AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 3, 1998

REGISTRATION NO. 333-46941

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

| MASSACHUSETTS | 8748 | 04-2372210 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

200 CLARENDON STREET
BOSTON, MASSACHUSETTS 02116
(617) 425-3000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JAMES C. BURROWS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CHARLES RIVER ASSOCIATES INCORPORATED
200 CLARENDON STREET
BOSTON, MASSACHUSETTS 02116
(617) 425-3000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

PETER M. ROSENBLUM, ESQ.
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HALE AND DORR LLP
60 STATE STREET
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED APRIL 3, 1998

2,188,000 SHARES

[LOGO] CHARLES RIVER ASSOCIATES INCORPORATED

COMMON STOCK

Of the 2,188,000 shares of Common Stock offered hereby (the "Offering"), 1,562,500 shares are being sold by Charles River Associates Incorporated ("CRA" or the "Company") and 625,500 shares are being sold by the Selling Stockholders. The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders. See "Principal and Selling Stockholders."

Prior to the Offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price of the Common Stock will be between $15.00 and $17.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Company has applied to have the Common Stock approved for quotation on the Nasdaq National Market under the symbol "CRAI."

SEE "RISK FACTORS" COMMENCING ON PAGE 6 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Price to Public | Underwriting Discount (1) | Proceeds to Company (2) | Proceeds to Selling Stockholders |
|---|---|---|---|---|
| Per Share..... | $ | $ | $ | $ |
| Total (3)..... | $ | $ | $ | $ |

(1) See "Underwriting" for information concerning indemnification of the Underwriters and other matters.
(2) Before deducting expenses payable by the Company, estimated at $900,000.
(3) The Company and the Selling Stockholders have granted the Underwriters a 30-day option to purchase up to 328,200 additional shares of Common Stock, solely to cover over-allotments, if any. If the Underwriters exercise this option in full, the Price to Public will total $ , the Underwriting Discount will total $ , the Proceeds to Company will total $ , and the Proceeds to Selling Stockholders will total $ . See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them, and subject to their right to reject any order in whole or in part. It is expected that delivery of the certificates representing such shares will be made against payment therefor at the office of NationsBanc Montgomery Securities LLC on or about , 1998.

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NationsBanc Montgomery Securities LLC William Blair & Company

, 1998

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SUCH TRANSACTIONS MAY INCLUDE STABILIZING, THE PURCHASE OF COMMON STOCK TO COVER SYNDICATE SHORT POSITIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

## PROSPECTUS SUMMARY

This following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including "Risk Factors" and the Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus. The terms "fiscal 1993," "fiscal 1994," "fiscal 1995," "fiscal 1997" and "fiscal 1998" refer to the 52-week periods ended November 27, 1993, November 26, 1994, November 25, 1995, November 29, 1997 and November 28, 1998, respectively, and the term "fiscal 1996" refers to the 53-week period ended November 30, 1996. Unless otherwise indicated, all information in this Prospectus (i) reflects the amendment and restatement of the Company's articles of organization, (ii) reflects 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 (iii) assumes no exercise of the Underwriters' over-allotment option. See "Underwriting."

### THE COMPANY

Charles River Associates Incorporated ("CRA" or the "Company") is a leading economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. Through its legal and regulatory consulting practice, CRA provides law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues such as the competitive effects of mergers and acquisitions, damages calculations, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. In addition, the Company uses its expertise in economics, finance and business analysis to offer clients business consulting services for strategic issues such as establishing pricing strategies, estimating market demand, valuing intellectual property and other assets, assessing competitors' actions, and analyzing new sources of supply. To complement its analytical expertise in advanced economic and financial methods, the Company offers its clients in-depth industry expertise in specific vertical markets, including chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation.

The Company's services are provided by its highly credentialed and experienced staff of consultants. As of February 20, 1998, CRA employed 120 full-time professional consultants, including 47 consultants with Ph.D.s and 26 consultants with other advanced degrees, who have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. Since maintaining its reputation is paramount and its engagements are typically complex, the Company is extremely selective in its hiring of consultants, recruiting individuals from leading universities, industry and government. Many of the Company's consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of renowned academic and industry experts ("Outside Experts").

Through its offices in Boston, Massachusetts, Washington, D.C. and Palo Alto, California, CRA has completed more than 2,500 engagements for clients, including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, the Company had over 1,200 engagements for clients that included 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). During that period, the Company's clients included Cravath, Swaine & Moore; Ford Motor Company; Jones, Day, Reavis & Pogue; Procter & Gamble Company

Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; and Time Warner Inc. No single client accounted for over 10% of the Company's revenues in fiscal 1997.

The environment in which businesses operate is becoming increasingly complex due to the broader application of technology, the globalization of many industries and increased competition. This increasing complexity and the changing nature of the business environment are also forcing governments to adjust their regulatory strategies, resulting in more frequent and more complex litigation and increased interaction with government agencies. In response to these trends, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. As the need for complex economic and financial analysis becomes more widespread, CRA believes that companies will increasingly turn to outside consultants for access to specialized expertise, experience and prestige that are not available to them internally.

CRA intends to capitalize on these industry trends and enhance its position as a leading economic and business consulting firm by pursuing a multi-pronged growth strategy. Since its consultants are its most important asset, CRA will continue to aggressively recruit and retain high quality consultants. In addition, the Company will continue to expand its expertise by establishing relationships with additional Outside Experts. The Company also intends to expand its current client base by increasing marketing activities and expanding its current service offerings. Finally, the Company plans to pursue strategic acquisitions and alliances in order to gain access to additional consultants, new service offerings, additional industry expertise, a broader client base or an expanded geographic presence.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is broadly held among over 30 officers and directors. In connection with the management buy-out, the Company refocused its efforts on improving profitability and expanding its areas of expertise and its client base. The Company's revenues and income from operations have increased from $31.8 million and $2.5 million in fiscal 1995 to $44.8 million and $4.7 million in fiscal 1997, respectively, representing compound annual growth rates of 18.6% and 37.8%, respectively.

The Company was incorporated in the Commonwealth of Massachusetts on February 19, 1965. The Company's principal executive offices are located at 200 Clarendon Street, Boston, Massachusetts 02116 and its telephone number is (617) 425-3000.

## THE OFFERING

| | |
|---|---|
| Common Stock offered by the Company..... | 1,562,500 shares |
| Common Stock offered by the Selling Stockholders..... | 625,500 shares |
| Common Stock to be outstanding after the Offering..... | 8,081,740 shares (1) |
| Use of proceeds..... | Payment of dividends and general corporate purposes, including working capital and possible acquisitions. See "Use of Proceeds." |
| Proposed Nasdaq National Market symbol..... | CRAI |

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(1) Excludes 970,000 shares of Common Stock reserved for issuance under the 1998 Incentive and Nonqualified Stock Option Plan and 243,000 shares of Common Stock reserved for issuance under the 1998 Employee Stock Purchase Plan. See "Management--Benefit Plans."

SUMMARY CONSOLIDATED FINANCIAL DATA

(IN THOUSANDS, EXCEPT SHARE DATA)

| | FISCAL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | NOVEMBER 27, 1993 | NOVEMBER 26, 1994 | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 (53 WEEKS) | NOVEMBER 29, 1997 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | |
| Revenues | $25,937 | $26,249 | $31,839 | $37,367 | $44,805 |
| Costs of services | 15,446 | 16,160 | 19,760 | 23,370 | 28,374 |
| Supplemental compensation (1) | -- | -- | 1,212 | 1,200 | 1,233 |
| Gross profit | 10,491 | 10,089 | 10,867 | 12,797 | 15,198 |
| Income from operations | 2,002 | 1,885 | 2,470 | 3,737 | 4,689 |
| Net income (2) | $ 1,848 | $ 1,545 | $ 2,414 | $ 3,588 | $ 4,967 |
| Basic and diluted net income per share | $0.23 | $0.19 | $0.40 | $0.59 | $0.78 |
| Pro forma net income (3) | | | | | $3,134 |
| Pro forma net income per share (3) | | | | | $0.48 |
| Weighted average number of common shares outstanding used in basic and diluted net income per share | 7,902,752 | 7,935,512 | 5,987,384 | 6,091,384 | 6,355,873 |
| Weighted average number of common shares outstanding used in pro forma net income per share (4) | | | | | 6,505,873 |

| | QUARTER ENDED | |
|---|---|---|
| | FEBRUARY 21, 1997 | FEBRUARY 20, 1998 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | |
| Revenues | $9,648 | $11,137 |
| Costs of services | 6,106 | 6,486 |
| Supplemental compensation (1) | 280 | -- |
| Gross profit | 3,262 | 4,651 |
| Income from operations | 1,128 | 1,897 |
| Net income (2) | $1,061 | $ 1,875 |
| Basic and diluted net income per share | $0.17 | $0.29 |
| Pro forma net income (3) | | $1,181 |
| Pro forma net income per share (3) | | $0.18 |
| Weighted average number of common shares outstanding used in basic and diluted net income per share | 6,212,440 | 6,519,240 |
| Weighted average number of common shares outstanding used in pro forma net income per share (4) | | 6,669,240 |

| | FEBRUARY 20, 1998 | | |
|---|---|---|---|
| | ACTUAL | PRO FORMA(5) | PRO FORMA AS ADJUSTED(6) |
| CONSOLIDATED BALANCE SHEET DATA: | | | |
| Working capital | $ 9,558 | $ 1,836 | $22,700 |
| Total assets | 23,828 | 17,325 | 38,189 |
| Total long-term debt | 773 | 773 | 773 |
| Total stockholders' equity | 10,522 | 2,800 | 23,664 |

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(1) Represents discretionary payments of bonus compensation to officers and certain Outside Experts under a bonus program that will be discontinued after fiscal 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and Note 7 of Notes to Consolidated Financial Statements.

(2) Since fiscal 1988, the Company has been taxed under subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"). As an S corporation, the Company is not subject to federal and some state income taxes. The Company's S corporation status will terminate on the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status."

(3) Pro forma net income and pro forma net income per share for fiscal 1997 and the quarter ended February 20, 1998 have been computed by adjusting net income, as reported, to record income tax expense that would have been recorded had the Company been a C corporation during those periods, assuming effective tax rates for the year ended November 29, 1997 and the quarter ended February 20, 1998 of 43% and 42%, respectively. See Note 11 of Notes to Consolidated Financial Statements.

(4) See Note 1 of Notes to Consolidated Financial Statements for a description of the computation of the number of shares used in the per share calculation.

(5) Pro forma balance sheet data has been adjusted to reflect (i) an increase in the Company's net deferred income tax liability, which increase would have been approximately $1.2 million as of February 20, 1998, that will be recognized as a result of the termination of the Company's S corporation status and (ii) the declaration and payment of the S Corporation Distribution (as defined below), which would have been approximately $6.5 million as of February 20, 1998. The amounts of the increase in the net deferred income tax liability and the S Corporation Distribution will be revised based upon the results of operations and financial condition of the Company between February 20, 1998 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amounts. See "Use of Proceeds," "S Corporation Distributions and Termination of S Corporation Status" and Note 11 of Notes to Consolidated Financial Statements.

(6) Adjusted to reflect (i) the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share, after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, (ii) the declaration and payment of the Dividend (as defined below) of $2.4 million and (iii) the receipt of payments of $914,000 on notes receivable from stockholders. See "Use of Proceeds" and "Capitalization."

## RISK FACTORS

In addition to the other information contained in this Prospectus, the following risk factors should be carefully considered in evaluating the Company and its business before purchasing any of the shares of Common Stock offered hereby. Certain of the statements contained in this section and elsewhere in this Prospectus 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. Important factors that could cause or contribute to these differences include those discussed below, as well as those discussed elsewhere in this Prospectus. 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 Prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this Prospectus.

### 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, business generation capabilities and project execution of its consultants. The Company's success is also dependent upon the managerial, operational and administrative skills of its officers, particularly James C. Burrows, the Company's President and Chief Executive Officer. Engagements generated primarily through the efforts of the Company's consultants accounted for approximately 79% of the Company's revenues in fiscal 1997, with approximately 33% of revenues generated primarily through the efforts of five of the Company's 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. The Company intends to permit its key-person life insurance to lapse following the closing of the Offering. See "Business--Human Resources--Consultants" and "Management--Executive Officers and Directors."

### NEED TO ATTRACT QUALIFIED CONSULTANTS

The Company's business involves the delivery of sophisticated economic and other consulting services which only highly qualified, highly educated consultants can provide. In order to meet its growth objectives, the Company will need to hire increasing numbers of highly qualified, highly educated consultants. The Company primarily hires as senior consultants individuals who have obtained a Ph.D. or master's degree in economics or a related discipline from a select group of universities. As a result, the number of potential employees that meet the Company's hiring criteria is relatively small, and the Company faces significant competition for these employees, from not only the Company's direct competitors but also 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 the Company. 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. See "Business--Human Resources--Consultants."

### 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 as well as the individual reputations of its consultants and principal Outside Experts. Because the Company obtains a majority of its new engagements from existing clients,

including both businesses and law firms, or from referrals by those clients, the dissatisfaction of any such client with the Company's performance on a single matter could have a disproportionately large adverse impact on the Company's ability to secure new engagements. Any factor that diminishes the reputation of the Company or any of its personnel or Outside Experts, including poor performance, 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. See "Business--Competitive Strengths."

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 and scope of ongoing client engagements, the commencement, postponement and termination of engagements in the quarter, the mix of revenue, the extent of discounting or cost overruns, employee hiring, the ability to reassign consultants efficiently from one engagement to the next, severe weather conditions 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. If the Company's revenues or net income in a quarter fall below the expectations of securities analysts or investors, the market price of the Common Stock could be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "--Quarterly Results of Operations."

DEPENDENCE UPON OUTSIDE EXPERTS

The Company's future success depends upon the continuation of the Company's existing relationships with four principal Outside Experts. Engagements generated primarily through the efforts of these four Outside Experts accounted for approximately 18% of the Company's revenues in fiscal 1997. The Company believes that these Outside Experts are highly regarded in their respective fields and that each offers a combination of knowledge, experience and expertise that would be very difficult to replace. 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. In general, these Outside Experts may limit their relationships with the Company at any time for any reason, including, among other things, affiliations with universities whose policies prohibit accepting certain engagements, the pursuit of other interests and retirement. Each of these Outside Experts is a party to an agreement with the Company that restricts his right to compete with the Company. The limitation or termination of any of their relationships with the Company or competition from any of them following the termination of their respective agreements with the Company could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Human Resources."

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 having established reputations as leading experts in their fields. There can be no assurance that the Company will be successful in establishing relationships with any additional Outside Experts or that any such relationship would enable the Company to meet its objectives or generate anticipated revenues or earnings, if any.

