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 4, 1998

or

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

Commission file number: 000-24049

CHARLES RIVER ASSOCIATES INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

617-425-3000

Registrant's telephone number, including area code:

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

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

Yes (X) No ( )

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

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

CHARLES RIVER ASSOCIATES INCORPORATED
INDEX

PART I. FINANCIAL INFORMATION:

		PAGE
ITEM 1.	Financial Statements	
	Consolidated Balance Sheets - September 4, 1998 and November 30, 1997	3
	Consolidated Statements of Income - Sixteen and forty weeks ended September 4, 1998 and September 5, 1997	4
	Consolidated Statements of Cash Flows - Forty weeks ended September 4, 1998 and September 5, 1997	5
	Notes to Consolidated Financial Statements	6
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	9

PART II. OTHER INFORMATION:

ITEM 1.	Legal Proceedings	18
ITEM 2.	Changes in Securities and Use of Proceeds	18
ITEM 5.	Other Information	18
ITEM 6.	Exhibits and Reports on Form 8-K	19
	Signatures	20

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

	November 30, 1997	September 4, 1998 (unaudited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,054	$31,743
Accounts receivable, net of allowance of $394 in 1997; $570 in 1998	10,140	8,807
Unbilled services	4,731	5,645
Prepaid expenses	280	129
Total current assets	17,205	46,324
Property and equipment, net	2,890	3,068
Other assets	340	551
Total assets	$20,435	$49,943
Liabilities and stockholder's equity		
Current liabilities:		
Accounts payable	$ 902	$ 2,207
Accrued expenses	5,729	10,657
Deferred revenue	225	504
Current portions of notes payable to former stockholders and capital lease obligations	325	309
Dividends payable	1,764	0
Deferred income taxes	528	1,424
Total current liabilities	9,473	14,921
Notes payable to former stockholders, net of current portion	707	498
Capital lease obligations, net of current portion	74	42
Deferred rent	1,302	1,410
Minority interest	343	101
Stockholders' equity:		
Common stock (voting); no par value; 25,000,000 shares authorized; 6,519,240 shares in 1997 and 8,316,115 shares in 1998 issued and outstanding	1,977	30,998
Retained earnings	7,770	1,986
	9,747	32,984
Notes receivable from stockholders	(1,211)	(13)
Total stockholders' equity	8,536	32,971
Total liabilities and stockholders' equity	$20,435	$49,943

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

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

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

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

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

1. DESCRIPTION OF BUSINESS

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

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS & ESTIMATES

The consolidated balance sheet as of September 4, 1998, the consolidated statements of income for the sixteen and forty week periods ended September 4, 1998 and September 5, 1997 and the consolidated statements of cash flows for the forty week periods ended September 4, 1998 and September 5, 1997 are unaudited and in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's consolidated financial position, results of operations and cash flows.

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

3. FISCAL YEAR

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

4. LETTER OF INTENT

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

5. INCOME TAXES

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

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

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

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

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

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

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

Pro forma net income per share is computed using pro forma net income and the pro forma weighted average number of shares of common stock. The weighted average number of shares of common stock for the purpose of computing pro forma net income per share has been increased by the number of shares that were required to pay a dividend in the amount of $2.4 million that was paid from the proceeds of the Company's initial public offering.

7. SUPPLEMENTAL COMPENSATION

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

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

8. STOCKHOLDERS EQUITY

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

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

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

9. ACCOUNTING PRONOUNCEMENTS

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

In December 1997, The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued a Statement of Position (SOP), "Reporting on the Costs of Start-up Activities," which will require companies upon adoption to expense start-up costs, including organization costs, as incurred. In addition, the SOP will require companies upon adoption to write off as a cumulative change in accounting principle any previously recorded start-up or organization costs. The SOP is effective for fiscal years beginning after December 15, 1998. At September 4, 1998, the Company had deferred start-up costs of $54,000. The Company believes that the adoption of this SOP will not have a material impact on the Company's consolidated financial statements.

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

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

FORWARD-LOOKING STATEMENTS

In addition to historical information this Quarterly Report contains forward-looking statements. The forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Factors that might cause such 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 - Factors Affecting Future Performance." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company 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 the Company files from time to time with the Securities and Exchange Commission, including the Company's Registration Statement on Form S-1 (Registration No. 333-46941) and the Quarterly Reports on Form 10-Q filed by the Company in fiscal 1998.

