SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 1, 2000

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or

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

Commission file number: 000-24049

CHARLES RIVER ASSOCIATES INCORPORATED

(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2372210
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

617-425-3000

Registrant's telephone number, including area code

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

Yes (X) No ( )

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

As of October 13, 2000 CRA had outstanding 8,685,661 shares of common stock.

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PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	NOVEMBER 27, 1999	SEPTEMBER 1, 2000
ASSETS		(unaudited)
Current assets:		
Cash and cash equivalents	$ 20,176	$ 25,819
Available-for-sale securities	8,684	5,059
Accounts receivable, net of allowances of $917 in 1999 and $1,253 in 2000 for doubtful accounts	12,719	17,767
Unbilled services	13,891	10,157
Prepaid expenses	548	1,727
Deferred income taxes	1,358	1,358
Total current assets	57,376	61,887
Property and equipment, net	4,051	4,947
Goodwill, net of accumulated amortization of $502 in 1999 and $927 in 2000	10,553	10,128
Intangible assets, net of accumulated amortization of $152 in 1999 and $292 in 2000	1,348	1,208
Other assets	182	632
Total assets	$ 73,510	$ 78,802
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES:		
Accounts payable	$ 3,641	$ 3,755
Accrued expenses	15,128	9,848
Deferred revenue and other liabilities	254	371
Current portion of notes payable to former stockholders	406	274
Total current liabilities	19,429	14,248
Notes payable to former stockholders, net of current portion	331	121
Notes payable to minority interest	130	--
Deferred rent	1,305	1,129
Minority interest	--	1,734
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, no par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common Stock, no par value; 25,000,000 shares authorized; 8,683,761 shares in 1999 and 8,685,661 shares in 2000 issued and outstanding	40,189	41,252
Deferred compensation	(345)	(142)
Retained earnings	12,471	20,460
Total stockholders' equity	52,315	61,570
Total liabilities and stockholders' equity	$ 73,510	$ 78,802

See accompanying notes.

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

	Sixteen Weeks Ended		Forty Weeks Ended	
	SEPTEMBER 3, 1999	SEPTEMBER 1, 2000	SEPTEMBER 3, 1999	SEPTEMBER 1, 2000
Revenues	$ 23,480	$ 23,953	$ 54,633	$ 62,667
Costs of services	13,240	13,056	31,322	34,709
Gross profit	10,240	10,897	23,311	27,958
General and administrative	5,786	6,621	12,970	15,807
Income from operations	4,454	4,276	10,341	12,151
Interest income, net	235	538	698	1,177
Income before provision for income taxes and minority interest	4,689	4,814	11,039	13,328
Provision for income taxes	(1,918)	(1,987)	(4,485)	(5,502)
Income before minority interest	2,771	2,827	6,554	7,826
Minority interest	--	117	33	163
Net income	$ 2,771	$ 2,944	$ 6,587	$ 7,989
Net income per share:				
Basic	$ 0.33	$ 0.34	$ 0.78	$ 0.92
Diluted	$ 0.32	$ 0.34	$ 0.77	$ 0.91
Weighted average number of shares outstanding:				
Basic	8,468,544	8,685,661	8,444,421	8,685,235
Diluted	8,549,212	8,685,661	8,530,900	8,743,730

See accompanying notes.