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. These new responsibilities and demands may adversely affect the overall quality of the Company's work. No member of the Company's management team has experience in managing a public company. Moreover, the Company may open offices in new geographic locations, which would entail certain start-up and maintenance costs that could be substantial. The failure of the Company to continue to improve its internal systems, procedures and controls, to attract, train, motivate, supervise and retain additional professional, managerial, administrative, financial, marketing and other personnel, or otherwise to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Growth Strategy."

CONCENTRATION OF REVENUES; DEPENDENCE ON LIMITED NUMBER OF LARGE ENGAGEMENTS

As an economic and business consulting firm, the Company has derived, and expects to continue to derive, a significant portion of its revenues from a limited number of large engagements. The Company estimates that, in each of the last three fiscal years, it has had an average of approximately 260 engagements generating over $10,000 in revenues. The Company's 10 largest engagements accounted for approximately 37%, 28% and 23% of the Company's revenues in fiscal 1995, fiscal 1996 and fiscal 1997, respectively, and the Company's 10 largest clients accounted for approximately 46%, 42% and 29% of the Company's revenues in those years, respectively. One client accounted for approximately 11% of the Company's revenues in fiscal 1995. The volume of work performed for any particular client is likely to vary from year to year and a major client in one year may decide not to use the Company's services in any subsequent year. Accordingly, the failure to obtain anticipated numbers of new large engagements could have a material adverse effect on the Company's business, financial condition and results of operations.

TERMINATION OF ENGAGEMENTS

Engagements generally depend upon the initiation and continuation of disputes, proceedings or transactions involving the Company's clients, who may at any time decide to seek to resolve the dispute or proceeding or abandon the transaction. Engagements can therefore terminate suddenly and without prior notice to the Company. Clients typically incur no penalty for terminating an engagement. 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 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 provides its services primarily in connection with significant or complex transactions, disputes or other matters that are usually adversarial or that involve sensitive client information. 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, clients' expectations of loyalty or other reasons. 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. See "Business--Clients" and "--Marketing."

DEPENDENCE UPON ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

In fiscal 1995, fiscal 1996 and fiscal 1997, the Company derived approximately 28%, 36% and 35%, respectively, of its 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, changes in judicial interpretations of these laws or less vigorous enforcement of these laws by the United States Department of Justice (the "DOJ") and the United States Federal Trade Commission (the "FTC") as a result of changes in political appointments or priorities or for other reasons could substantially reduce the number, duration or size of engagements available to the Company in this area. In addition, adverse changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could also have an impact on engagements in which the Company assists clients in proceedings before the DOJ and the FTC in connection with proposed mergers and acquisitions. 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. See "Business--Areas of Practice--Antitrust" and "--Mergers and Acquisitions."

INTENSE COMPETITION

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. Many of the Company's competitors have national and international reputations as well as significantly greater personnel, financial, managerial, technical and marketing resources than the Company. Certain of the Company's competitors also have a significantly broader geographic presence than the Company. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors. See "Business--Competition."

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. The Company has never acquired another business, and there can be no assurance that the Company will be able to identify, acquire, 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. There can be no assurance that the financial, operational and other anticipated benefits of any acquisition will be achieved. Further, acquisitions may involve a number of special risks, including adverse short-term effects on the Company's results of operations, diversion of management's time, attention and resources, failure to retain key acquired personnel, increased costs to improve or coordinate managerial, operational, financial and administrative systems, dilutive issuances of equity securities, the incurrence of debt, legal liabilities, amortization of acquired intangible assets, difficulties in integrating diverse corporate cultures, client dissatisfaction or performance problems at the acquired business, additional conflicts of interests, and unanticipated events or circumstances. The occurrence of any of these events could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not have any binding agreement or other commitment to acquire any business at this time. See "Business--Growth Strategy."

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. The Company's inexperience may result in costly decisions that could have a material adverse effect on the Company's business, financial condition and results of operations. 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. See "Business--Growth Strategy" and "--New Opportunities."

PROFESSIONAL LIABILITY

The Company's services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of the Company's engagements involve matters that, if not successfully resolved in the client's favor, could have a severe impact on the client's business, cause the client to lose significant sums of money or prevent the client from pursuing desirable business opportunities. Accordingly, the failure of the Company to perform to a client's satisfaction could induce the client to commence or threaten litigation in order to recover damages or to reduce or eliminate its obligation to pay the Company's fees, or both. 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.

BROAD MANAGEMENT DISCRETION IN USE OF PROCEEDS

The net proceeds to the Company from the Offering are estimated to be approximately $22.4 million (approximately $25.8 million if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of $16.00 per share. The Company intends to use approximately $20.0 million, or 89.3%, of the total net proceeds from the Offering (approximately $23.4 million, or 90.7%, if the Underwriters' over-allotment option is exercised in full), for working capital and general corporate purposes, including potential acquisitions. Accordingly, the Company will have broad discretion with respect to the use of the net proceeds of the Offering. Purchasers of Common Stock in the Offering will not have the opportunity to evaluate the economic, financial or other information that the Company will use to determine the application of such proceeds. See "Use of Proceeds."

DISTRIBUTIONS TO CURRENT STOCKHOLDERS; TERMINATION OF S CORPORATION STATUS

In connection with the termination of the Company's status as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"), the Company intends to pay a dividend equal to the amount of the Company's aggregate undistributed taxable earnings up to the date of the closing of the Offering (the "S Corporation Distribution"). As of February 20, 1998, the Company's aggregate undistributed taxable earnings were approximately $6.5 million. The Company also intends to pay an additional dividend of $2.4 million (the "Dividend") out of the proceeds of the Offering. Purchasers of Common Stock in the Offering will not receive any portion of the S Corporation Distribution or the Dividend. In addition, as a result of the termination of the Company's status as an S corporation, the Company will recognize an increase in its net deferred income tax liability, which increase would have been approximately $1.2 million as of February 20, 1998, that will reduce the Company's net income in the period in which the Offering is consummated by an amount equal to the increase in the net deferred income tax liability. The amounts of the S Corporation Distribution and the increase in the net deferred income tax liability will be revised based upon the results of operations and financial condition of the Company between February 20, 1998 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amounts. See "Use of Proceeds" and "S Corporation Distributions and Termination of S Corporation Status."

POSSIBLE VOLATILITY OF STOCK PRICE

Many factors may cause the market price of the Common Stock to fluctuate significantly, including factors such as variations in the Company's quarterly results of operations, the hiring or departure of key personnel or Outside Experts, changes in the professional reputation of the Company, the introduction of new services of the Company, its competitors or third parties, acquisitions or strategic alliances by the Company,

its competitors or third parties, changes in accounting principles, changes in estimates of the performance of the Company or recommendations by securities analysts, and market conditions in the industry and the economy as a whole. In addition, the stock market in general has recently experienced extreme price and volume fluctuations, which are often unrelated to the operating performance of particular companies. These broad market fluctuations may also adversely affect the market price of the Common Stock offered hereby. Following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against the company. Any such litigation against CRA could result in substantial costs and the diversion of the time and attention of management and other resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

SHARES ELIGIBLE FOR FUTURE SALE; POSSIBLE ADVERSE EFFECT ON MARKET PRICE

Sales of a substantial number of shares of Common Stock in the public market could materially adversely affect the market price of the Common Stock and could impair the Company's ability to raise capital through a sale of its equity securities. Following the closing of the Offering, there will be 8,081,740 shares of Common Stock outstanding, of which the 2,188,000 shares of Common Stock offered hereby will generally be freely tradable in the public market. Upon the expiration of "lock-up" agreements between the existing stockholders of the Company and the Representatives of the Underwriters 180 days after the date of this Prospectus (or earlier with the consent of NationsBanc Montgomery Securities LLC in certain cases), approximately 3,081,630 of the remaining shares of outstanding Common Stock will be eligible for immediate sale in the public market under Rule 144(k) and approximately an additional 2,447,880 shares will be eligible for immediate sale subject to the volume and other restrictions of Rule 144. In addition to the foregoing lock-up agreements, each existing stockholder of the Company has agreed that he or she will not sell or otherwise transfer any shares of Common Stock acquired by him or her prior to the Offering without the consent of the Board of Directors for a period of two years after the Offering, except in a public offering, and will transfer only limited portions of such shares in subsequent years. The Board of Directors may release any stockholder from the restrictions imposed by the Company at any time. Immediately after the closing of the Offering, the Company intends to register on Forms S-8 1,213,000 shares of Common Stock reserved for issuance under the Company's stock option and stock purchase plans, which would permit the immediate resale in the public market of any shares of Common Stock issued pursuant to such plans. See "Management--Benefit Plans," "Certain Transactions--Stock Restriction Agreement," "Shares Eligible for Future Sale" and "Underwriting."

ANTI-TAKEOVER EFFECT OF CHARTER PROVISIONS, BY-LAWS AND MASSACHUSETTS LAW

The Company's Amended and Restated Articles of Organization, its Amended and Restated By-Laws and Massachusetts law contain provisions that could be deemed to have anti-takeover effects and that could discourage, delay or prevent a change in control of the Company or an acquisition of the Company at a price which many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of the Company to effect certain corporate actions, including the election of directors. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of Common Stock. See "Description of Capital Stock--Anti-Takeover Effects of the Company's Amended and Restated Articles of Organization and Amended and Restated By-Laws and of Massachusetts Law."

DILUTION

Purchasers in the Offering will experience immediate and substantial dilution in the net tangible book value per share of the Common Stock. See "Dilution."

NO DIVIDENDS

Other than the S Corporation Distribution, the Dividend and the 1997 Distribution (as defined below), the Company does not intend to declare or pay cash dividends on the Common Stock in the foreseeable future. Following the closing of the Offering, the Company intends to retain all earnings for the development of its business. See "Dividend Policy."

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,562,500 shares of Common Stock offered by the Company hereby, after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, are estimated to be approximately $22.4 million (approximately $25.8 million if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of $16.00 per share.

The Company intends to use a portion of its net proceeds from the Offering to pay the Dividend in the amount of $2.4 million. The Company intends to use its remaining net proceeds for general corporate purposes, including working capital and possible acquisitions of and investments in complementary businesses, and accordingly, the Company will have broad discretion in the application of such net proceeds. The Company is not currently involved in negotiations with respect to, and has no agreement or understanding regarding, any such acquisition or investment. Pending these uses, the Company intends to invest its net proceeds from the Offering in investment-grade, short-term, interest-bearing instruments. The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Risk Factors--Broad Management Discretion in Use of Proceeds."

## S CORPORATION DISTRIBUTIONS AND TERMINATION OF S CORPORATION STATUS

Since fiscal 1988, the Company has been treated for federal and certain state income tax purposes as an S corporation under the Code. As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings, whether or not these amounts have been distributed to the Company's stockholders. The Company has made periodic distributions to its stockholders in amounts equal to the stockholders' estimated aggregate tax liabilities associated with the Company's taxable earnings, as well as other dividend distributions. The Company made distributions to its stockholders of approximately $1.5 million and $1.6 million based on the Company's results of operations in fiscal 1995 and fiscal 1996, respectively. The Company has declared a distribution of approximately $1.8 million with respect to the Company's taxable earnings in fiscal 1997 (the "1997 Distribution"), substantially all of which was paid in December 1997. The Company expects that the remainder of the 1997 Distribution will be paid on or before April 15, 1998 and will not be paid from the Company's net proceeds from the Offering. Purchasers of Common Stock in the Offering will not receive any portion of the 1997 Distribution.

The Company has declared the S Corporation Distribution payable to its stockholders of record as of the close of business on April 9, 1998 in an amount equal to the Company's aggregate undistributed taxable earnings up to the date of the closing of the Offering. The S Corporation Distribution will be paid before and after the closing of the Offering from available cash balances. Purchasers of Common Stock in the Offering will not receive any portion of the S Corporation Distribution.

Following the closing of the Offering, the Company will be subject to corporate income taxation as a C corporation under the Code and will be required to change its method of accounting for tax purposes from the cash method to the accrual method. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," the termination of the Company's S corporation status will increase its net deferred income tax liability for financial reporting purposes, which increase would have been approximately $1.2 million as of February 20, 1998. The amount of the increase in the net deferred income tax liability will be revised based upon the results of operations and financial condition of the Company between February 20, 1998 and the date of the closing of the Offering and may be significantly larger or smaller than the foregoing amount. This increase in the net deferred income tax liability will be in addition to income tax expense otherwise incurred in the quarter in which such termination occurs. See Note 11 of Notes to Consolidated Financial Statements.

## DIVIDEND POLICY

Since fiscal 1988, the Company has made periodic distributions to its stockholders in amounts equal to the stockholders' aggregate tax liabilities associated with the Company's taxable earnings attributable to them, as well as other dividend distributions. Except with respect to the S Corporation Distribution, the Dividend and the remaining portion of the 1997 Distribution, the Company currently intends to retain any future earnings to finance operations and therefore does not anticipate paying any cash dividends in the foreseeable future. In addition, 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.

## CAPITALIZATION

The following table sets forth the capitalization of the Company as of February 20, 1998: (i) on an actual basis; (ii) on a pro forma basis, giving effect to the declaration and payment of a dividend of $6.5 million (the amount the S Corporation Distribution would have been as of February 20, 1998), and an increase of $1.2 million in the Company's net deferred income tax liability resulting from the termination of the Company's S corporation status (the amount by which the Company's net deferred income tax liability would have increased had the Company terminated its S corporation status on February 20, 1998); and (iii) on a pro forma basis, as adjusted to reflect the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share, after deducting the estimated underwriting discount of $1,750,000 and estimated offering expenses payable by the Company of $900,000, the declaration and payment of the Dividend of $2.4 million and the receipt of payments of $914,000 on notes receivable from stockholders. See "Use of Proceeds," "S Corporation Distributions and Termination of S Corporation Status" and "Description of Capital Stock." This information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto appearing elsewhere in this Prospectus.

| | FEBRUARY 20, 1998 | | |
|---|---|---|---|
| | ACTUAL | PRO FORMA | PRO FORMA AS ADJUSTED |
| | (IN THOUSANDS) | | |
| Current portions of notes payable to former stockholders and capital lease obligations(1) | $ 323 | $ 323 | $ 323 |
| Notes payable to former stockholders and capital lease obligations, net of current portions(1) | $ 773 | $ 773 | $ 773 |
| Stockholders' equity: | | | |
| Preferred Stock, without par value; none authorized or outstanding, actual; 1,000,000 shares authorized and none outstanding, pro forma and pro forma as adjusted | -- | -- | -- |
| Common Stock, without par value; 25,000,000 shares authorized and 6,519,240 shares outstanding, actual and pro forma; 25,000,000 shares authorized and 8,081,740 shares outstanding, pro forma as adjusted(2) | 1,977 | 1,977 | 23,850 |
| Retained earnings | 9,645 | 1,923 | -- |
| Less: | | | |
| Notes receivable from stockholders(3) | (1,100) | (1,100) | (186) |
| Total stockholders' equity | 10,522 | 2,800 | 23,664 |
| Total capitalization | $11,295 | $ 3,573 | $24,437 |

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(1) See Notes 4 and 8 of Notes to Consolidated Financial Statements.