RESULTS OF OPERATIONS - SIXTEEN WEEKS ENDED SEPTEMBER 5, 1997 COMPARED TO SIXTEEN WEEKS ENDED SEPTEMBER 4, 1998

Revenues. Revenues increased by $2.0 million, or 13.6%, from $14.5 million for the third quarter of fiscal 1997 to $16.5 million for the third quarter of fiscal 1998. The increase in revenues was due primarily to an increase in consulting services performed for new and existing clients during the period and an increase in the number of consultants. The Company experienced revenue increases during the third quarter of fiscal 1998 in both its legal and regulatory consulting services and business consulting services, and in particular generated significant revenue increases in its antitrust and mergers and acquisitions practices.

Costs of Services. Costs of services increased by $848,000, or 9.3%, from $9.1 million in the third quarter of fiscal 1997 to $10.0 million in the third quarter of fiscal 1998. As a percentage of revenues, costs of services decreased from 63.0% in the third quarter of fiscal 1997 to 60.6% in the third quarter of fiscal 1998. The decrease as a percentage of revenues was due primarily to the Company's consulting staff not increasing at as fast a rate as the rate of increase of revenues. In addition, the Company hired more junior consultants, who typically generate higher margins than senior consultants.

Supplemental Compensation. Beginning in fiscal 1998, the Company no longer pays supplemental compensation, and consequently, did not have supplemental compensation in the third quarter of fiscal 1998. Supplemental compensation was $373,000 in the third quarter of fiscal 1997.

General and Administrative. General and administrative expenses increased by $296,000, or 8.8%, from $3.4 million in the third quarter of fiscal 1997 to $3.7 million in the third quarter of fiscal 1998. The increase was due primarily to increased rent expense resulting from the Company's expansion of each of its three offices in Boston, Massachusetts, Washington, D.C. and Palo Alto, California. As a percentage of revenues, general and administrative expenses decreased from 23.2% in the third quarter of fiscal 1997 to 22.2% in the third quarter of fiscal 1998. This was due to the Company increasing its administrative and support staff at a lower rate than the rate of increase of its consultants.

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

Interest Income, Net. Net interest income increased from $41,000 in the third quarter of fiscal 1997 to $383,000 in the third quarter of fiscal 1998. This increase was due primarily to interest earned from investments of the proceeds of the Company's initial public offering.

Minority Interest. In June 1997, the Company established and purchased a controlling interest in NeuCo LLC ("NeuCo"), which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. Minority interest decreased from $198,000 in the third quarter of fiscal 1997 to $109,000 in the third quarter of fiscal 1998, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

Provision for Income Taxes. The provision for income taxes increased from $112,000 for the third quarter of fiscal 1997 to $1.3 million for the third quarter of fiscal 1998. The provision for the third quarter of fiscal 1998 reflects taxation as a C Corporation for the entire quarter.

RESULTS OF OPERATIONS - FORTY WEEKS ENDED SEPTEMBER 5, 1997 COMPARED TO FORTY WEEKS ENDED SEPTEMBER 4, 1998

Revenues. Revenues increased by $5.9 million, or 17.5%, from $33.3 million for the forty weeks ended September 5, 1997 to $39.2 million for the forty weeks ended September 4, 1998. The increase in revenues was due primarily to an increase in consulting services performed for new and existing clients during the period and an increase in the number of consultants.

Costs of Services. Costs of services increased by $2.2 million, or 10.6%, from $21.2 million in the forty weeks ended September 5, 1997 to $23.4 million in the forty weeks ended September 4, 1998. As a percentage of revenues, costs of services decreased from 63.5% in the forty weeks ended September 5, 1997 to 59.7% in the forty weeks ended September 4, 1998. The decrease as a percentage of revenues was due primarily to consultants not increasing at as fast a rate as the rate of increase in revenues in the forty weeks ended September 4, 1998, higher utilization rates and increases in junior consultants who typically generate higher margins than senior consultants.

Supplemental Compensation. Beginning in fiscal 1998, the Company no longer pays supplemental compensation, and consequently, did not have supplemental compensation in the forty weeks ended September 4, 1998. Supplemental compensation was $933,000 through the forty weeks ended September 5, 1997.