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

	Forty Weeks Ended	
	SEPTEMBER 3, 1999	SEPTEMBER 1, 2000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES:		
Net income	$ 6,587	$ 7,989
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,548	1,589
Deferred rent	(173)	(176)
Minority interest	(33)	(163)
Changes in operating assets and liabilities:		
Accounts receivable	(4,165)	(5,048)
Unbilled services	(1,472)	3,734
Prepaid expenses and other assets	93	(1,629)
Accounts payable, accrued expenses, and other liabilities	(1,549)	(5,049)
Net cash provided by operating activities	836	1,247
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,309)	(2,044)
Sale (purchase) of available-for-sale securities	(7,100)	3,625
Acquisition of businesses	(9,339)	--
Net cash provided by (used in) investing activities	(17,748)	1,581
FINANCING ACTIVITIES:		
Payments on notes payable to former stockholders	(245)	(342)
Proceeds from (payment on) loan from minority interest holder	130	(130)
Issuance of common stock upon exercise of stock options	--	35
Costs related to issuance of common stock in prior fiscal year	--	(115)
Net investment by minority interest	--	3,367
Net cash provided by (used in) financing activities	(115)	2,815
Net increase (decrease) in cash and cash equivalents	(17,027)	5,643
Cash and cash equivalents at beginning of period	32,023	20,176
Cash and cash equivalents at end of period	$ 14,996	$ 25,819
Supplemental cash flow information:		
Cash paid for income taxes	$ 4,297	$ 7,345
Issuance of common stock for acquired business	$ 3,815	--
Issuance of common stock for future services	$ 108	--

See accompanying notes.

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

1. DESCRIPTION OF BUSINESS

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

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND ESTIMATES

The consolidated balance sheet as of September 1, 2000, the consolidated statements of income for the sixteen and forty weeks ended September 3, 1999, and September 1, 2000, and the consolidated statements of cash flows for the forty-week periods ended September 3, 1999, and September 1, 2000, are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows.

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

3. FISCAL YEAR

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

4. REVENUE RECOGNITIOn

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

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

5. 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 consist of commercial paper and certificates of deposit 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
(UNAUDITED)

6. GOODWILL

Goodwill represents the cost in excess of fair market value of net assets of acquired businesses and is amortized over 20 years.

7. IMPAIRMENT OF LONG-LIVED ASSETS

The Company periodically reviews the carrying value of its long-lived assets (primarily property and equipment and goodwill) to assess the recoverability of these assets; 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 net operating cash flows from its acquired businesses.

8. INTANGIBLE ASSETS

Intangible assets consist principally of costs allocated to non-compete agreements and are amortized over the related terms of the agreements (seven to ten years).

9. 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.

10. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its 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% interest in NeuCo. The portion of the results of operations of NeuCo, allocable to its minority owners is shown as "minority interest" in the Company's consolidated statement of income, and that amount, along with the capital contributions to NeuCo of its minority interest owners, is shown as "minority interest" on the Company's consolidated balance sheet. All significant intercompany accounts have been eliminated.

Prior to May 3, 2000, the Company owned 65.25% 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%. The transaction was accounted for as an increase in minority interest and common stock.

11. Net Income per Share

Basic earnings per share represents net income divided by the weighted average shares of common stock outstanding during the period. Weighted average shares used in diluted earnings per share include 86,479 common stock equivalents for the forty weeks ended September 3, 1999 and 58,495 common

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

stock equivalents for the forty weeks ended September 1, 2000 arising from stock options using the treasury stock method.

12. STOCKHOLDERS' EQUITY

In the fourth quarter of fiscal 1999, CRA completed a public offering of 200,000 shares of common stock in exchange for $4.3 million of proceeds, which is net of offering costs.

Each person who was a stockholder of CRA before the closing of CRA's initial public offering in April 1998 entered into a Stock Restriction Agreement with CRA, which prohibits each such person from selling or otherwise transferring shares of common stock held immediately before the initial public offering without the consent of the Board of Directors of CRA for two years after the initial public offering. In addition, the Stock Restriction Agreement allows CRA to repurchase a portion of such stockholder's shares of common stock at a percentage of market value should the stockholder leave CRA (other than for death or retirement for disability).

13. 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 and wrote off approximately $32,000 of unamortized organization costs. This amount was not deemed material enough to present as a cumulative change in accounting principle.

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

In March 2000, the FASB issued Interpretation No. 44, "Accounting Transactions Involving Stock Compensation" (the Interpretation). This Interpretation clarifies how companies should apply the Accounting Principles Board's Opinion No. 25, "Accounting for Stock Issued to Employees." The Interpretation will 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. At the present time, there are no awards granted by the Company which would result in an adjustment at July 1, 2000 as a result of this Interpretation.