(2) Excludes 970,000 shares of Common Stock reserved for issuance under the 1998 Incentive and Nonqualified Stock Option Plan and 243,000 shares of Common Stock reserved for issuance under the 1998 Employee Stock Purchase Plan. See "Management--Benefit Plans."

(3) See Note 9 of Notes to Consolidated Financial Statements.

## DILUTION

The pro forma net tangible book value of the Company as of February 20, 1998, was $2,741,000, or $0.42 per share of Common Stock. Pro forma net tangible book value per share represents the amount of the Company's total tangible assets less its total liabilities, after giving effect to the declaration and payment of the estimated S Corporation Distribution and the estimated increase in its net deferred income tax liability resulting from the termination of the Company's S corporation status, divided by the total number of shares of Common Stock outstanding. After giving effect to (i) the sale of the 1,562,500 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $16.00 per share and after deducting the estimated underwriting discount and estimated offering expenses payable by the Company, (ii) the declaration and payment of the Dividend and (iii) the receipt of payments of $914,000 on notes receivable from stockholders, the adjusted pro forma net tangible book value of the Company as of February 20, 1998 would have been $23,605,000, or $2.92 per share of Common Stock. This represents an immediate increase in pro forma net tangible book value of $2.50 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $13.08 per share to purchasers of Common Stock in the Offering. The following table illustrates the dilution in pro forma net tangible book value per share to new investors:

| | | |
|---|---|---|
| Assumed initial public offering price per share..... | | $16.00 |
| Pro forma net tangible book value per share as of February 20, 1998..... | $0.42 | |
| Increase per share attributable to new investors..... | 2.50 | |
| Adjusted pro forma net tangible book value per share after the Offering..... | | 2.92 |
| Dilution per share to new investors..... | | $13.08 |

The following table summarizes, on a pro forma basis as of February 20, 1998, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing stockholders and new investors, assuming an initial public offering price of $16.00 per share, before deducting the estimated underwriting discount and estimated offering expenses payable by the Company:

| | SHARES PURCHASED | | TOTAL CONSIDERATION | | AVERAGE PRICE |
|---|---|---|---|---|---|
| | NUMBER | PERCENT | AMOUNT | PERCENT | PER SHARE |
| Existing stockholders..... | 6,519,240 | 80.7% | $ 1,977,000(1) | 7.3% | $ 0.30 |
| New investors..... | 1,562,500 | 19.3 | 25,000,000 | 92.7 | $16.00 |
| Total..... | 8,081,740 | 100.0% | $26,977,000 | 100.0% | |

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(1) Includes notes receivable from stockholders in the amount of $1.2 million, of which $914,000 will be paid in connection with the closing of the Offering. See Note 9 of Notes to Consolidated Financial Statements.

The net effect of sales by the Selling Stockholders in the Offering will be to reduce the number of shares held by existing stockholders to 5,893,740 or 72.9% of the total number of shares Common Stock to be outstanding after the Offering (5,799,915 or 69.7% if the Underwriters' over-allotment option is exercised in full) and to increase the number of shares held by new investors to 2,188,000 or 27.1% of the total number of shares of Common Stock to be outstanding after the Offering (2,516,200 or 30.3% if the Underwriters' overallotment option is exercised in full). See "Principal and Selling Stockholders."

## SELECTED CONSOLIDATED FINANCIAL DATA

(IN THOUSANDS, EXCEPT SHARE DATA)

The following selected consolidated financial data of the Company as of November 30, 1996 and November 29, 1997 and for each of the fiscal years in the three-year period ended November 29, 1997 have been derived from the consolidated financial statements of the Company included elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The following selected consolidated financial data of the Company as of November 27, 1993, November 26, 1994 and November 25, 1995 and for the fiscal years ended November 27, 1993 and November 26, 1994 have been derived from consolidated financial statements of the Company not included in this Prospectus, which have also been audited by Ernst & Young LLP. The selected consolidated financial data as of February 20, 1998 and for the quarters ended February 20, 1998 and February 21, 1997 have been derived from the unaudited consolidated financial statements of the Company. The unaudited consolidated financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management of the Company, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results of operations for the quarter ended February 20, 1998 are not necessarily indicative of future operating results. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

| | FISCAL YEAR ENDED | | | | | QUARTER ENDED | |
|---|---|---|---|---|---|---|---|
| | NOV. 27, 1993 | NOV. 26, 1994 | NOV. 25, 1995 | NOV. 30, 1996 (53 WEEKS) | NOV. 29, 1997 | FEB. 21, 1997 | FEB. 20, 1998 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | | | |
| Revenues | $25,937 | $26,249 | $31,839 | $37,367 | $44,805 | $9,648 | $11,137 |
| Costs of services | 15,446 | 16,160 | 19,760 | 23,370 | 28,374 | 6,106 | 6,486 |
| Supplemental compensation(1) | -- | -- | 1,212 | 1,200 | 1,233 | 280 | -- |
| Gross profit | 10,491 | 10,089 | 10,867 | 12,797 | 15,198 | 3,262 | 4,651 |
| General and administrative | 8,489 | 8,204 | 8,397 | 9,060 | 10,509 | 2,134 | 2,754 |
| Income from operations | 2,002 | 1,885 | 2,470 | 3,737 | 4,689 | 1,128 | 1,897 |
| Interest income, net | 16 | 106 | 118 | 124 | 302 | 9 | 46 |
| Income before provision for income taxes and minority interest | 2,018 | 1,991 | 2,588 | 3,861 | 4,991 | 1,137 | 1,943 |
| Provision for income taxes(2) | (170) | (446) | (174) | (273) | (306) | (76) | (120) |
| Net income before minority interest | 1,848 | 1,545 | 2,414 | 3,588 | 4,685 | 1,061 | 1,823 |
| Minority interest | -- | -- | -- | -- | 282 | -- | 52 |
| Net income(2) | $ 1,848 | $ 1,545 | $ 2,414 | $ 3,588 | $ 4,967 | $1,061 | $1,875 |
| Basic and diluted net income per share | $0.23 | $0.19 | $0.40 | $0.59 | $0.78 | $0.17 | $0.29 |
| Weighted average number of common shares outstanding used in basic and diluted net income per share | 7,902,752 | 7,935,512 | 5,987,384 | 6,091,384 | 6,355,873 | 6,212,440 | 6,519,240 |
| Pro forma net income(3) | | | | | $3,134 | | $1,181 |
| Pro forma net income per share(3) | | | | | $0.48 | | $0.18 |
| Weighted average number of common shares outstanding used in pro forma net income per share(4) | | | | | 6,505,873 | | 6,669,240 |

| | NOV. 27, 1993 | NOV. 26, 1994 | NOV. 25, 1995 | NOV. 30, 1996 | NOV. 29, 1997 | FEB. 20, 1998 |
|---|---|---|---|---|---|---|
| | | | (IN THOUSANDS) | | | |
| CONSOLIDATED BALANCE SHEETS DATA: | | | | | | |
| Working capital | $ 4,673 | $ 2,908 | $ 4,782 | $ 6,554 | $ 7,732 | $ 9,558 |
| Total assets | 11,601 | 10,057 | 12,307 | 15,468 | 20,435 | 23,828 |
| Total long-term debt | 304 | 222 | 324 | 550 | 781 | 773 |
| Total stockholders' equity | 5,138 | 2,697 | 4,282 | 6,202 | 8,536 | 10,522 |

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(1) Represents discretionary payments of bonus compensation to officers and certain Outside Experts under a bonus program that will be discontinued after fiscal 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and Note 7 of Notes to Consolidated Financial Statements.

(2) Since fiscal 1988, the Company has been taxed under subchapter S of the Code. As an S corporation, the Company is not subject to federal and some state income taxes. The Company's S corporation status will terminate on the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status."

(3) Pro forma net income and pro forma net income per share for fiscal 1997 and the first quarter of fiscal 1998 have been computed by adjusting net income, as reported, to record income tax expense that would have been recorded had the Company been a C corporation during those periods, assuming effective tax rates for the year ended November 29, 1997 and the quarter ended February 20, 1998 of 43% and 42%, respectively. See Note 11 of Notes to Consolidated Financial Statements.

(4) See Note 1 of Notes to Consolidated Financial Statements for a description of the computation of the number of shares used in the per share calculation.

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

### OVERVIEW

The Company is a leading economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. The Company estimates that it derived approximately two-thirds of its revenues in fiscal 1997 from legal and regulatory consulting and approximately one-third from business consulting.

The Company derives revenues principally from professional services rendered by its consultants. In most instances, clients are charged on a time-and-materials basis and revenues are recognized in the period when services are provided. Consultants' time is charged at hourly rates, which vary from consultant to consultant depending on a consultant's position, experience and expertise, and other factors. Outside Experts typically bill clients directly for their services. As a result, substantially all of the Company's professional services fees are generated from the work of its own full-time consultants. Factors that affect the Company's professional services fees include the number and scope of client engagements, the number of consultants employed by the Company, the consultants' billing rates, and the number of hours worked by the consultants. In addition to professional services fees, a portion of the Company's revenues represents expenses billed to clients, such as travel and other out-of-pocket expenses, charges for support staff and outside contractors, and other reimbursable expenses.

The Company's costs of services include the salaries, bonuses and benefits of the Company's consultants. Consultants are compensated on a salary and bonus basis. 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 to consultants are included in costs of services, and the Company expects to continue this bonus program after the Offering. During fiscal 1995, fiscal 1996 and fiscal 1997, the Company also had another bonus program, which consisted of discretionary payments to officers and certain Outside Experts based primarily on the Company's cash flows. These bonus payments are shown as "supplemental compensation" in the Company's statements of income, and the Company does not intend to make additional payments under this bonus program after fiscal 1997. Costs of services also include out-of-pocket and other expenses that are billed to clients, and the salaries, bonuses and benefits of certain support staff whose time is billed directly to clients, such as librarians, editors and computer programmers. The Company's gross profit, which equals revenues less costs of services and supplemental compensation, is affected by changes in the mix of revenues. The Company experiences significantly higher gross margins on revenues from professional services fees than revenues from expenses billed to clients. General and administrative expenses include salaries, bonuses and benefits of the Company's administrative and support staff, performance payments to Outside Experts for generating new business, rent, and marketing and certain other costs.

Since fiscal 1988, the Company has been treated for federal and certain state income tax purposes as an S corporation under the Code. As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings. The state income taxes that the Company does pay are shown as "provision for income taxes" in the Company's statements of income. Upon the closing of the Offering, the Company's status an S corporation will cease and, thereafter, it will be subject to corporate taxation as a C corporation under the Code.

The Company will recognize an increase in its net deferred income tax liability resulting from the termination of the Company's S corporation status, which will result in a significant non-cash charge against earnings during the quarter in which the Offering is completed. Based upon the Company's audited results of operations and financial information as of and for the year ended November 29, 1997 and its unaudited results

of operations and financial information as of and for the quarter ended February 20, 1998, the net charge to earnings would have been approximately $1.2 million. The actual net charge to earnings may be larger or smaller than the foregoing amount, depending on the Company's results of operations and financial condition from February 20, 1998 through the closing of the Offering. See "S Corporation Distributions and Termination of S Corporation Status" and Note 11 of Notes to Consolidated Financial Statements.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is widely held among over 30 officers and directors.

In June 1997, the Company invested approximately $650,000 for a majority interest in NeuCo. NeuCo was established by the Company and an affiliate of Commonwealth Energy Systems as a start-up entity to develop and market a family of neural network software tools and complementary applications consulting services for electric utilities. The Company's financial statements are consolidated with the financial statements of NeuCo. For the period from inception (June 19, 1997) to November 29, 1997 and for the first quarter of fiscal 1998, NeuCo sustained a net loss after taxes of $564,000 and $104,000, respectively. There can be no assurance that NeuCo will become profitable. The portion of this loss allocable to NeuCo's minority owners is shown as "minority interest" in the Company's statements of income, and that amount, together with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" in the Company's balance sheets. See "Business--New Opportunities--NeuCo," "Risk Factors--Risks Related to Entry into New Lines of Business," and Note 1 of Notes to Consolidated Financial Statements.

The Company's fiscal year ends on the last Saturday in November and, accordingly, the Company's fiscal year will periodically contain 53 weeks rather than 52 weeks. For example, fiscal 1996 contains 53 weeks. This additional week of operations in the fiscal year will affect the comparability of results of operations of these 53-week fiscal years with other fiscal years. Historically, the Company has managed its business based on a four-week billing cycle to clients and, consequently, has established quarters that are divisible by four-week periods. As a result, the first, second and fourth quarters of each fiscal year are 12-week periods and the third quarter of each fiscal year is a 16-week period. However, the fourth quarter in 53-week fiscal years is 13 weeks long. Accordingly, quarter to quarter comparisons of the Company's results of operations are not necessarily meaningful if the quarters being compared are of different lengths.

RESULTS OF OPERATIONS

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

| | FISCAL YEAR ENDED | | | QUARTER ENDED | |
|---|---|---|---|---|---|
| | NOV. 25, 1995 | NOV. 30, 1996 | NOV. 29, 1997 | FEB. 21, 1997 | FEB. 20, 1998 |
| | | (53 WEEKS) | | | |
| Revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Costs of services | 62.1 | 62.6 | 63.3 | 63.3 | 58.2 |
| Supplemental compensation | 3.8 | 3.2 | 2.8 | 2.9 | -- |
| Gross profit | 34.1 | 34.2 | 33.9 | 33.8 | 41.8 |
| General and administrative | 26.4 | 24.2 | 23.5 | 22.1 | 24.7 |
| Income from operations | 7.7 | 10.0 | 10.4 | 11.7 | 17.1 |
| Interest income, net | 0.4 | 0.3 | 0.7 | 0.1 | 0.4 |
| Income before provision for income taxes and minority interest | 8.1 | 10.3 | 11.1 | 11.8 | 17.5 |
| Provision for income taxes | 0.5 | 0.7 | 0.7 | 0.8 | 1.1 |
| Net income before minority interest | 7.6 | 9.6 | 10.4 | 11.0 | 16.4 |
| Minority interest | -- | -- | 0.6 | -- | 0.4 |
| Net income | 7.6% | 9.6% | 11.0% | 11.0% | 16.8% |

FIRST QUARTER FISCAL 1998 COMPARED TO FIRST QUARTER FISCAL 1997

Revenues. Revenues increased $1.5 million, or 15.4%, from $9.6 million for the first quarter of fiscal 1997 to $11.1 million for the first quarter of fiscal 1998. The increase in revenues was due primarily to increased consulting services performed for new and existing clients during the period and higher billing rates. The Company experienced revenue increases during the first 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 $380,000, or 6.2%, from $6.1 million in the first quarter of fiscal 1997 to $6.5 million in the first quarter of fiscal 1998. As a percentage of revenues, costs of services decreased from 63.3% in the first quarter of fiscal 1997 to 58.2% in the first quarter of fiscal 1998. The decrease as a percentage of revenues was due primarily to discretionary cash compensation to consultants not increasing at as fast a rate as the rate of increase of revenues during the first quarter of fiscal 1998. This is in anticipation of the Company granting stock options from time to time to certain of its consultants pursuant to its stock option plan.