General and Administrative. General and administrative expenses increased by $1.3 million, or 17.5%, from $7.7 million in the forty weeks ended September 5, 1997 to $9.0 million in the forty weeks ended September 4, 1998. As a percentage of revenues, general and administrative expenses remained flat at 23.0% for the forty weeks ended September 5, 1997 as well as the forty weeks ended September 4, 1998.

Interest Income, Net. Net interest income increased from $134,000 in the forty weeks ended September 5, 1997 to $609,000 in the forty weeks ended September 4, 1998. This increase was due primarily to interest earned from investments of the proceeds of the Company's initial public offering.

Minority Interest. Minority interest increased from $198,000 in the forty weeks ended September 5, 1997 to $242,000 in the forty weeks ended September 4,1998, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners. NeuCo was started in June 1997, so that the 1998 loss includes an additional four-week period of loss.

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

Provision for Income Taxes. The provision for income taxes increased from $248,000 for the forty weeks ended September 5, 1997 to $3.1 million for the forty weeks ended September 4, 1998. The provision for the forty weeks ended September 4, 1998 consists of $1.7 million for current year operations, reflecting taxation as an S Corporation for 149 days and taxation as a C Corporation for 129 days, and $1.4 million for the change in tax status to a C Corporation.

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

LIQUIDITY AND CAPITAL RESOURCES

As of September 4, 1998, the Company had cash and cash equivalents of $31.7 million and working capital of $31.4 million. Net cash provided by operating activities for the forty weeks ended September 4, 1998 was $12.9 million. Cash generated from operating activities resulted primarily from net income of $4.5 million, a decrease in accounts receivable of $1.3 million and an increase in accounts payable and accrued expenses of $6.3 million which reflects normal bonus accruals for the forty weeks ended September 4, 1998.

Net cash used in investing activities for the purchase of furniture, fixtures and computer equipment during the forty weeks ended September 4, 1998 was $1.1 million. The Company's financing activities provided cash of $17.9 million in the forty weeks ended September 4, 1998. This increase consists primarily of the net proceeds of $29.5 million from the sale of stock in the Company's initial public offering (the "Offering"), and the collection of notes receivable from shareholders of $1.2 million, offset by the previously accrued 1997 tax distribution of $1.7 million, a $2.4 million supplemental dividend paid from the proceeds of the Offering, and a final $8.0 million S Corporation distribution paid to the stockholders.

The Company presently has available a $2.0 million revolving line of credit with BankBoston Corporation ("BankBoston"), which is secured by the Company's accounts receivable. This line of credit automatically renews each year on June 30 unless earlier terminated by either the Company or BankBoston. No borrowings were outstanding under this line of credit as of September 4, 1998.

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

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

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

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from the 20th century dates. The use of software and computer systems that are not Year 2000 compliant could result in system failures or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with Year 2000 requirements.

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

The Company has received verbal confirmations from software vendors that the software the Company has purchased and is installing is Year 2000 compliant, and it is in the process of obtaining written certifications from such vendors to the same effect. Based on the foregoing, the Company currently has no reason to believe that its internal software systems are not Year 2000 compliant. To date, the Company has not incurred significant incremental costs in order to comply with Year 2000 requirements and does not believe it will incur significant incremental costs in the foreseeable future. However, there can be no assurance that Year 2000 errors or defects will not be discovered in the Company's internal software systems and, if such errors or defects are discovered, there can be no assurance that the costs of making such systems Year 2000 compliant will not have a material adverse effect on the Company's business, operating results and financial conditions.

The Company relies on third party vendors that may not be Year 2000 compliant for certain equipment and services. To date, the Company has not conducted a Year 2000 review of all of its vendors. Failure of systems maintained by the Company's vendors to operate properly with regard to the Year 2000 and thereafter could require the Company to incur significant unanticipated expenses to remedy any problems or replace affected vendors and could have a material adverse effect on the Company's business, operating results and financial condition.