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

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. In March 2000, the SEC issued an amendment, SAB 101A, which deferred the effective date of SAB 101. In June 2000, the SEC issued an amendment, SAB 101B, which again deferred the effective date of SAB 101. The Company is required to adopt SAB 101 no later than the fourth quarter of fiscal 2001 in accordance with the amendment. The adoption of this SAB is not expected to have a significant impact on the Company's financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

FORWARD-LOOKING STATEMENTS

In addition to historical information, this quarterly report contains forward-looking statements. Certain risks and uncertainties could cause actual results to differ materially from those reflected in such forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this report. CRA undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this quarterly report and in other documents that CRA files from time to time with the Securities and Exchange Commission, including CRA's Annual Report on Form 10-K for fiscal 1999.

RESULTS OF OPERATIONS-SIXTEEN WEEKS ENDED SEPTEMBER 3, 1999 COMPARED TO SIXTEEN WEEKS ENDED SEPTEMBER 1, 2000

Revenues. Revenues increased by $473,000, or 2.0%, from $23.5 million for the third quarter of fiscal 1999 to $24.0 million for the third quarter of 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 of CRA's consultants. Utilization was 84% for the third fiscal quarter of 1999 as compared to 74% for the third fiscal quarter of 2000. The total number of employee consultants increased from 202 for the third quarter of fiscal 1999 to 235 for the third quarter of fiscal 2000. CRA experienced revenue increases during the third quarter of fiscal 2000 in both its legal and regulatory consulting services and business consulting services, and in particular, generated significant revenue increases in its auctions, metals & materials, and chemicals practice areas.

Costs of Services. Costs of services decreased by $184,000, or 1.4%, from $13.2 million in the third quarter of fiscal 1999 to $13.0 million in the third quarter of fiscal 2000. As a percentage of revenues, costs of services decreased from 56.4% for the third quarter of fiscal 1999 to 54.5% in the third quarter of fiscal 2000. This decrease is primarily the result of reclassifying some of NeuCo's expenses from Cost of Services to General and Administrative.

General and Administrative. General and administrative expenses increased by $835,000 or 14.4%, from $5.8 million in the third quarter of fiscal 1999 to $6.6 million in the third quarter of fiscal 2000. As a percentage of revenues, general and administrative expenses increased from 24.6% in the third quarter of fiscal 1999 to 27.6% in the third quarter of fiscal 2000. The dollar increase in general and administrative expenses resulted from payments to outside experts and increased rents due to internal growth, as well as the reclassification of NeuCo's expenses.

Interest Income, Net. Net interest income increased from $235,000 in third quarter of fiscal 1999 to $538,000 in the third quarter of fiscal 2000. This increase was due primarily to interest earned from the investment of the proceeds of CRA's public offerings as well as interest earned by NeuCo on funds received from a minority partner in the second quarter of fiscal 2000.

Provision for Income Taxes. Provision for income taxes increased from $1.9 million in the third quarter

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

of fiscal 1999 to $2.0 million in the third quarter of fiscal 2000. The Company's effective tax rate increased slightly from 40.9% in the third quarter of fiscal 1999 to 41.3% in the third quarter of fiscal 2000.

Minority Interest. In June 1997, CRA established and purchased a controlling interest in NeuCo, which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. Minority interest increased from zero in the third quarter of fiscal 1999 to $117,000 in the third quarter of fiscal 2000, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

RESULTS OF OPERATIONS-FORTY WEEKS ENDED SEPTEMBER 3, 1999 COMPARED TO FORTY WEEKS ENDED SEPTEMBER 1, 2000

Revenues. Revenues increased by $8.1 million, or 14.7%, from $54.6 million for the forty weeks ended September 3, 1999, to $62.7 million for the forty weeks ended September 1, 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 of CRA's consultants. Utilization was 86% for the forty weeks ended September 3, 1999 as compared to 75% for the forty weeks ended September 1, 2000. CRA experienced revenue increases during the forty weeks ended September 1, 2000, in both its legal and regulatory consulting services and business consulting services and in particular generated significant revenue increases in its auctions, trade, metals and materials, chemicals and transportation practice areas.