Supplemental Compensation. The Company does not intend to pay supplemental compensation after fiscal 1997, and consequently, did not have supplemental compensation in the first quarter of fiscal 1998. Supplemental compensation was $280,000 in the first quarter of fiscal 1997.

General and Administrative. General and administrative expenses increased by $620,000, or 29.1%, from $2.1 million in the first quarter of fiscal 1997 to $2.8 million in the first quarter of fiscal 1998. As a percentage of revenues, general and administrative expenses increased from 22.1% in the first quarter of fiscal 1997 to 24.7% in the first quarter of fiscal 1998. The increase as a percentage of revenues 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.

Interest Income, Net. Net interest income increased from $9,000 in the first quarter of fiscal 1997 to $46,000 in the first quarter of fiscal 1998. This increase was due primarily to the Company maintaining higher cash balances during the first quarter of fiscal 1998 as compared to the first quarter of fiscal 1997.

Minority Interest. Minority interest was $52,000 in the first quarter of fiscal 1998, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

FISCAL 1997 COMPARED TO FISCAL 1996

Revenues. Revenues increased by $7.4 million, or 19.9%, from $37.4 million for fiscal 1996 to $44.8 million for fiscal 1997. The increase in revenues was due primarily to increased consulting services performed for new and existing clients during the period. In fiscal 1997, the Company experienced revenue increases in both its legal and regulatory consulting services and its business consulting services, and in particular generated significant revenue increases in its mergers and acquisitions, finance, and auctions practices. During fiscal 1997, the Company increased the number of its consultants from 112 to 121. The increase in revenues during fiscal 1997 was also due in part to increased billing rates of the Company's consultants.

Costs of Services. Costs of services increased by $5.0 million, or 21.4%, from $23.4 million in fiscal 1996 to $28.4 million in fiscal 1997. As a percentage of revenues, costs of services increased from 62.6% in fiscal 1996 to 63.3% in fiscal 1997. The increase as a percentage of revenues was due primarily to slightly lower utilization rates for the Company's consultants during fiscal 1997, which resulted in part from certain consultants of the Company spending time developing new practice areas that are complementary to the Company's core practice areas.

Supplemental Compensation. Supplemental compensation was $1.2 million for each of fiscal 1996 and fiscal 1997. As a percentage of revenues, supplemental compensation decreased from 3.2% in fiscal 1996 to 2.8% in fiscal 1997. The Company has paid supplemental compensation of $1.2 million in each of its last three fiscal years and intends to discontinue these payments after fiscal 1997.

General and Administrative. General and administrative expenses increased by $1.4 million, or 16.0%, from $9.1 million in fiscal 1996 to $10.5 million in fiscal 1997. As a percentage of revenues, general and administrative expenses decreased from 24.2% in fiscal 1996 to 23.5% in fiscal 1997. General and administrative expenses decreased as a percentage of revenues primarily because the Company increased its administrative and support staff at a lower rate than the rate of increase of its consultants.

Interest Income, Net. Net interest income increased from $124,000 for fiscal 1996 to $302,000 for fiscal 1997. This increase was due primarily to the Company generating more cash from operations during fiscal 1997, which resulted in the Company maintaining higher cash balances during the year.

Minority Interest. Minority interest was $282,000 for fiscal 1997, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners.

FISCAL 1996 COMPARED TO FISCAL 1995

Revenues. Revenues increased by $5.5 million, or 17.4%, from $31.8 million for fiscal 1995 to $37.4 million for fiscal 1996. The increase in revenues was due primarily to increased consulting services performed for new and existing clients during the period. In fiscal 1996, the Company experienced revenue increases in both its legal and regulatory consulting services and its business consulting services, and in particular, generated increased revenues in its antitrust and mergers and acquisitions practices. As part of its growth strategy following the management buy-out, and to service additional client engagements, the Company increased the number of its consultants from 90 at the end of fiscal 1995 to 112 at the end of fiscal 1996. Increases in consultants' billing rates during fiscal 1996 also contributed to increased revenues for the period.

Costs of Services. Costs of services increased by $3.6 million, or 18.3%, from $19.8 million for fiscal 1995 to $23.4 million for fiscal 1996. As a percentage of revenues, costs of services increased slightly from 62.1% in fiscal 1995 to 62.6% in fiscal 1996. The increase as a percentage of revenues was due primarily to a higher percentage of reimbursable expenses in fiscal 1996 as compared to fiscal 1995, which have lower gross margins than professional services fees.

Supplemental Compensation. Supplemental compensation was $1.2 million in each of fiscal 1996 and fiscal 1995. As a percentage of revenues, supplemental compensation decreased from 3.8% in fiscal 1995 to 3.2% in fiscal 1996.

General and Administrative. General and administrative expenses increased by $663,000, or 7.9%, from $8.4 million in fiscal 1995 to $9.1 million in fiscal 1996. As a percentage of revenues, general and administrative expenses decreased from 26.4% for fiscal 1995 to 24.2% for fiscal 1996. The decrease as a percentage of revenues was primarily a result of the Company's strategy after the management buy-out to improve the productivity and efficiency of its administrative and support staff, which resulted in the Company reducing its hiring of administrative and support staff during fiscal 1996.

Interest Income, Net. Net interest income was $124,000 in fiscal 1996 as compared to $118,000 in fiscal 1995.

UNAUDITED QUARTERLY RESULTS

The following table presents certain unaudited quarterly statements of income information for each of the quarters in fiscal 1996 and fiscal 1997 and the first quarter of fiscal 1998. This information is derived from and is qualified by reference to the audited and unaudited consolidated financial statements included elsewhere in this Prospectus and, in the opinion of management of the Company, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of that information. The first, second and fourth quarters of each fiscal year are 12-week periods and the third quarter of each fiscal year is a 16-week period. However, the fourth quarter in 53-week fiscal years is 13 weeks long. Accordingly, quarter to quarter comparisons of the Company's results of operations are not necessarily meaningful if the quarters being compared are of different lengths. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

| | QUARTER ENDED | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FEB. 16, 1996 | MAY 10, 1996 | AUG. 30, 1996 | NOV. 30, 1996 | FEB. 21, 1997 | MAY 16, 1997 | SEPT. 5, 1997 | NOV. 29, 1997 | FEB. 20, 1998 |
| | | | (16 WEEKS) | (13 WEEKS) | | | (16 WEEKS) | | |
| | (IN THOUSANDS) | | | | | | | | |
| Revenues | $6,990 | $8,334 | $11,356 | $10,687 | $9,648 | $9,171 | $14,498 | $11,488 | $11,137 |
| Costs of services | 4,386 | 5,021 | 6,888 | 7,075 | 6,106 | 5,912 | 9,135 | 7,221 | 6,486 |
| Supplemental compensation | 280 | 280 | 373 | 267 | 280 | 280 | 373 | 300 | -- |
| Gross profit | 2,324 | 3,033 | 4,095 | 3,345 | 3,262 | 2,979 | 4,990 | 3,967 | 4,651 |
| General and administrative | 1,811 | 2,087 | 2,890 | 2,272 | 2,134 | 2,162 | 3,361 | 2,852 | 2,754 |
| Income from operations | 513 | 946 | 1,205 | 1,073 | 1,128 | 817 | 1,629 | 1,115 | 1,897 |
| Interest income, net | 19 | 34 | 21 | 50 | 9 | 84 | 41 | 168 | 46 |
| Income before provision for income taxes and minority interest | 532 | 980 | 1,226 | 1,123 | 1,137 | 901 | 1,670 | 1,283 | 1,943 |
| Provision for income taxes | (37) | (69) | (86) | (81) | (76) | (60) | (112) | (58) | (120) |
| Net income before minority interest | 495 | 911 | 1,140 | 1,042 | 1,061 | 841 | 1,558 | 1,225 | 1,823 |
| Minority interest | -- | -- | -- | -- | -- | -- | 198 | 84 | 52 |
| Net income | $ 495 | $ 911 | $ 1,140 | $ 1,042 | $1,061 | $ 841 | $ 1,756 | $ 1,309 | $ 1,875 |

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 and scope of ongoing client engagements, the commencement, postponement and termination of engagements in the quarter, the mix of revenue, the extent of discounting or cost overruns, employee hiring, the ability to reassign consultants efficiently from one engagement to the next, severe weather conditions, 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 such 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities provided cash of $1.4 million, $2.2 million and $3.6 million in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. In each of these years, the cash from operating activities was generated primarily from net income earned for the period, which increased from $2.4 million in fiscal 1995 to $3.6 million in fiscal 1996 to $4.9 million in fiscal 1997. Cash generated from operating activities was partially offset by increases in unbilled services and accounts receivable, reflecting increased services performed by the Company in each of fiscal 1995, fiscal 1996 and fiscal 1997.

Cash used in investing activities during fiscal 1995, fiscal 1996 and fiscal 1997 was $698,000, $476,000 and $2.3 million, respectively, and was primarily attributable to purchases by the Company of property and equipment and leasehold improvements. The increased use of cash for investing activities in fiscal 1997 was due primarily to the Company's expansion of its three offices during that year.

The Company's financing activities used cash of $251,000, $1.3 million and $708,000 in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. A principal use of cash for financing activities in each year was payment of dividends, which totaled $245,000, $1.5 million and $1.6 million in fiscal 1995, fiscal 1996 and fiscal 1997, respectively. In fiscal 1997, the Company's use of cash for financing activities was partially offset by collection of notes receivable from stockholders, the sale of Common Stock to officers of the Company and the investment in NeuCo by minority interest owners.

In the first quarter of fiscal 1998, the Company's operating activities provided cash of $6.6 million consisting primarily of a decrease in accounts receivable and increases in accounts payable and accrued expenses. Cash used in investing activities for the purchase of property and equipment during the first quarter of fiscal 1998 was $243,000. The Company's financing activities used cash of $1.4 million in the first quarter of fiscal 1998, which consisted primarily of the 1997 Distribution.

As of February 20, 1998, the Company had cash and cash equivalents of $7.0 million and working capital of $9.6 million. 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 February 20, 1998 or as of the date hereof. The Company had outstanding standby letters of credit under this line of credit as of February 20, 1998 amounting to $76,000, which expire between March and June 1998.

The Company believes that the net proceeds of the Offering, together with funds generated by operating activities, 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.

The Company is currently assessing the potential impact of the Year 2000 on the processing of date-sensitive information by the Company's computerized information systems and on products sold by the Company. While there can be no assurance that all issues arising from the Year 2000 will be identified and resolved satisfactorily, the Company presently believes that Year 2000 issues will not pose significant operational problems for the Company or have a material adverse effect on the Company's business, financial condition or results of operations.

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.

# BUSINESS

## INTRODUCTION

The Company is a leading economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, the Company provides original and authoritative advice for clients involved in many high-stakes matters, such as multi-billion dollar mergers and acquisitions, new product introductions, major capital investment decisions, and complex litigation, the outcome of which often has significant implications or consequences for the parties involved. The Company offers two types of services: legal and regulatory consulting and business consulting. Through its legal and regulatory consulting practice, CRA provides law firms and businesses involved in litigation and regulatory proceedings with expert advice on highly technical issues such as the competitive effects of mergers and acquisitions, damages calculations, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. In addition, the Company uses its expertise in economics, finance and business analysis to offer clients business consulting services for strategic issues such as establishing pricing strategies, estimating market demand, valuing intellectual property and other assets, assessing competitors' actions, and analyzing new sources of supply. To complement its analytical expertise in advanced economic and financial methods, the Company offers its clients in-depth industry expertise in specific vertical markets, including chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation.

The Company's services are provided by its highly credentialed and experienced staff of consultants. As of February 20, 1998, CRA employed 120 full-time professional consultants, including 47 consultants with Ph.D.s and 26 consultants with other advanced degrees, who have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences and engineering. Since maintaining its reputation is paramount and its engagements are typically complex, the Company is extremely selective in its hiring of consultants, recruiting individuals from leading universities, industry and government. Many of the Company's consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of Outside Experts.

Through its offices in Boston, Massachusetts, Washington, D.C. and Palo Alto, California, CRA has completed more than 2,500 engagements for clients, including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, the Company had over 1,200 engagements for clients that included 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). During that period, the Company's clients included Cravath, Swaine & Moore; Ford Motor Company; Jones, Day, Reavis & Pogue; Procter & Gamble Company Inc.; Skadden, Arps, Slate, Meagher & Flom LLP; and Time Warner Inc. No single client accounted for over 10% of the Company's revenues in fiscal 1997.

Officers and directors of the Company completed a management buy-out in March 1995, resulting in a broad expansion of the Company's ownership principally from its three founders to all of its officers and directors at that time. In order to align each officer's interest with the overall interests and profitability of CRA, the Company adopted, as part of the management buy-out, a policy requiring that each of its officers have an equity interest in CRA. As of the date of this Prospectus, the Company's stock is broadly held among over 30 officers and directors. In connection with the management buy-out, the Company refocused its efforts on improving profitability and expanding its areas of expertise and its client base. The Company's revenues and income from operations have increased from $31.8 million and $2.5 million in fiscal 1995 to $44.8 million and $4.7 million in fiscal 1997, respectively, representing compound annual growth rates of 18.6% and 37.8%, respectively.

## INDUSTRY OVERVIEW

The environment in which businesses operate is becoming increasingly complex. Expanding access to powerful computers and software is providing companies with almost instantaneous access to a wide range of internal information, such as supply costs, inventory values, and sales and pricing data, as well as external information such as market demand forecasts and customer buying patterns. At the same time, markets are becoming increasingly global, offering companies the opportunity to expand their presences throughout the world and exposing them to increased competition and the uncertainties of foreign operations. Many industries are rapidly consolidating as companies are pursuing mergers and acquisitions in response to increased competitive pressures and to expand their market opportunities. In addition, companies are relying to a greater extent on technological and business innovations to improve efficiency, thus increasing the importance of strategically analyzing their businesses and developing and protecting new technology. As a result of this increasingly competitive and complex business environment, companies are required to constantly gather, analyze and utilize available information to enhance their business strategies and operational efficiencies.

The increasing complexity and changing nature of the business environment is also forcing governments to adjust their regulatory strategies. For example, certain industries such as healthcare are subject to frequently changing regulations while other industries such as telecommunications and electric power are experiencing trends toward deregulation. These constant changes in the regulatory environment are leading to frequent litigation and interaction with government agencies as companies attempt to interpret and react to the implications of this changing environment. Furthermore, as the general business and regulatory environment becomes more complex, litigation has also become more complicated, protracted, expensive and important to the parties involved.