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

FACTORS AFFECTING FUTURE PERFORMANCE

Certain of the statements contained in this section and elsewhere in this quarterly report that are not purely historical, such as statements regarding the Company's expectations, beliefs, intentions, plans and strategies regarding the future, are forward-looking statements that involve risks, uncertainties and assumptions that could cause the Company's actual results to differ materially from those expressed in the forward-looking statements. All forward-looking statements are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any forward-looking statement. The cautionary statements made in this quarterly report should be read as being applicable to all related forward-looking statements wherever they appear in this quarterly report.

DEPENDENCE UPON KEY EMPLOYEES

The Company's business consists primarily of the delivery of professional services and, accordingly, its future success is highly dependent upon the efforts, abilities, and business generation capabilities and project execution of its consultants. The Company has no employment or non-competition agreement with any consultant and, accordingly, each consultant may terminate his or her relationship with the Company at will and without notice and immediately begin to compete with the Company. The loss of the services of any consultant or the failure of the Company's consultants to generate business or otherwise perform at or above historical levels could have a material adverse effect on the Company's business, financial condition and results of operations.

NEED TO ATTRACT QUALIFIED CONSULTANTS

In order to meet its growth objectives, the Company needs to hire increasing numbers of highly qualified, highly educated consultants. The number of potential employees that meet the Company's hiring criteria is relatively small. Moreover, increasing competition for these consultants may also result in significant increases in the Company's labor costs, which could have a material adverse effect on the Company's margins and results of operations. The failure to recruit and retain a significant number of qualified consultants could have a material adverse effect on the Company's business, financial condition and results of operations.

MAINTENANCE OF PROFESSIONAL REPUTATION

The Company's ability to secure new engagements and hire qualified consultants is highly dependent upon the Company's overall reputation. Any factor that diminishes the reputation of the Company or any of its personnel or outside consultants ("Outside Experts") could make it substantially more difficult for the Company to compete successfully for both new engagements and qualified consultants and could therefore have a material adverse effect on the Company's business, financial condition and results of operations.

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

FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

The Company has experienced, and may continue to experience, significant period-to-period fluctuations in revenues and results of operations. The Company's results of operations in any quarter can fluctuate depending upon, among other things, the number of weeks in the quarter, the number, scope and timing of ongoing client engagements, the extent of discounting or cost overruns, employee hiring, and other factors affecting employee productivity. Because the Company generates substantially all of its revenues from consulting services provided on an hourly-fee basis, the Company's revenues in any period are directly related to the number of its consultants, their billing rates and the number of billable hours worked during that period. The Company's ability to increase any of these factors in the short term is limited and, accordingly, the Company may be unable to compensate for periods of underutilization during one part of a fiscal period by augmenting revenues during another part of that period. In addition, the Company intends to hire additional consultants who may not be fully utilized immediately, particularly in the quarter in which the consultants are hired. Moreover, a significant majority of the Company's operating expenses, primarily rent and the base salaries of the Company's consultants, are fixed in the short term, and as a result the failure of revenues to meet the Company's projections in any quarter could have a disproportionate adverse effect on the Company's net income. For these reasons, the Company believes that its historical results of operations should not be relied upon as an indication of future performance.

RISKS RELATED TO POSSIBLE ACQUISITIONS

An element of the Company's strategy is to expand its operations through the acquisition of complementary businesses or consulting practices. On October 9, 1998 the Company signed a letter of intent to acquire substantially all of the assets of The Tilden Group, LLC. The Company has never acquired another business, and there can be no assurance that the Company will be able to identify, acquire, and successfully integrate into the Company or profitably manage any businesses without substantial expense, delay or other operational or financial problems. Moreover, there is competition for acquisition opportunities in the economic and business consulting industries, which could result in an increase in the price of acquisition targets and a decrease in the number of attractive companies available for acquisition.

DEPENDENCE UPON OUTSIDE EXPERTS

The Company's future success depends upon the continuation of the Company's existing relationships with four principal Outside Experts. The Company's ability to compete successfully for certain engagements in the past has derived in substantial part from its ability to offer the services of these Outside Experts to potential clients. Each of these Outside Experts is a party to an agreement with the Company that restricts his right to compete with the Company, however these Outside Experts may limit their relationships with the Company at any time for any reason. The limitation or termination of any of their relationships with the Company could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, in order to meet the Company's growth objectives, the Company believes that it will be necessary to establish ongoing relationships with additional Outside Experts. There can be no assurance that the Company will be successful in establishing such relationships.