Costs of Services. Costs of services increased by $3.4 million, or 10.8%, from $31.3 million in the forty weeks ended September 3, 1999 to $34.7 million in the forty weeks ended September 1, 2000. As a percentage of revenues, costs of services decreased from 57.3% in the forty weeks ended September 3, 1999 to 55.4% in the forty weeks ended September 1, 2000. The decrease as a percentage of revenues was due primarily to an increase in bonuses paid to outside experts who source business to CRA. Bonuses paid to outside experts are included in General and Administrative costs.

General and Administrative. General and administrative expenses increased by $2.8 million, or 21.9%, from $13.0 million in the forty weeks ended September 3, 1999, to $15.8 million in the forty weeks ended September 1, 2000. As a percentage of revenues, general and administrative expenses increased from 23.7% in the forty weeks ended September 3, 1999, to 25.2% in the forty weeks ended September 1, 2000. The dollar increase in general and administrative expenses resulted from payments to outside experts and increased rents due to internal growth.

Interest Income, Net. Net interest income increased from $698,000 in the forty weeks ended September 3, 1999 to $1.2 million in the forty weeks ended September 1, 2000. This increase resulted from interest earned on investments of the proceeds of CRA's 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. Provision for income taxes increased from $4.5 million in the forty weeks ended September 3, 1999 to $5.5 million in the forty weeks ended September 1, 2000. The Company's effective tax rate increased slightly from 40.6% in the forty weeks ended September 3, 1999, to 41.3% in

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

the forty weeks ended September 1, 2000.

Minority Interest. Minority interest in the loss of NeuCo increased from $33,000 in the forty weeks ended September 3, 1999 to $163,000 in the forty weeks ended September 1, 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of September 1, 2000, CRA had cash and cash equivalents of $25.8 million, available-for-sale securities of $5.1 million, and working capital of $47.6 million. Net cash provided by operating activities for the forty weeks ended September 1, 2000 was $1.3 million, consisting primarily of net income of $8.0 million offset in part by a net increase in accounts receivable and unbilled services of $1.3 million as well as a decrease in accounts payable and accrued expenses of $5.0 million, which reflects normal tax payments and bonus payments to employees.

Cash generated by investing activities amounted to $1.6 million, resulting primarily from the sale of short-term investments of $3.6 million, which was offset in part by the purchase of property and equipment during fiscal 2000 of $2.0 million.

CRA's financing activities generated cash of $2.8 million in the forty weeks ended September 1, 2000. The generation of cash results primarily from a net investment in NeuCo by Babcock Borsig Power GmbH of $3.4 million, offset in part by payments made on notes payable to former shareholders and by costs related to CRA's sale of stock in a public offering in the prior fiscal year.

CRA presently has available a $2.0 million revolving line of credit with Fleet National Bank, which is secured by CRA's accounts receivable. This line of credit automatically renews each year on June 30, unless earlier terminated by either CRA or Fleet National. No borrowings were outstanding under this line of credit as of September 1, 2000.

CRA believes that existing cash balances and credit available under its bank line of credit will be sufficient to meet CRA's working capital and capital expenditure requirements for at least the next 12 months.

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RISK FACTORS

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 could have a material adverse effect on our business, financial condition, and results of operations.

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

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

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

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

WE DEPEND ON OUR OUTSIDE EXPERTS

We depend on our existing relationships with our exclusive outside experts. Six of our exclusive outside experts in each of fiscal 1998 and fiscal 1999 generated engagements that accounted for approximately 19 percent and 31 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Most of these outside experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities whose policies prohibit accepting specified engagements, the pursuit of other interests, and retirement.

Thirteen of our approximately 40 outside experts have entered agreements with us that restrict their right to compete with us. The limitation or termination of any of their relationships with us or competition from any of them following the termination of their non-competition agreements with us could have a material adverse effect on our business, financial condition, and results of operations.

