 F Street, N.W., Washington, D.C. 20004 (such area being hereinafter referred to as the "DEMISED PREMISES", and the building being hereinafter referred to as the "BUILDING"); and

WHEREAS, due to certain alterations that will be made to the Building at the request of another tenant, the rentable area of the Demised Premises has decreased from forty-four thousand nine hundred thirty-two (44,932) rentable square feet to forty-four thousand eight hundred forty-five (44,845) rentable square feet, and the rentable area of the Building has decreased from two hundred twenty-five thousand four hundred (225,400) rentable square feet to two hundred twenty-five thousand fifty-one (225,051) square feet;

WHEREAS, Lessor and Lessee desire to revise and modify the Lease with respect to the following provisions:

1. Demised Premises
2. Rent
3. Operating Expenses, Operating Costs and Real Estate Taxes
4. Allowance
5. Broker and Agent
6. Lender Approval
7. Storage Space
8. Other Terms and Provisions

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. DEMISED PREMISES

All references to the Demises Premises in the Lease shall be amended to reflect that the Demised Premises consist of approximately forty-four thousand eight hundred forty-five

(44,845) square feet of rentable area on the sixth (6th), seventh (7th) and eighth (8th) floors of the Building. The re-measurement of the Demised Premises was performed in accordance with the current standards of the Washington, D.C., Association of Realtors Standard Method of Measurement.

2. RENT

As of the Commencement Date (as defined in the Lease), the Monthly Rent (as defined in the Lease) for the Demised Premises shall be as follows:

Period	Monthly Rent	Rate Per Square Foot Per Year
-----	-----	-----
First Lease Year	\$119,586.67	\$32.00
Second Lease Year	\$121,978.40	\$32.64
Third Lease Year	\$124,407.50	\$33.29
Fourth Lease Year	\$126,911.35	\$33.96
Fifth Lease Year	\$129,452.57	\$34.64
Sixth Lease Year	\$136,926.73	\$36.64
Seventh Lease Year	\$139,654.80	\$37.37
Eighth Lease Year	\$142,457.62	\$38.12
Ninth Lease Year	\$145,297.80	\$38.88
Tenth Lease Year	\$148,212.73	\$39.66
Eleventh Lease Year	\$151,165.02	\$40.45

The amount of rental abatement to which Lessee is entitled pursuant to Section 4(C) of the Lease is hereby adjusted from Two Hundred Thirty-nine Thousand Six Hundred Thirty-seven and 34/100 Dollars (\$239,637.34) to Two Hundred Thirty-nine Thousand One Hundred Seventy-three and 34/100 Dollars (\$239,173.34).

3. OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES

All of Lessee's obligations pursuant to the section of the Lease entitled "operating expenses, operating costs and real estate taxes" shall continue unchanged, except that Lessee's proportionate share Operating Costs (as defined in the Lease) shall be 20.97%.

4. ALLOWANCE

The amount of the Allowance (as defined in the Lease) shall be adjusted from Two Million Three Hundred Eighty-one Thousand Three Hundred Ninety-six and 00/100 Dollars (\$2,381,396.00) to Two Million Three Hundred Seventy-six Thousand Seven Hundred Eighty-five and 00/100 Dollars (\$2,376,785.00).

5. BROKER AND AGENT

Lessor and Lessee each represent and warrant one to another that, except as hereinafter set forth, neither of them has employed any broker in carrying on the negotiations, or had any dealings with any broker, relating to this Addendum No. 2. Lessee represents that it has employed CB Richard Ellis as its broker; Lessor represents that it has employed Carr Real Estate Services as its broker. Lessor, pursuant to a separate written agreement, has agreed to pay the commission of the aforementioned brokers. Lessor shall indemnify and hold Lessee harmless, and Lessee shall indemnify and hold Lessor harmless, from and against all claim or claims for brokerage or other commission arising from or out of any breach of the foregoing representation and warranty by the respective indemnitor.

6. LENDER APPROVAL

This Addendum No. 2 is contingent upon the approval of the lender holding the deed of trust encumbering the Building as of the date hereof.

7. STORAGE SPACE

The Section of the Lease entitled "STORAGE SPACE", as amended, shall be further amended as follows: the phrase "vinyl tile floors", which appears in the last paragraph of such Section, is hereby deleted.

8. OTHER TERMS AND PROVISIONS

All other provisions of the Lease shall remain in effect and unchanged except as modified herein, and all terms, covenants and conditions shall remain in effect as modified by this Addendum No. 2. If any provision of this Addendum No. 2 conflicts with the Lease, the provisions of this Addendum No. 2 shall control.

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SIGNATURES CONTINUE ON FOLLOWING PAGE

IN WITNESS WHEREOF, Lessor and Lessee has caused this Addendum No. 2 to be signed in their names under seal by themselves or by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by all its terms and conditions.

LESSOR:

1201 F STREET L.L.C.

By: CarrAmerica Realty, L.P.,
Member

By: CarrAmerica Realty GP Holdings, Inc.
General Partner

By: /s/ Robert O. Carr (SEAL)

Name: Robert O. Carr

Title: Vice President

LESSEE:

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ George C. Eads (SEAL)

Name: George C. Eads

Title: Vice President

SUBSIDIARIES OF CHARLES RIVER ASSOCIATES INCORPORATED

Name of Organization -----	Jurisdiction -----
CRA Security Corporation	Massachusetts
Charles River Associates Canada Ltd.	Ontario
NeuCo, Inc.	Delaware
Charles River Associates Limited	United Kingdom
Charles River Associates de Mexico, S.A. de C.V.	Mexico
Charles River Associates (Asia Pacific) Limited	New Zealand
Charles River Associates Asia Pacific PTY LTD	Australia

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-63451) pertaining to the 1998 Incentive and Nonqualified Stock Option Plan and (Form S-8 No. 333-63453) pertaining to the 1998 Employee Stock Purchase Plan of Charles River Associates Incorporated, of our report dated January 12, 2001, with respect to the consolidated financial statements of Charles River Associates Incorporated included in the Annual Report (Form 10-K) for the year ended November 25, 2000.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 21, 2001