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

MANAGEMENT OF GROWTH

The Company has recently experienced and may continue to experience significant growth in its revenues and employee base. This growth has resulted, and any future growth would continue to result, in new and increased management, consulting and training responsibilities for the Company's consultants as well as increased demands on the Company's internal systems, procedures and controls, and its managerial, administrative, financial, marketing and other resources. No member of the Company's management team has significant experience in managing a public company. Moreover, the Company has recently opened offices in new geographic locations and may open new offices in the future. Opening new offices may entail certain start-up and maintenance costs that could be substantial. The failure of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

CONCENTRATION OF REVENUES; DEPENDENCE ON LIMITED NUMBER OF LARGE ENGAGEMENTS

The Company has derived, and expects to continue to derive, a significant portion of its revenues from a limited number of large engagements. The volume of work performed for any particular client is likely to vary from year to year. Engagements can also terminate suddenly and without prior notice to the Company. The unexpected termination of an engagement could result in the underutilization of the consultants working on the engagement until they are assigned to other projects. Accordingly, the failure to obtain anticipated numbers of new large engagements, or the termination or significant reduction in the scope of a single large engagement, could have a material adverse effect on the Company's business, financial condition and results of operations.

POTENTIAL CONFLICTS OF INTERESTS

The Company's engagement by a client frequently precludes the Company from accepting engagements with the client's competitors or adversaries because of direct or indirect conflicts between their interests or positions on disputed issues. Accordingly, the number of both potential clients and potential engagements is limited. Moreover, in many of the industries in which the Company provides consulting services, and in the telecommunications industry in particular, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of potential clients for the Company's services and increase the likelihood that the Company will be unable to continue certain ongoing engagements or accept certain new engagements as a result of conflicts of interests. Any such result could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE UPON ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

The Company derives substantial revenues from engagements in the Company's antitrust and mergers and acquisitions practice areas. Substantially all of these revenues are derived from engagements relating to enforcement of United States antitrust laws. Changes in the federal antitrust laws or changes in judicial interpretations of these laws for any reason could substantially reduce the number, duration or size of engagements available to the Company in this area. Any substantial reduction in the number of the Company's antitrust and mergers and acquisitions consulting engagements could have a material adverse effect on its business, financial condition and results of operations.

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

INTENSE COPMETITION

The market for economic and business consulting services is intensely competitive, highly fragmented and subject to rapid change. In general, the barriers to entry into the Company's markets are few and the Company expects to face additional competition from new entrants into the economic and business consulting industries. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors.

RISKS RELATED TO ENTRY INTO NEW LINES OF BUSINESS

An element of the Company's growth strategy is to continue to develop new practice areas and complementary lines of business. For example, in June 1997, the Company established and purchased a controlling interest in NeuCo LLC ("NeuCo"), which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. To date, NeuCo has not been profitable, and there can be no assurance that it will become profitable. The development by the Company of new practice areas or lines of business outside its core economic and business consulting services carries inherent risks, including risks associated with inexperience and competition from mature participants in those markets. There can be no assurance that the Company's attempts to develop NeuCo or any other new practice area or line of business will be successful.

PROFESSIONAL LIABILITY

Litigation against the Company alleging that the Company performed negligently or otherwise breached its obligations to the client could expose the Company to significant liabilities and tarnish its reputation, either of which could have a material adverse effect on the Company's business, financial condition and results of operations.