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

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

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

- the number of weeks in the quarter
- the number, scope, and timing of ongoing client engagements
- the extent to which we can reassign employee consultants efficiently from one engagement to the next
- employee hiring
- the extent of discounting or cost overruns
- severe weather conditions and other factors affecting employee productivity
- 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 the additional consultants that we intend to hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, if our revenues fail to meet our projections in any quarter, that could have a disproportionate adverse effect on our net income. For these reasons, we believe historical results of operations should not be relied upon as an indication of our future performance.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

ACQUISITIONS MAY DISRUPT OUR OPERATIONS OR ADVERSELY AFFECT OUR RESULTS

We may seek to acquire other businesses, and we may be unable to identify, acquire, successfully integrate, or profitably manage any business without substantial expense, delay, or other operational or financial problems. In addition, we may be unable to achieve the financial, operational, and other benefits we anticipate from any acquisition. We may be unable to manage any acquired company profitably or successfully integrate its operations with our own. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special risks, such as:

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

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

MAINTAINING OUR PROFESSIONAL REPUTATION IS CRUCIAL TO OUR FUTURE SUCCESS

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

WE DEPEND ON OUR ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

We derived a substantial portion of our revenues from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number of our engagements in these practice areas could have a material adverse effect on our business, financial condition, and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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 change 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.

OUR REVENUES COME FROM A LIMITED NUMBER OF LARGE ENGAGEMENTS

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

CLIENTS CAN TERMINATE ENGAGEMENTS WITH US AT ANY TIME

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

POTENTIAL CONFLICTS OF INTERESTS MAY PRECLUDE US FROM ACCEPTING SOME ENGAGEMENTS

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

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

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

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

If we attempt to develop new practice areas or lines of business outside our core economic and business consulting services, those efforts could have a material adverse effect on our results of operations. For example, in June 1997, we established and purchased a controlling interest in NeuCo, Inc., which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. NeuCo may never be profitable. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience may result in costly decisions that could have a material adverse effect on our business, financial condition, and results of operations.

OUR ENGAGEMENTS MAY RESULT IN PROFESSIONAL LIABILITY

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

THE PRICE OF OUR COMMON STOCK MAY BE VOLATILE

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

- variations in our quarterly results of operations
- the hiring or departure of key personnel or outside experts
- changes in our professional reputation
- the introduction of new services by us or our competitors
- acquisitions or strategic alliances involving us or our competitors
- changes in accounting principles
- changes in the legal and regulatory environment affecting clients

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

- 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. Any such litigation against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources. Any of these events could have a material adverse effect on our business, financial condition, and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of September 1, 2000, CRA was exposed to market risks, which primarily include changes in U.S. interest rates.

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

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings

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

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

27.1 Financial Data Schedule

(b) REPORTS ON FORM 8-K

On July 5, 2000, CRA filed a current report on Form 8-K, which reported the elections of William F. Concannon, J. Robert Prichard, and Carl Shapiro to the board of directors on June 1, 2000.

SIGNATURES

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

Charles River Associates Incorporated

Date: October 16, 2000 By: /s/ James C. Burrows

James C. Burrows
President and Chief Executive Officer

Date: October 16, 2000 By: /s/ Laurel E. Morrison

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

5
1
U.S. DOLLARS

9-MOS
NOV-25-2000
NOV-28-1999
SEP-01-2000
1
30,878
0
19,020
(1,253)
0
61,887
10,886
(5,939)
78,802
14,248
0
0
0
41,252
(142)
78,802
0
62,667
0
34,709
15,807
0
0
13,328
5,502
7,989
0
0
0
7,989
0.92
0.91

INCLUDES SHORT-TERM INVESTMENT OF $5,059
EXCLUDES ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $1,253
EXCLUDES INTEREST INCOME OF $1,177
NET INCOME BEFORE MINORITY INTEREST IS $7,826 AND MINORITY INTEREST IS $163