As business, legal and regulatory environments undergo rapid change and become more complex, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economics and finance provide the tools necessary to analyze a variety of issues confronting businesses, such as interpretation of sales data, effects of price changes, valuation of assets, assessment of competitors' activities, evaluation of new products and analysis of supply limitations. Governments are also relying to an increasing extent on economic and finance theory to measure the effects of anti-competitive activity, evaluate mergers and acquisitions, change regulations, implement auctions to allocate resources, and establish transfer pricing rules. Finally, litigants and law firms are using economic and finance theory to help determine liability and to calculate damages amounts in complex and high-stakes litigation. As this need for complex economic and financial analysis becomes more widespread, CRA believes that companies will increasingly turn to outside consultants for access to specialized expertise, experience and prestige that are not available to them internally.

## COMPETITIVE STRENGTHS

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

Strong Reputation for High Quality Consulting. For over 30 years, the Company has been a leader in providing sophisticated economic analysis and original, authoritative studies for clients involved in complex litigation and regulatory proceedings. As a result, the Company believes that it has established a strong reputation among leading law firm and business clients as a preferred source of expertise in economics and finance, as evidenced by the Company's high level of repeat business and significant referrals from existing clients. Approximately 60% of the Company's revenues from new engagements in fiscal 1997 were derived from engagements for existing clients. In addition, the Company believes that its significant name recognition, developed as a result of its work on many high profile litigation and regulatory engagements, has enhanced the development of its business consulting practice. While reputation for high quality consulting and name recognition are critical in attracting new clients, CRA believes that these factors are equally important to its ability to recruit and retain both consultants and renowned Outside Experts.

Highly Educated, Experienced and Versatile Consulting Staff. The Company believes that its most important asset is its base of full-time consultants, particularly its senior consultants. Of the Company's

120 consultants as of February 20, 1998, 69 are either officers, principals or senior associates, substantially all of whom have a Ph.D. or a master's degree. Many of these senior consultants are nationally recognized as experts in their respective fields, having published scholarly articles, lectured extensively and been quoted in the press. In addition to their expertise in a particular field, most of the Company's consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to the Company's ability to apply its resources as needed to meet the demands of its clients. As a result, the Company seeks to hire consultants who not only have strong analytical skills but also are creative, intellectually curious and driven to develop expertise in new practice areas and industries.

Vertical Market Expertise. By maintaining expertise in certain industries, the Company is able to offer clients creative and pragmatic advice tailored to their specific markets. This vertical market expertise, developed by CRA over decades of providing sophisticated consulting services to a diverse group of clients in industries such as chemicals, electric power and other energies, healthcare, materials, media/telecommunications, and transportation, differentiates the Company from many of its competitors. CRA believes that it has developed a strong reputation and substantial name recognition within these specific industries, which leads to repeat business and new engagements from clients in those markets.

Broad Range of Services. By offering clients both legal and regulatory consulting services and business consulting services, CRA is able to satisfy a broad array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables the Company to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in another discipline. The Company emphasizes its diverse capabilities to clients and regularly cross-markets across its service areas. For example, it is not unusual for a client that the Company assists in a litigation matter to later retain the Company for a business consulting matter. In addition, the Company believes that consultants and Outside Experts are attracted by the opportunity to work on a diverse array of matters.

Access to Leading Academic and Industry Experts. To enhance the expertise it provides to its clients, CRA maintains close working relationships with a select group of Outside Experts. Depending on client needs, the Company uses Outside Experts for their specialized expertise, assistance in conceptual problem-solving and expert witness testimony. CRA works regularly with renowned professors at Harvard University, the Massachusetts Institute of Technology, Georgetown University, The University of California, Stanford University, The University of Virginia and other leading universities. Outside Experts also generate business for CRA and provide the Company access to other leading academic and industry experts. By establishing affiliations with prestigious Outside Experts, the Company further enhances its reputation as a leading source of sophisticated economic and financial analysis.

GROWTH STRATEGY

CRA intends to enhance its position as a leading economic and business consulting firm by pursuing the following growth strategy:

Attract and Retain High Quality Consultants. Since its consultants are its most important asset, the Company's ability to attract and retain highly credentialed and experienced consultants both to work on engagements and to generate new business is crucial to the Company's success. In order to attract highly qualified consultants, the Company offers competitive compensation and benefits and has developed a career enhancement program that offers consultants career enrichment opportunities and access to individualized training. While competitive compensation and benefits are important, CRA believes that consultants are attracted to CRA because of its strong reputation, the credentials, experience and reputation of its consultants, the opportunity to work on a diverse array of matters, the opportunity to work with renowned Outside Experts, and the collegial atmosphere of the Company. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among employees and that its status as a public company will further enhance its ability to recruit and retain employees. The Company intends to grant stock options to certain employees as part of its efforts to attract and retain consultants.

Increase Marketing Activities. Historically, the Company has primarily relied on its reputation and client referrals for new business. As a result, the Company believes there is an opportunity to expand significantly its marketing activities in order to attract new clients and increase the overall exposure of its consultants. For example, the Company intends to increase its presence at selected conferences, seminars and public speaking engagements to increase client referrals and lead generation. The Company also intends to increase circulation of its client publications, which highlight emerging trends and noteworthy CRA engagements, as well as to encourage its consultants to publish articles more frequently in the trade press and academic journals.

Expand Services. While the Company currently offers a broad range of services, CRA believes there are opportunities to expand the services and expertise it provides to its clients. For example, applying the expertise of several of its consultants in game theory, the Company recently began offering consulting services in auction design and implementation. Similarly, the Company believes that it can expand into other related areas of business with its existing consultants, most of whom have experience in a wide variety of fields. To encourage the development of new ideas and expertise, the Company fosters an environment that rewards creativity and innovation.

Establish Relationships with Additional Outside Experts. The Company intends to establish relationships with additional leading academic and industry experts. In addition to helping the Company serve its clients better, Outside Experts often provide the Company with new sources of business and expand the Company's network of academic affiliations. Moreover, the Company believes that affiliations with additional, prestigious Outside Experts will further enhance its reputation and aid in its recruiting of consultants. The Company may grant stock options to attract additional Outside Experts.

Pursue Strategic Acquisitions and Alliances. The Company will seek to expand its operations through the acquisition of complementary businesses and by establishing strategic alliances. Given the highly fragmented nature of the consulting industry, CRA believes that there are numerous opportunities to acquire small consulting firms. The Company believes the acquisition of complementary businesses and the establishment of strategic alliances, such as it has done for its auctions consulting practice, will provide it with additional consultants, new service offerings, additional industry expertise, a broader client base or an expanded geographic presence. As of the date of this Prospectus, the Company has no agreement or understanding regarding any acquisitions.

Open New Offices. The Company may expand its geographic presence by opening one or more additional offices, particularly in major metropolitan areas that have leading universities. The Company believes this strategy will help to attract consultants and Outside Experts and provide it with additional marketing opportunities for clients located in those regions.

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

## SERVICES

The Company offers services in two broad areas: legal and regulatory consulting and business consulting. In its legal and regulatory practice, the Company usually works closely with law firms on behalf of one or more companies involved in litigation or regulatory proceedings. Many of the lawsuits and regulatory proceedings in which the Company is involved are high-stakes matters, such as obtaining regulatory approval of a pending merger or analyzing possible damages awards in a securities fraud case, the outcome of which often has significant implications or consequences for the parties involved. In the business consulting practice, CRA typically provides services directly to companies seeking assistance with strategic issues that require expert economic or financial analysis. Many of these matters involve "mission-critical" decisions for the client, such as positioning and pricing a new product or developing a new technological process. Engagements in the Company's two service areas often involve similar areas of expertise and address related issues, and it is common for CRA's consultants to work on engagements in both service areas. The Company estimates that it derived approximately two-thirds of its revenues in fiscal 1997 from legal and regulatory consulting and approximately one-third from business consulting.

LEGAL AND REGULATORY CONSULTING. The ability to formulate and effectively communicate powerful economic and financial arguments to courts and regulatory agencies is often critical to a successful outcome in litigation and regulatory proceedings. Through its highly educated and experienced consulting staff, the Company applies advanced analytic techniques in economics and finance to complex engagements for a diverse group of clients. The Company offers its clients a wide range of legal and regulatory consulting services, including the following:

Antitrust. CRA has expertise in a variety of issues arising in antitrust litigation, including collusion, price signaling, monopolization, tying, exclusionary conduct, resale price maintenance, predatory pricing and price discrimination. Expert testimony and analysis by economists play an increasingly important role in antitrust litigation. For the past three decades, the Company has provided expert assistance to law firms in a wide variety of antitrust lawsuits, including supporting IBM in landmark antitrust litigation brought by the DOJ and others.

Mergers and Acquisitions. The Company assists clients involved in mergers and acquisitions in their interactions with domestic and foreign antitrust regulatory authorities. By applying economic methods and tools, CRA helps clients simulate the effects of mergers on prices, estimate demand elasticities, design and administer customer and consumer surveys, and study the efficiencies that motivate or result from acquisitions. In addition, the Company regularly assists clients in proceedings before the FTC and DOJ, including helping them obtain termination of the waiting period imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Finance. The Company offers clients a variety of financial advisory services, including valuations, securities fraud analysis, and risk assessments for options, futures, swaps and other derivatives. For clients involved in litigation and regulatory proceedings, CRA values businesses, products, contracts and securities, and provides expert testimony on a variety of valuation issues. The financial analysis performed by the Company encompasses cash-flow estimates, "but-for" analyses of revenues, complex analytical models and estimates of appropriate discount rates. The Company also assists clients in securities fraud cases by estimating damages computations and analyzing potential liability.

Intellectual Property. The Company provides expert consulting and testimony on a broad array of issues arising from intellectual property rights and valuations of intellectual property, cost-sharing arrangements, royalty rates, and determinations of fair market value of intellectual property transferred between related parties. For example, CRA estimates damages and provides expert testimony in patent, trademark, copyright, trade secret and unfair competition disputes. Its services include estimating lost profits, reasonable royalties, unjust enrichment and prejudgment interest.

Transfer Pricing. CRA provides transfer pricing advice for companies that are establishing foreign operations and for companies with existing foreign operations seeking to improve their tax positions. The Company helps clients to analyze their affiliates' functions and risks, the value of tangible and intangible assets, precedents set by comparable industry transactions, and the specifics of the tax laws in the relevant countries. In addition, CRA assists clients in preparing for Internal Revenue Service and foreign tax authority audits and provides expert testimony and litigation support in lawsuits related to transfer pricing disputes.

Environment. CRA regularly assists clients involved in environmental disputes both in litigation proceedings and before government agencies. For example, the Company helps clients determine responsibility for environmental cleanups, including Superfund sites, and advises clients on damages calculations resulting from oil spills, hazardous waste disposal and other environmental torts. As part of its work in this area, the Company's consultants and Outside Experts have assisted clients in developing innovative techniques for environmental regulatory compliance, such as emissions trading and regulatory cost-benefit analysis and risk assessment.

BUSINESS CONSULTING. The business consulting practice of CRA applies a highly analytical, quantitative approach to help companies analyze and respond to market forces and competitive pressures that affect their businesses. The Company advises its clients in many of the same areas in which it provides legal and regulatory consulting, such as finance and mergers and acquisitions. Applying its in-depth knowledge of

specific vertical markets, the Company is able to provide insightful, value-added advice to its clients. CRA offers clients practical and creative advice by challenging conventional approaches and generally avoiding predetermined solutions or methodologies. Recognizing the importance that clients place in maintaining confidentiality, CRA does not disclose the identity of its clients unless the Company's engagement with the client is already publicly disclosed. CRA's business consulting services can be grouped into three broad areas, as follows:

Business Strategy. CRA offers a broad range of strategy-related consulting services designed to help companies evaluate strategic opportunities and increase shareholder value. For example, CRA helps clients to identify investment opportunities, implement cost reduction programs, execute turnaround strategies, improve risk management, make capital investment decisions, complete due diligence, value intellectual property rights and other assets, and establish pricing strategies. The Company also assists clients with acquisitions by assessing the strategic and financial fit of an acquisition candidate. As it does in its legal and regulatory consulting practice, CRA advises clients on the competitive advantages and efficiencies, if any, resulting from acquisitions, as well as any potential antitrust concerns.

Market Analysis. CRA uses its vertical market expertise and analytical skills to assist its clients in identifying, understanding and reacting to market trends, including measuring market size, estimating supply and demand balances, evaluating growth opportunities, and analyzing procurement strategies. This type of analysis is particularly useful for companies that are launching a new product, repositioning an existing product or operating in an industry undergoing significant change. CRA uses complex computer models to predict the market impact of certain potential actions by the client or third parties. This information is then used to advise the client on product positioning, pricing strategies, competitive threats and probable market reactions. Using its regulatory and legal consulting expertise, CRA assists clients in evaluating the market impact of existing and proposed government policies.

Technology Management. CRA assists clients in managing their industrial technologies, including analyzing the processes used to develop their products and services. The Company helps clients with their technology needs from assessment through implementation. For example, CRA completes competitive analyses for clients by analyzing competitors' technology and processes through statistical comparisons of raw material costs, sales, productivity measurements and other factors. In addition, CRA helps clients to assess commercialization of new technology by quantifying the costs and benefits of obtaining and implementing new technology, including evaluation of engineering and employee training costs. Finally, the Company assists clients in implementing technology, including helping to coordinate the efforts of research and development organizations and conducting pre-feasibility studies.

VERTICAL MARKET EXPERTISE

The Company believes its ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular vertical markets is one of its key competitive strengths. By maintaining expertise in certain industries, the Company provides clients practical advice in both legal and regulatory consulting and business consulting that is tailored to their specific markets. This vertical market expertise, developed by CRA over decades of providing sophisticated consulting services to a diverse group of clients in leading industries, differentiates the Company from many of its competitors. CRA believes that it has developed a strong reputation and substantial name recognition within specific industries, which leads to repeat business and new engagements from clients in those markets. While the Company provides services to clients in a wide variety of industries, it has particular expertise in the following vertical markets:

Chemicals. The Company has a long history of providing consulting services to chemical companies. For example, CRA has assisted leading chemical companies in improving their research and development capabilities, investing in new businesses, assessing acquisition possibilities, and restructuring their facilities. CRA's industry experience enables it to offer advice to clients regarding pricing and profitability relative to supply, demand and competition within the chemicals industry.

Electric Power and Other Energies. CRA is a leading provider of economic testimony and analysis of the competitive impacts of electric utility, natural gas, and petroleum mergers and acquisitions. In addition,

the Company offers advice to energy clients about the effects of deregulation in the electric power and natural gas industries. In order to help energy clients address frequent regulatory changes, CRA represents them in proceedings before the Federal Energy Regulatory Commission, the Interstate Commerce Commission, state public regulatory commissions, and other international, federal and state administrative agencies. The Company has recently published a comprehensive study analyzing trading in electricity futures contracts.