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings

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

Item 2. Changes in Securities and Use of Proceeds

d) USE OF PROCEEDS

The Company sold 1,796,875 shares of its Common Stock, without par value ("Common Stock"), on April 29, 1998 and May 7, 1998, pursuant to a Registration Statement on Form S-1 (Registration No. 333-46941), which was declared effective by the Securities and Exchange Commission on April 23, 1998 (the "Effective Date"). Certain stockholders of the Company sold an aggregate of 719,325 shares of Common Stock pursuant to such registration statement. The managing underwriters of the offering were NationsBanc Montgomery Securities LLC and William Blair & Company. The aggregate gross proceeds to the Company and the selling stockholders from the offering were $33.2 million and $13.3 million, respectively. The Company's total expenses in connection with the offering were approximately $3.7 million, of which $2.3 million was for underwriting discounts and commissions and, based on the Company's reasonable estimate, approximately $1.4 million was for other expenses, of which $1.3 million was paid to persons other than directors or officers of the Company, persons owning more than 10 percent of any class of equity securities of the Company, or affiliates of the Company (collectively, "Affiliates") and of which approximately $100,000 was paid to a company wholly owned by a director, for services in connection with the offering. The Company's net proceeds from the offering were approximately $29.5 million. From the Effective Date through September 4, 1998, the Company used $2.4 million of such net proceeds to pay a dividend to stockholders of record on April 28, 1998 (the "Dividend"). A portion of the Dividend was paid to Affiliates of the Company. As of September 4, 1998 the Company had approximately $27.1 million of proceeds remaining from the Offering, and pending use of the proceeds, the Company intends to invest such proceeds primarily in investment-grade, short-term, interest-bearing instruments. The terms of the Company's bank line of credit place certain restrictions on the Company's ability to pay cash dividends on its Common Stock.

Item 5. Other Information

On September 14, 1998, the Company's Board of Directors appointed Steven C. Salop a director of the Company. The Company's Board of Directors is divided into three classes, one class of which is elected each year at the annual meeting of stockholders to hold office for a term of three years. Rowland T. Moriarty, William B. Burnett and Dr. Salop currently serve as Class I Directors; their terms of office expire in 1999. Firoze E. Katrak and Carl Kaysen currently serve as Class II Directors; their terms of office expire in 2000. Franklin M. Fisher and James C. Burrows currently

serve as Class III Directors; their terms of office expire in 2001.

Item 6. Exhibits and Reports on Form 8-K

a) EXHIBITS

99.1 Press Release of the Company dated October 13, 1998 announcing the Company's signing of a letter of intent to acquire substantially all of the assets of The Tilden Group, LLC.

b) REPORTS ON FORM 8-K

Charles River Associates Incorporated did not file any Reports on Form 8-K during the quarter ended September 4, 1998.

SIGNATURES

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

Charles River Associates Incorporated
(Registrant)

Date: October 16, 1998 By: /s/ James C. Burrows
James C. Burrows
President and Chief Executive Officer

Date: October 16, 1998 By: /s/ Laurel E. Morrison
Laurel E. Morrison
Vice President & Treasurer
(Principal Financial and Accounting Officer)

5
1
U.S. DOLLARS

OTHER
NOV-28-1998
MAY-16-1998
SEP-04-1998
1
31,743
0
8,807
(570)
0
46,324
6,493
(3,425)
49,943
14,921
42
0
0
30,998
(13)
49,943
0
16,465
0
9,983
3,657
0
0
3,208
1,331
1,986
0
0
0
1,986
0.24
0.24

NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS $570
NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION $3,425
EXCLUDES NOTES PAYABLE TO FORMER STOCKHOLDERS $498
NOTES RECEIVABLE FROM STOCKHOLDERS
NET INCOME BEFORE MINORITY INTEREST IS $1,877 AND MINORITY INTEREST OF $109

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

Contact:

Laurel Morrison	James R. Buckley
Vice President, Chief Financial Officer	Vice President
Charles River Associates Incorporated	Sharon Merrill Associates, Inc.
617-425-3000, Ext. 4476	617-542-5300

CHARLES RIVER ASSOCIATES SIGNS LETTER OF INTENT TO ACQUIRE
THE TILDEN GROUP, LLC FOR $11.4 MILLION

ACQUISITION STRENGTHENS CRA'S POSITION IN THE EXPANDING CONSULTING MARKET
WITH THE ADDITION OF TWO WORLD-CLASS INDUSTRY EXPERTS

BOSTON, October 13, 1998 - Charles River Associates Incorporated (NASDAQ:CRAI), a leading provider of high-level economic, financial and business strategy consulting, today announced that it has signed a letter of intent to acquire the assets of the California-based, The Tilden Group, LLC. The Tilden Group is a privately held specialized consulting firm focusing on economic analysis for litigation, public policy design and business strategy development. The transaction will strengthen CRA's litigation support and business consulting practices and expand its presence in California with the addition of Dr. Michael Katz, an inter-nationally recognized authority on telecommunications, antitrust, intellectual property and business strategy issues, and Dr. Carl Shapiro, a prominent economic expert in the areas of antitrust , intellectual property and business strategy.