Healthcare. CRA advises hospitals, pharmaceutical and medical product companies, and other healthcare clients by combining its in-depth knowledge of the unique and rapidly changing features of healthcare markets with its expertise in antitrust assessment, merger evaluations, measurement of damages and valuation of intellectual property. The Company assists its clients in responding to current competitive pricing trends and incentives created for vertical and horizontal consolidation. For pharmaceutical and medical product companies, CRA helps develop research, development, marketing and reimbursement strategies that highlight the clinical and economic advantages of their pharmaceuticals and medical technologies.

Materials. Led by a group of consultants with extensive experience and academic backgrounds in the materials and manufactured parts industries, CRA offers advice on a broad array of issues confronting clients selling and using materials such as minerals, metals and polymers. For example, CRA helps companies to analyze potential strategic acquisitions, evaluate capital investment opportunities, define and segment markets, assess new technology, respond to changing regulations, gauge competitors' actions and design business strategies. CRA also has expertise and experience in guiding materials and manufactured parts companies through antidumping proceedings before government agencies.

Media/Telecommunications. By providing a wide range of consulting services to a diverse group of media and telecommunications clients, the Company has developed a strong reputation as a leading source of expert economic and financial advice for media and telecommunications companies. CRA has been retained by clients involved in some of the largest media/telecommunications mergers, including the acquisitions of Turner Broadcasting System Inc. by Time Warner Inc. and Capital Cities/ABC Inc. by Walt Disney Company. Applying its expertise in the media/telecommunications industry, CRA has helped clients address the dramatic developments in their industry resulting from rapid technological change, deregulation and the globalization of their markets.

Transportation. The Company assists transportation industry clients by providing services in travel demand forecasting, market assessment, public policy analysis and business strategy. Through the use of sophisticated models for estimating travel demand developed by the Company, CRA helps transportation clients assess the feasibility of entering new markets and consults with governments considering infrastructure improvements. In addition, the Company has advised airline clients on the effects of deregulation and has consulted with automotive companies on the effects of increased government regulation.

NEW OPPORTUNITIES

An element of the Company's growth strategy is to expand into new practice areas that are complementary to its core practice areas. The Company intends to continue to encourage its consultants to develop expertise in new areas. Two examples of new areas of business that the Company recently developed are described below.

Auction Consulting. Several of CRA's consultants used their expertise in game theory to develop an auctions consulting practice. CRA is collaborating with Market Design, Inc. ("MDI"), a corporation owned and operated by a group of leading academic experts in the field of auction theory, to provide consulting services for the design and implementation of complex auctions, such as simultaneous ascending-bid auctions in which multiple objects are available for bid at the same time. Using jointly developed, sophisticated software, the Company and MDI help businesses and governments formulate rules for auctions, run auctions and track auction results. In addition, CRA and MDI provide bidder support services prior to and during an auction, including competitive evaluations, optimal bidding strategies and assessments of the competition's behavior. CRA typically charges clients a license fee for its auction software (a portion of which is shared with MDI) in addition to charging for its consulting services.

The Company's auction consulting work began in 1995 and was initially focused primarily on auctions of telecommunications spectrum licenses. For example, CRA and MDI were hired by Mexico's Comision Federal de Telecomunicaciones to design and help implement auctions for paging spectrum, microwave bands and personal communication services. While still focusing on telecommunications auctions, the Company has also provided auction consulting services to electric utilities, and intends to expand its auction consulting work into other industries, such as minerals and chemicals, that are beginning to use auctions more frequently to allocate resources and property rights.

NeuCo. In June 1997, the Company invested approximately $650,000 for a majority interest in NeuCo. NeuCo was established by the Company and an affiliate of Commonwealth Energy Systems as a start-up entity to develop and market a family of neural network software tools and complementary applications consulting services for electric utilities. NeuCo's products and services are designed to help utilities improve their power plants by improving heat rate, reducing emissions, overcoming operating constraints and increasing output capability. NeuCo was established in connection with the Company's consulting engagement with Commonwealth Energy.

While NeuCo is currently operating at a loss, and there can be no assurance that it will become profitable, the Company believes that demand exists for NeuCo's products and services. As of the date of this Prospectus, NeuCo has implemented its software and services solution at one of Commonwealth Energy's electric utility plants, and it is providing consulting services to another client. Although NeuCo's initial products and services are designed for electric utilities, the Company believes that NeuCo's neural network software tools can be adapted and combined with consulting services to form a solutions package to meet the efficiency needs of companies outside the electric power industry, particularly for gas and other combustion companies. The software engine that NeuCo utilizes to build its software applications is licensed by the Company from a third party and sublicensed to NeuCo. In addition to the sublicense, the Company provides NeuCo with general, administrative and other services for agreed-upon fees.

CLIENTS

The Company has completed more than 2,500 engagements for clients including major law firms, domestic and foreign corporations, federal, state and local government agencies, governments of foreign countries, public and private utilities, and national and international trade associations. While the Company has particular expertise in certain vertical markets, the Company provides services to a diverse group of clients in a broad range of industries. During its last three fiscal years, CRA worked with 59 of the 100 largest U.S. law firms (ranked by The American Lawyer based on 1996 revenues) and 109 Fortune 500 companies (based on 1996 revenues). No single client accounted for over 10% of the Company's revenues in fiscal 1997. CRA's policy is to keep the identities of its clients confidential unless the Company's work for the client is already publicly disclosed.

The following are examples of the Company's engagements:

Legal and Regulatory Consulting

- The Company assisted Procter & Gamble Company Inc. ("P&G") and its counsel in assessing the antitrust implications of P&G's acquisition of Tambrands Inc. The DOJ was concerned that the proposed merger might reduce competition and lead to price increases for feminine protection products. CRA reviewed P&G's and Tambrands' internal planning documents, which indicated that the two companies' products did not compete directly against each other. CRA confirmed this by applying sophisticated econometric techniques to consumer purchase data. CRA presented its findings, together with its extensive supporting data, to the DOJ's investigative staff to demonstrate that the two companies' products were either in distinct markets, or if in the same market, not substitutes for each other. After considering CRA's analysis and data, the DOJ allowed the acquisition to proceed.

- CRA assisted Polaroid Corporation in its instant-camera patent infringement lawsuit against Eastman Kodak Company. Working closely with two Outside Experts, CRA developed estimates of reasonable royalties and the value of lost profits on the basis of lost sales and price erosion resulting from Eastman

Kodak's infringement. CRA formulated its damages calculations using a non-linear model of consumer demand for a durable good. This model, developed by two Outside Experts working in conjunction with CRA consultants, analyzed consumer buying patterns, price movements and other factors in the context of a new product introduction. CRA assisted the Outside Experts with their trial testimony and worked closely with Polaroid's lawyers in preparing witnesses and critiquing the opposing parties' experts. CRA's analysis contributed to Polaroid obtaining a significant damages award.

- Exxon Company, USA retained CRA to assist in preparing for litigation related to the oil spill from the tanker Exxon Valdez. CRA examined a number of theoretical and empirical issues regarding the reliability of measures of natural resource damages. Working with a team of survey researchers, economists, psychologists, and statisticians, CRA developed and conducted a number of experiments after gathering and interpreting data from questionnaires administered to several thousand respondents throughout the United States. The studies specifically addressed the reliability and sensitivity of contingent valuation methods in measuring damages to environmental resources. CRA's study results indicated that slight variations in survey techniques and methodologies could lead to dramatically different results. For example, by isolating the "budget context" bias that arises in one traditional method of measuring natural resource damages, CRA's research demonstrated that the traditional method tended to overstate damages by a factor of almost 300 as compared to a survey method that CRA designed to mitigate the bias. Exxon used CRA's analysis to prepare for settlement negotiations.

- When several major oil companies were accused of conspiring to depress the prices of North Sea or Brent crude oil, they hired CRA to perform a number of sophisticated statistical tests to determine whether Brent prices had been affected by their purchases and sales. CRA's statistical tests demonstrated that there was no pattern of trading by the clients at below-market prices. Rather, the prices of a majority of the clients' trades fell within the range of non-defendants' prices prevailing for the corresponding delivery month and transaction day; the remaining trades were evenly distributed above and below the non-defendants' reported price range. Furthermore, statistical tests revealed no relationship between the relative level of the clients' prices and the direction of change in non-defendants' prices, contrary to what would be expected if the clients' trading activities were designed to drive market prices down. CRA's tests also showed that the volume of trading by its clients was not related to movements in market price and that changes in Brent prices did not lead to changes in prices of other crude oils. CRA's analysis was used by the clients to help settle the matter.

Business Consulting

- CRA evaluated the prospects and mechanisms of privatization for a major international oil and gas company. The Company developed a matrix of privatization efforts of companies around the world and determined the factors that contributed to their success or failure. CRA identified and evaluated financial, competitive and shareholder value concerns, and determined key management tradeoffs. In particular, the Company developed recommendations for the preliminary steps necessary for the client to achieve its privatization objectives and assisted with the implementation of the privatization, including the formation of four new operating companies. In addition, CRA advised the client on dividing the enterprise's assets among the four operating companies and establishing transfer prices.

- CRA developed a turnaround strategy for a nonferrous alloy manufacturing division of a large mining company that was losing money and having production problems. The strategy was based on an analysis of its production problems, costs, competitive positioning, product portfolio and customer mix. The Company identified the inherent potential of the division and explained to the client's board of directors the reasons not to divest the business. The client implemented the turnaround strategy developed by CRA, and the division has since become profitable and is growing.

## HUMAN RESOURCES

### Consultants

On February 20, 1998, the Company had 120 full-time consultants, consisting of 28 officers, 15 principals, 26 senior associates, 36 associates and 15 research assistants, and had over 55 full-time administrative \staff members. Officers and principals generally work closely with clients, supervise junior consultants, provide expert testimony on occasion and seek to generate business for the Company. Senior associates and associates typically serve as project managers and handle complex research assignments. Research assistants gather and analyze data sets and complete statistical programming and library research.

Most of the Company's revenues are derived directly from the services provided by its full-time consultants. The Company's consultants have backgrounds in many disciplines, including economics, business, corporate finance, materials sciences and engineering. Substantially all of CRA's senior consultants, consisting of officers, principals and senior associates, have either a Ph.D. or a master's degree in addition to substantial management, technical or industry expertise. Of the Company's total senior consulting staff of 69 as of February 20, 1998, 41 have Ph.D.s in economics, six have Ph.D.s in other disciplines and 18 have other advanced degrees. The Company believes that its financial results, reputation and growth are directly related to the number and quality of its consultants.

The Company is highly selective in its hiring of consultants, recruiting primarily from leading universities, industry and government. CRA carefully screens candidates and usually arranges for candidates seeking a senior consulting position to interview in at least two of CRA's offices. Prior to hiring a candidate for a senior consulting position, CRA requires that the candidate make a technical presentation to a group of CRA consultants. The Company believes that consultants choose to work at CRA and that turnover is low because of its strong reputation, the credentials, experience and reputation of its consultants, the opportunity to work on a diverse array of matters, the opportunity to work with renowned Outside Experts, and the collegial atmosphere of the Company. The Company believes that its attractiveness as an employer is reflected in its low turnover rate among employees and that its status as a public company will further enhance its ability to recruit and retain employees.

CRA's training and career development program for its consultants focuses on three areas: supervision, seminars and scheduled courses. This program is designed to complement on-the-job experience and an employee's pursuit of his or her own career development. New consultants participate in a structured program in which they are partnered with an assigned mentor. Through CRA's ongoing seminar program, outside speakers make presentations and conduct discussions with the consultants on various topics. In addition, consultants are expected to present papers, discuss significant cases, or outline new analytical techniques or marketing opportunities periodically at in-house seminars. CRA also provides scheduled courses designed to improve an employee's professional skills, such as presentation and sales and marketing techniques. Consultants are also encouraged to pursue their academic interests by authoring articles for economic and other journals.

Each of CRA's senior consultants has signed a non-solicitation agreement which generally prohibits the employee from soliciting clients of CRA for a period of six months following termination of the person's employment with the Company and from soliciting CRA's employees for a period of two years after termination of the person's employment. Each of the Company's current stockholders, including each of CRA's officers, has entered into an agreement with CRA (the "Stock Restriction Agreement"), pursuant to which each stockholder has agreed, among other things, not to sell or otherwise transfer any shares of Common Stock of the Company owned by the stockholder prior to the Offering without the consent of the Board of Directors of the Company for a period of two years following the closing of the Offering. For more information regarding the Stock Restriction Agreement, see "Certain Transactions--Stock Restriction Agreement."

### Outside Experts

The Company works closely with a select group of Outside Experts from leading universities and industry, who supplement the work of the Company's consultants and generate business for the Company. The Company believes that Outside Experts choose to work with the Company on engagements because of the

interesting and challenging nature of the work involved, the opportunity to work with CRA's highly educated consultants and the financially rewarding nature of the work. Four Outside Experts, each of whom is a stockholder of the Company (see "Principal and Selling Stockholders") and a party to the Stock Restriction Agreement, have entered into agreements with the Company that restrict their right to compete with the Company.

MARKETING

The Company relies to a significant extent on the efforts of its consultants, particularly its officers and principals, to market the Company's services. Consultants are encouraged to generate new business from both existing and new clients, and are rewarded with increased compensation and promotions for obtaining new business. In pursuing new business, the Company's consultants emphasize CRA's institutional reputation and experience, while also promoting the expertise of the particular employees who will work on the matter. Many of the Company's consultants have published articles in industry, business, economic, legal and scientific journals and have made speeches and presentations at industry conferences and seminars, which serve as a means of attracting new business and enhancing their reputations. Consultants on occasion work with one or more Outside Experts to market the Company's services.

The personal marketing efforts of the Company's consultants are supplemented by firm-wide initiatives. Historically, the Company has primarily relied on its reputation and client referrals for new business. Since the management buy-out in 1995, the Company has increased its marketing activities and intends to continue to expand its current marketing programs. CRA regularly organizes seminars for existing and potential clients featuring panel members that include the Company's consultants, Outside Experts and leading government officials. The Company has an extensive set of brochures organized around CRA's service areas, which outline the Company's experience and capabilities. In addition, the Company periodically distributes publications to existing and potential clients highlighting emerging trends and noteworthy CRA engagements. Because existing clients are an important source of repeat business and referrals, the Company communicates regularly with its existing clients to keep them informed of developments that affect their markets and industries.

In its legal and regulatory consulting practice, much of the Company's new business is derived from referrals by existing clients. The Company has worked with leading law firms across the country and believes it has developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For its business consulting practice, the Company also relies on referrals from existing clients, but supplements referrals with a significant amount of direct marketing to new clients through conferences, publications, presentations and direct solicitations.

It is important to the Company that it conduct business ethically and in accordance with industry standards and the Company's own rigorous professional standards. The pursuit of specific markets, clients and bids on specific requests for proposals are carefully considered. Before a new client or matter is accepted, the Company determines whether a conflict of interests exists by circulating a client development report among its officers and by checking the Company's internal client database.

COMPETITION

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. In the legal and regulatory consulting market, the Company competes primarily with other economic consulting firms and individual academics. The Company believes that the principal competitive factors in this market are reputation, analytical ability, industry expertise and service. In the business consulting market, the Company competes primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. The Company believes that the principal competitive factors in this market are reputation, industry expertise, analytical ability, service and price. Many of the Company's competitors have national and international reputations as well as significantly greater

personnel, financial, managerial, technical and marketing resources than the Company. Certain of the Company's competitors also have a significantly broader geographic presence than the Company. There can be no assurance that the Company will compete successfully with its existing competitors or with any new competitors.

## FACILITIES

The Company's headquarters is located in Boston, Massachusetts in a leased facility consisting of approximately 41,000 square feet, under a 15-year lease that expires in 2008. The Company also occupies leased office space in Washington, D.C. and Palo Alto, California. The Company believes that its existing facilities are adequate to meet its current requirements and that suitable space will be available as needed.

## LEGAL PROCEEDINGS

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

## MANAGEMENT

### EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

| NAME | AGE | POSITION |
|---|---|---|
| Franklin M. Fisher (1)(2)..... | 63 | Chairman of the Board |
| Rowland T. Moriarty (1)(2)(3)..... | 51 | Vice Chairman of the Board |
| James C. Burrows..... | 54 | President, Chief Executive Officer and Director |
| Laurel E. Morrison..... | 47 | Chief Financial Officer, Vice President, Finance and Administration, and Treasurer |
| Firoze E. Katrak (3)..... | 46 | Vice President, Director |
| William B. Burnett (2)..... | 49 | Vice President, Director |
| Carl Kaysen (1)(3)..... | 78 | Director |

(1) Member of the Compensation Committee
(2) Member of the Governance Committee
(3) Member of the Audit Committee

FRANKLIN M. FISHER has served as an Outside Expert and a director of the Company since 1967. Since April 1997, Dr. Fisher has served as Chairman of the Board of Directors. Dr. Fisher has been a professor of economics at the Massachusetts Institute of Technology since 1965, and the president and sole employee of FMF, Inc., an economic consulting firm, since 1980. Dr. Fisher is also a director of the National Bureau of Economic Research and a member of the Steering Committee of the Institute for Social and Economic Policy in the Middle East at Harvard University's John F. Kennedy School of Government. He received his Ph.D. in economics in 1960 from Harvard University.

ROWLAND T. MORIARTY has served as a director of the Company since 1986 and as Vice Chairman of the Board since December 1992. Dr. Moriarty is also Chairman of the Board of Managers and a member of NeuCo. Dr. Moriarty has served as Chairman and Chief Executive Officer of Cubex Inc., an international marketing consulting firm, since 1992. Dr. Moriarty was a professor at the Harvard Business School from 1981 to 1992, where he received his D.B.A. in Marketing in 1980. He is a director of Staples, Inc. and Trammel Crow Corporation.

JAMES C. BURROWS joined the Company in 1967 and has served as its President and Chief Executive Officer since March 1995 and as a director since April 1993. Since December 1992, Dr. Burrows has directed the Company's legal and regulatory consulting practice. From 1971 to March 1995, Dr. Burrows served as a Vice President of the Company and from June 1987 to December 1992 also directed the Company's economic litigation program. Dr. Burrows received his Ph.D. in economics from the Massachusetts Institute of Technology in 1970.

LAUREL E. MORRISON has served as Chief Financial Officer, Vice President of Finance and Administration, and Treasurer of the Company since December 1996. Ms. Morrison served as Controller of the Company from May 1993 until December 1996. Ms. Morrison previously served as Controller of MicroMentor, Inc., a software company, from November 1992 to May 1993. Ms. Morrison is a certified public accountant.

FIROZE E. KATRAK has served as Vice President of the Company since 1986 and as a director of the Company since April 1993. Since June 1987, he has served as head of the Company's materials and manufacturing consulting practice. Dr. Katrak received his Ph.D. in materials engineering from the Massachusetts Institute of Technology in 1978 and has been an employee of the Company since that time.

WILLIAM B. BURNETT joined the Company as Vice President in 1988 and has served as a director since June 1994. From 1982 to 1988, Mr. Burnett served as a Vice President of Glassman-Oliver Economic Consultants, Inc., a consulting firm. Prior to joining the Company, Mr. Burnett served in the Bureau of Economics at the FTC from 1976 to 1982. Mr. Burnett received his M.A. in economics from Cornell University in 1975.

CARL KAYSEN has served as a director of the Company since 1986. From December 1992 until April 1997, Dr. Kaysen served as Chairman of the Board of Directors. Since 1990, Dr. Kaysen has been professor emeritus of political economy in the School of Humanities and Social Science at the Massachusetts Institute of Technology. Dr. Kaysen received his Ph.D. in economics from Harvard University in 1954.

The Board of Directors is divided into three classes, one class of which is elected each year at the annual meeting of stockholders to hold office for a term of three years. Dr. Moriarty and Mr. Burnett serve as Class I directors; their terms of office expire in 1999. Drs. Katrak and Kaysen serve as Class II directors; their terms of office expire in 2000. Drs. Fisher and Burrows serve as Class III directors; their terms of office expire in 2001. Each director also continues to serve as a director until his successor is duly elected and qualified. Executive officers of the Company are elected by and serve at the discretion of the Board of Directors.

The Board of Directors has a Compensation Committee, which provides recommendations concerning salaries and incentive compensation for employees of and consultants to the Company. The Board of Directors also has an Audit Committee, which reviews the scope and results of the audit and other services provided by the Company's independent auditors. The Board of Directors also has a Governance Committee, which nominates persons to serve as directors of the Company.

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee currently consists of Drs. Fisher, Kaysen and Moriarty. Dr. Moriarty is Chairman of the Board of Managers and a member of NeuCo, a subsidiary of the Company. For information concerning a stock restriction agreement to which Drs. Fisher, Kaysen and Moriarty are parties as well as certain payments by the Company to Drs. Fisher and Moriarty, see "Certain Transactions."

DIRECTOR COMPENSATION

The Company pays its non-employee directors an annual fee of $13,000 for their services as directors, plus $2,000 for each regular Board meeting attended and $1,000 for each special Board meeting attended. Directors who are also employees of the Company do not receive separate fees for their services as directors. See "Certain Transactions" for information concerning consulting fees paid by the Company to certain directors for their services as Outside Experts to the Company.

Under the 1998 Incentive and Nonqualified Stock Option Plan (the "Option Plan"), each Outside Director (as defined below) who shall be re-elected as a director of the Company or whose term shall continue after the annual meeting of stockholders will on the date of the annual meeting receive a Nonqualified Option (as defined below) to purchase 5,000 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on that date. Each such option will have a term of five years and will vest in full on the first anniversary of the date of grant. Each person who shall be first elected an Outside Director of the Company after the adoption of the Plan will receive on the date of his or her election as a director a Nonqualified Option to purchase 10,000 shares of Common Stock at an exercise price equal to the closing price of the Common Stock on that date. Each such option will have a term of five years and will vest in three equal annual installments, commencing on the first anniversary of the date of grant. Under the terms of the Option Plan, an "Outside Director" is a director who (i) is not an employee of the Company or any parent or subsidiary of the Company and (ii) is not a consultant who provides economic consulting services to or in conjunction with the Company or any parent or subsidiary of the Company. Currently, the Outside Directors of the Company are Drs. Moriarty and Kaysen.

EXECUTIVE COMPENSATION

Compensation Summary. The following table sets forth certain information concerning the compensation earned by the Company's Chief Executive Officer and other executive officers for services rendered in all capacities to the Company for the fiscal year ended November 29, 1997.

SUMMARY COMPENSATION TABLE

| | ANNUAL COMPENSATION | | | |
|---|---|---|---|---|
| NAME AND PRINCIPAL POSITION | SALARY($) | BONUS($)(1) | OTHER ANNUAL COMPENSATION($)(2) | ALL OTHER COMPENSATION($)(3) |
| James C. Burrows..... President and Chief Executive Officer | $285,000 | $615,000 | -- | $22,371 |
| Laurel E. Morrison..... Chief Financial Officer, Vice President, Finance and Administration, and Treasurer | 100,000 | 55,000 | -- | 20,418 |
| Firoze E. Katrak..... Vice President | 220,000 | 300,000 | -- | 21,331 |
| William B. Burnett..... Vice President | 220,000 | 490,000 | -- | 22,776 |

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(1) Includes supplemental compensation bonuses of $115,000, $5,000, $100,000 and $65,000 for Dr. Burrows, Ms. Morrison, Dr. Katrak and Mr. Burnett, respectively.

(2) Other annual compensation in the form of perquisites and other personal benefits has been omitted because the aggregate amount of such perquisites and other personal benefits was less than $50,000 and constituted less than 10% of the executive officers' respective total annual salary and bonus.

(3) Represents contributions by the Company on behalf of the executive officer to the Company's Savings & Retirement Plan and Trust and premiums paid by the Company for term life insurance for the benefit of the executive officer.

BENEFIT PLANS

1998 Incentive and Nonqualified Stock Option Plan

The Company has adopted the 1998 Incentive and Nonqualified Stock Option Plan. A total of 970,000 shares of Common Stock are reserved for issuance under the Option Plan. The Option Plan authorizes (i) the grant of options to purchase Common Stock intended to qualify as incentive stock options ("Incentive Options"), as defined in Section 422 of the Code and (ii) the grant of options that do not so qualify ("Nonqualified Options"). The exercise price of Incentive Options granted under the Option Plan must be at least equal to the fair market value of the Common Stock of the Company on the date of grant. The exercise price of Incentive Options granted to an optionee who owns stock possessing more than 10% of the voting power of the Company's outstanding capital stock must be at least equal to 110% of the fair market value of the Common Stock on the date of grant. The exercise price of Nonqualified Options granted under the Option Plan must be at least equal to 85% of the fair market value of the Common Stock on the date of grant.

The Option Plan may be administered by the Board of Directors or the Compensation Committee. Except in the case of certain formula grants to Outside Directors described above under "Director Compensation," the Board or the Compensation Committee selects the individuals to whom options will be granted and determines the option exercise price and other terms of each award, subject to the provisions of the Option Plan. Incentive Options may be granted under the Option Plan to employees, including officers and directors who are also employees. Nonqualified Options may be granted under the Option Plan to officers and

other employees and to directors and other individuals providing services to the Company, whether or not they are employees of the Company.

1998 Employee Stock Purchase Plan

The Company has adopted the 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Stock Purchase Plan authorizes the issuance of up to an aggregate of 243,000 shares of Common Stock to participating employees. The Stock Purchase Plan may be administered by the Board of Directors or the Compensation Committee.

Under the terms of the Stock Purchase Plan, all employees of the Company (other than seasonal employees) who have completed one year of employment with the Company and whose customary employment is more than part-time (i.e., more than 20 hours per week and more than five months in the calendar year) are eligible to participate in the Stock Purchase Plan. Employees who own five percent or more of the outstanding Common Stock of the Company and directors who are not employees are not eligible to participate in the Stock Purchase Plan.

The right to purchase Common Stock under the Stock Purchase Plan will be made available through a series of one year offerings (each, an "Offering Period"). On the first day of an Offering Period, the Company will grant to each eligible employee who has elected in writing to participate in the Stock Purchase Plan an option to purchase shares of Common Stock. The employee will be required to authorize an amount (between one and ten percent of the employee's base compensation) to be deducted by the Company from the employee's pay during the Offering Period. On the last day of the Offering Period, the employee will be deemed to have exercised the option, at the option exercise price, to the extent of accumulated payroll deductions. Under the terms of the Stock Purchase Plan, the option exercise price is an amount equal to 85% of the fair market value of one share of Common Stock on either the first or last day of the Offering Period, whichever is lower.

No employee may be granted an option that would permit the employee's rights to purchase Common Stock to accrue at a rate in excess of $25,000 of the fair market value of the Common Stock, determined as of the date the option is granted, in any calendar year.

The Company has made no determination as to when the first Offering Period under the Stock Purchase Plan will commence.

Bonus Program

The Company maintains a discretionary bonus program, pursuant to which the Company grants performance-based bonuses to its officers and other employees. The Compensation Committee, in its discretion, determines the bonuses to be granted to the Company's officers, and the Company's Chief Executive Officer, in his discretion, determines the bonuses to be granted to the Company's other employees, based upon recommendations of the various committees of officers supervising the employees' work.

The Charles River Associates Savings & Retirement Plan and Trust

The Company maintains the Charles River Associates Savings & Retirement Plan and Trust (the "Savings & Retirement Plan"), qualified under Section 401(a) of the Code. All employees of the Company who are 21 years of age are eligible to make salary reduction contributions pursuant to the Savings & Retirement Plan, and those who have also completed at least one year of service (consisting of at least 1,000 hours of service) are eligible to receive profit-sharing contributions from the Company. A participant may contribute a maximum of 20% of his or her pre-tax salary, commissions and bonuses through payroll deductions (up to the statutorily prescribed annual limit of $10,000 in 1998) to the Savings & Retirement Plan. The percentage elected by more highly compensated participants may be required to be lower. The Company may make discretionary matching contributions under the Savings & Retirement Plan on behalf of participants whose annual rate of pay does not exceed $44,500 in an amount up to a maximum of 4% of the participant's pre-tax salary, commissions and bonuses. The Company may also make discretionary profit-

sharing contributions on behalf of eligible participants who have completed at least 1,000 hours of service during the fiscal year and are employed by the Company on the last day of the fiscal year. Any profit-sharing contribution is allocated to eligible participants as a percentage of their total compensation (up to the statutorily prescribed maximum of $160,000 in 1998) with a larger percentage allocated to compensation in excess of the Social Security wage base in accordance with rules set forth in the Code. The Company determines the level of the discretionary contributions on an annual basis. In fiscal 1997, the Company made aggregate matching and profit-sharing contributions of approximately $1.2 million.