Under the terms of the letter of intent, CRA will pay $11.4 million with a mixture of cash and stock, for the assets of The Tilden Group. The acquisition is expected to close in the fourth quarter of calendar 1998. It is anticipated that in connection with the transaction, Drs. Katz and Shapiro will sign exclusive consulting agreements with CRA. The closing of the transaction will be subject to negotiation of definitive agreements, completion of due diligence and obtaining all necessary approvals.

In addition to Drs. Katz and Shapiro, The Tilden Group currently employs 10 consulting and administrative staff all of whom are expected to join CRA upon completion of the acquisition. The consulting operations will continue to be conducted out of the Oakland, California office.

"This acquisition marks an important step forward in the execution of our growth strategy," stated James C. Burrows, CRA President and Chief Executive Officer. "We view this acquisition as a major milestone for CRA and are enthusiastic about the growth opportunities that this combination provides. Acquiring The Tilden Group not only strengthens our position as a leading provider of sophisticated, economically-based legal and business consulting advice, but also adds two key consultants with distinguished, world-class reputations in industrial organization, business strategy and telecommunications economics."

Burrows concluded, "Michael Katz and Carl Shapiro have the extensive knowledge, broad project exposure and high-profile testimony experience to enhance CRA's preeminent reputation in the areas of antitrust, intellectual property, litigation and telecommunications. These two well-known and highly respected experts are welcome additions to CRA's roster of elite consultants. By expanding CRA's already strong presence in the California market, we expect that Carl Shapiro and Michael Katz will be significant contributors to the growth of CRA."

"The strategic combination of CRA's broad foundation of expertise with The Tilden Group's antitrust, telecommunications and business strategy capabilities creates an even more attractive consulting resource for our client base," Shapiro stated.

Katz added "the experience and capabilities of CRA's management and consulting staff will strengthen our ability to offer clients comprehensive business and legal consulting solutions."

Dr. Michael L. Katz is a respected expert in the areas of telecommunications policy, antitrust economics and business strategy. Prior to co-founding The Tilden Group, he was the Chief Economist at the Federal Communications Commission (FCC) where he formulated and implemented regulatory policies for all industries under the FCC's jurisdiction from 1994 to 1996. He has published in such areas as telecommunications, industrial organization, intellectual property and the economics of network effects. He earned his doctorate in economics from Oxford University in 1982 and graduated summa cum laude with an A.B. in economics from Harvard University. Dr. Katz is currently the Edward J. and Mollie Arnold Professor of Business Administration at the Haas School of Business at the University of California at Berkeley.

Dr. Carl Shapiro is a world-renowned expert in the areas of antitrust and intellectual property. Prior to co-founding The Tilden Group, he served as the Deputy Assistant Attorney General for Economics in the Antitrust Division of the U.S. Department of Justice from 1995 to 1996. Dr. Shapiro's depth of knowledge extends across a variety of disciplines, including antitrust, regulation, intellectual property, and competitive strategy. He has published extensively in the areas of industrial organization, competition policy, the economics of innovation and competitive strategy. He earned his Ph.D. in economics from the Massachusetts Institute of Technology (M.I.T.) in 1981, an M.A. in economics at the University of California at Berkeley and a B.S. in economics and math from M.I.T. Dr. Shapiro is currently the Transamerica Professor of Business Strategy at the Haas School of Business at the University of California at Berkeley.

Charles River Associates is a worldwide leader in the market for sophisticated economic consulting services. Founded in 1965, CRA is known for its expertise in the fields of legal and regulatory economics, business strategy development, energy policy analysis, finance, intellectual property, materials and manufacturing, policy impact evaluation, technology assessment, telecommunications and transportation planning.

Statements in this press release concerning the future business, operating results and financial condition of the Company are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. Such factors that could cause actual results to differ materially from any forward-looking statements made by the Company include, among others, dependence on key personnel, attracting and retaining qualified consultants, dependence on outside experts, intense competition and professional liability. Further information on these and other potential factors that could affect the Company's financial results are included in the Company's initial public offering prospectus dated April 23, 1998.

###