## CERTAIN TRANSACTIONS

### STOCK RESTRICTION AGREEMENT

Each person who is a stockholder of the Company before the closing of the Offering (a "Pre-Offering Stockholder") is subject to a Stock Restriction Agreement with the Company. The Stock Restriction Agreement prohibits each Pre-Offering Stockholder from selling or otherwise transferring shares of Common Stock held immediately before the Offering (collectively, "Pre-Offering Stock") as follows: (i) in the first two years after the Offering, no Pre-Offering Stockholder may sell any of his or her Pre-Offering Stock except in a public offering; (ii) in the third, fourth and fifth years after the Offering, each Pre-Offering Stockholder will be able to sell up to an aggregate of 50% of his or her Pre-Offering Stock, less any shares previously sold in public offerings; (iii) in the sixth and seventh years after the Offering, each Pre-Offering Stockholder will be able to sell up to an aggregate of an additional 20% of his or her Pre-Offering Stock; and (iv) thereafter, each Pre-Offering Stockholder will be able to sell, in any 12-month period, an amount equal to the greater of (A) 10% of his or her Pre-Offering Stock or (B) one-third of the Pre-Offering Stock held by him or her at the end of the seventh year after the Offering. Upon the death or retirement for disability of any Pre-Offering Stockholder in accordance with the Company's policies, the foregoing restrictions will terminate with respect to his or her Pre-Offering Stock. The Board of Directors will have the discretion to waive any of the restrictions imposed by the Stock Restriction Agreement.

Under the terms of the Stock Restriction Agreement, if any Pre-Offering Stockholder shall leave the Company (other than for death or retirement for disability in accordance with the Company's policies), the Company (i) will have the right until the second anniversary of the Offering to repurchase up to 85% of his or her Pre-Offering Stock, (ii) will have the right after the second anniversary of the Offering until the fifth anniversary of the Offering to repurchase up to 50% of his or her Pre-Offering Stock, and (iii) will have the right after the fifth anniversary of the Offering to repurchase all of the Pre-Offering Stock that the Pre-Offering Stockholder shall not have already become entitled to sell. The purchase price will be equal to 70% of the fair market value of the repurchased stock, or, if the Pre-Offering Stockholder shall compete with the Company, 40% of such fair market value. The purchase price will be payable in three equal annual installments. The Stock Restriction Agreement will terminate ten years after the Offering or earlier with the approval of the Board of Directors of the Company.

### PAYMENTS TO AFFILIATED PARTIES

The Company has made payments to Dr. Fisher, a director of the Company, and Steven C. Salop, a former director of the Company, for their services as Outside Experts, including for consulting services to clients and for the generation of engagements for the Company. Each of Drs. Fisher and Salop also holds more than five percent of the Common Stock of the Company outstanding before the Offering. In fiscal 1995, fiscal 1996 and fiscal 1997, the Company paid Dr. Fisher an aggregate of $459,673, $202,107 and $167,357, respectively. In fiscal 1995, fiscal 1996 and fiscal 1997, the Company paid Dr. Salop an aggregate of $545,658, $806,855 and $766,114, respectively. The foregoing amounts include payments made to companies wholly owned by the respective Outside Experts.

In fiscal 1997, the Company paid Dr. Moriarty, a director and five percent stockholder of the Company, an aggregate of $60,000 for consulting services. In addition, the Company has made certain office space and support services available to Cubex Inc., a company wholly owned by Dr. Moriarty. The portion of the Company's expenses, including rent, labor costs and insurance, allocable to the resources made available to Cubex Inc., net of reimbursements, was $22,436, $55,275 and $69,310 in fiscal 1995, fiscal 1996 and fiscal 1997, respectively.

### SALE OF STOCK

In August 1997, the Company sold 26,000 shares of Common Stock to Laurel E. Morrison, the Chief Financial Officer, Vice President, Finance and Administration, and Treasurer of the Company, at a purchase price of approximately $2.71 per share, which represented the fair market value per share at that time, as determined by the Company's Board of Directors. Ms. Morrison paid $24,000 at the time of purchase and the remainder of the purchase price is payable in five annual installments as set forth in the stock purchase agreement.

REPURCHASE OF STOCK

In May 1995, the Company repurchased 59,800 shares of Common Stock from each of Dr. Fisher and Alan R. Willens, a former director of the Company, in each case for a purchase price equal to the sum of (i) $33,695, payable in three equal annual installments, (ii) an amount, payable in five annual installments, equal to his pro rata portion of 25% of the Company's earnings before bonuses, supplemental compensation and amortization of goodwill for each of fiscal 1995, fiscal 1996, fiscal 1997, fiscal 1998 and fiscal 1999, of which the Company had paid $36,797 as of February 20, 1998, and (iii) $2,020, paid in April 1996.

SUPPLEMENTAL COMPENSATION PROGRAM

Pursuant to the Company's supplemental compensation bonus program, the Company paid each of Drs. Fisher and Salop $100,000 in each of fiscal 1995, fiscal 1996 and fiscal 1997 and paid Dr. Moriarty $50,000 in each of those years. Payments under this bonus program were discretionary and were based primarily on the Company's cash flows. The Company does not intend to make additional payments under this bonus program after fiscal 1997.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of February 20, 1998, and as adjusted to reflect the sale by the Company and the Selling Stockholders of the shares of Common Stock offered by this Prospectus by (i) each person known by the Company to be the beneficial owner of more than five percent of the Common Stock, (ii) each of the Company's directors, (iii) each of the Company's executive officers, (iv) all directors and executive officers of the Company as a group and (v) each Selling Stockholder.

| | SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1) | | NUMBER OF SHARES TO | SHARES TO BE BENEFICIALLY OWNED AFTER OFFERING(1) | |
|---|---|---|---|---|---|
| NAME | NUMBER | PERCENT(2) | BE OFFERED | NUMBER | PERCENT(3) |
| 5% STOCKHOLDERS, DIRECTORS AND EXECUTIVE OFFICERS: | | | | | |
| Franklin M. Fisher(4)(5) | 653,588 | 10.0% | 73,294 | 580,294 | 7.2% |
| James C. Burrows(4) | 620,256 | 9.5 | -- | 620,256 | 7.7 |
| Steven C. Salop(4)(6) | 585,000 | 9.0 | 52,000 | 533,000 | 6.6 |
| Firoze E. Katrak(4)(7) | 438,100 | 6.7 | 49,128 | 388,972 | 4.8 |
| Rowland T. Moriarty(4)(8) | 410,800 | 6.3 | 41,080 | 369,720 | 4.6 |
| William B. Burnett(9) | 312,000 | 4.8 | 31,200 | 280,800 | 3.5 |
| Carl Kaysen(10) | 67,600 | 1.0 | 7,582 | 60,018 | * |
| Laurel E. Morrison | 26,000 | * | -- | 26,000 | * |
| All directors and executive officers as a group (7 persons)(11) | 2,528,344 | 38.8% | 202,284 | 2,326,060 | 28.8% |
| OTHER SELLING STOCKHOLDERS(12): | | | | | |
| Richard S. Ruback | 312,000 | 4.8% | 31,200 | 280,800 | 3.5% |
| Jagdish C. Agarwal | 208,000 | 3.2 | 23,325 | 184,675 | 2.3 |
| Thomas R. Overstreet | 208,000 | 3.2 | 23,325 | 184,675 | 2.3 |
| Alan R. Willens | 188,188 | 2.9 | 21,104 | 167,084 | 2.1 |
| Stanley M. Besen | 182,000 | 2.8 | 20,409 | 161,591 | 2.0 |
| Michael A. Kemp | 182,000 | 2.8 | 20,409 | 161,591 | 2.0 |
| Bridger M. Mitchell | 182,000 | 2.8 | 20,409 | 161,591 | 2.0 |
| Deloris R. Wright | 182,000 | 2.8 | 20,409 | 161,591 | 2.0 |
| Raju Patel(13) | 130,000 | 2.0 | 14,578 | 115,422 | 1.4 |
| Daniel Brand | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| Steven R. Brenner | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| George C. Eads | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| W. David Montgomery | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| Gary L. Roberts | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| Louis L. Wilde | 119,600 | 1.8 | 13,412 | 106,188 | 1.3 |
| Stephen H. Kalos | 104,000 | 1.6 | 11,663 | 92,337 | 1.1 |
| Arnold J. Lowenstein | 104,000 | 1.6 | 11,663 | 92,337 | 1.1 |
| C. Christopher Maxwell | 104,000 | 1.6 | 11,663 | 92,337 | 1.1 |
| Robert M. Spann | 104,000 | 1.6 | 11,663 | 92,337 | 1.1 |
| John R. Woodbury | 104,000 | 1.6 | 11,663 | 92,337 | 1.1 |
| Monica G. Noether | 98,800 | 1.5 | 11,079 | 87,721 | 1.1 |
| Robert J. Larner and Anne M. Larner | 89,700 | 1.4 | 10,059 | 79,641 | * |
| Joen E. Greenwood | 88,608 | 1.4 | 9,937 | 78,671 | * |
| William R. Hughes | 78,000 | 1.2 | 8,748 | 69,252 | * |
| Gregory K. Bell | 65,000 | * | 3,900 | 61,100 | * |
| Paul R. Milgrom | 52,000 | * | 5,200 | 46,800 | * |
| Douglas R. Bohi | 26,000 | * | 2,916 | 23,084 | * |

- ---

* Less than one percent.

(1) The persons named in this table have sole voting and investment power with respect to the shares listed, except as otherwise indicated. The inclusion of shares listed as beneficially owned does not constitute an admission of beneficial ownership. The description of shares owned after the Offering assumes none of the listed stockholders will purchase additional shares in the Offering.

(2) The total number of shares of Common Stock outstanding as of February 20, 1998 was 6,519,240.

(3) The number of shares of Common Stock deemed outstanding after the Offering includes the additional 1,562,500 shares being offered by the Company hereby.

(4) The address for Drs. Fisher, Burrows, Katrak and Moriarty is in care of the Company, 200 Clarendon Street, Boston, Massachusetts 02116, and the address for Dr. Salop is in care of the Company, Suite 700, 600 13th Street, N.W., Washington, D.C. 20005.

(5) Dr. Fisher is Chairman of the Board of Directors of the Company.

(6) Dr. Salop is an Outside Expert.

(7) Includes 130,000 shares of Common Stock held by Raju Patel, as to which Ms. Patel has sole investment power and Dr. Katrak has sole voting power. Dr. Katrak is a Vice President and director of the Company. The number of shares to be offered by Dr. Katrak consists of 34,550 shares to be offered by Dr. Katrak and 14,578 shares to be offered by Raju Patel.

(8) Dr. Moriarty is Vice Chairman of the Board of Directors of the Company and Chairman of the Board of Managers and a member of NeuCo.

(9) Mr. Burnett is a Vice President and director of the Company.

(10) Dr. Kaysen is a director of the Company.

(11) See notes 5, 6 and 8 through 12.

(12) With the following exceptions, the persons listed under "Other Selling Stockholders" are employees of the Company: Richard S. Ruback and Paul R. Milgrom are Outside Experts; Alan R. Willens is a former director of the Company; and Raju Patel is not an employee of the Company.

(13) Represents shares of Common Stock as to which Ms. Patel has sole investment power and Dr. Katrak has sole voting power.

## DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 25,000,000 shares of common stock, without par value (the "Common Stock"), and 1,000,000 shares of preferred stock, without par value (the "Preferred Stock"). As of February 20, 1998, there were 6,519,240 shares of Common Stock outstanding and held of record by 36 stockholders, and no shares of Preferred Stock outstanding.

### COMMON STOCK

Holders of Common Stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to the holders of outstanding Preferred Stock, if any, the holders of Common Stock are entitled to receive such lawful dividends as may be declared by the Board of Directors. In the event of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, and subject to the rights of the holders of outstanding Preferred Stock, if any, the holders of Common Stock will be entitled to receive pro rata all of the remaining assets of the Company available for distribution to its stockholders. The Common Stock has no preemptive, redemption, conversion or subscription rights. All outstanding shares of Common Stock are fully paid and non-assessable, except for certain installments not yet due and payable by certain stockholders of the Company. As of February 20, 1998, the aggregate amount of future installments receivable by the Company was $1.1 million. The shares of Common Stock to be issued by the Company in the Offering will be fully paid and non-assessable.

### PREFERRED STOCK

The Board of Directors is authorized, subject to any limitations prescribed by Massachusetts law, to provide for the issuance of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the preferences, voting powers, qualifications, and special or relative rights or privileges thereof. The Board of Directors is authorized to issue Preferred Stock with voting, conversion, and other rights and preferences that could adversely affect the voting power or other rights of the holders of Common Stock. Although the Company has no current plans to issue any Preferred Stock, the issuance of Preferred Stock or of rights to purchase Preferred Stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of the outstanding voting stock of the Company.

### ANTI-TAKEOVER EFFECTS OF PROVISIONS OF THE COMPANY'S AMENDED AND RESTATED ARTICLES OF ORGANIZATION AND AMENDED AND RESTATED BY-LAWS AND OF MASSACHUSETTS LAW

The Company's Amended and Restated Articles of Organization (the "Articles") and Amended and Restated By-Laws (the "By-Laws") and Massachusetts law contain certain provisions that could be deemed to have anti-takeover effects and that could discourage, delay or prevent a change in control of the Company or an acquisition of the Company at a price which many stockholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for stockholders of the Company to effect certain corporate actions, including the election of directors. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of Common Stock.

#### Articles and By-Laws

The By-Laws provide that nominations for directors may not be made by stockholders at any annual or special meeting thereof unless the stockholder intending to make a nomination notifies the Company of the nomination a specified number of days in advance of the meeting and furnishes to the Company certain information regarding such stockholder and the intended nominee. The By-Laws also require advance notice of any proposal to be brought by a stockholder before any annual or special meeting of stockholders and the provision of certain information to the Company regarding such stockholder and others known to support the proposal and any material interest they may have in the proposal.

The By-Laws require the Company to call a special meeting of stockholders only at the request of stockholders holding at least 40% of the voting power of the Company. The provisions in the By-Laws pertaining to stockholders and directors (including the provisions described above pertaining to nominations and the presentation of business before a meeting of the stockholders) may not be amended and no provision inconsistent therewith may be adopted without the approval of either the Board of Directors or the holders of at least 80% of the voting power of the Company.

The Articles provide that certain transactions, such as the sale, lease or exchange of all or substantially all of the Company's property and assets and the merger or consolidation of the Company into or with any other corporation, may be authorized by the approval of the holders of a majority of the shares of each class of stock entitled to vote thereon, rather than by two-thirds as otherwise provided by statute, provided that the transaction has been authorized by a majority of the members of the Board of Directors and the requirements of any other applicable provisions of the Articles have been met.

The Articles contain a "fair price" provision (the "Fair Price Provision") that provides that certain Business Combinations with any Interested Stockholder (as each such term is defined in the Fair Price Provision) may not be consummated without the approval of the holders of at least 80% of the voting power of the Company, unless approved by at least a majority of the Disinterested Directors (as defined in the Fair Price Provision) or unless certain minimum price and procedural requirements are met. A significant purpose of the Fair Price Provision is to deter a purchaser from using two-tiered pricing and similar unfair or discriminatory tactics in an attempt to acquire control of the Company. The affirmative vote of the holders of 80% of the voting power of the Company is required to amend or repeal the Fair Price Provision or adopt any provision inconsistent with it.

Massachusetts Law

Following the Offering, the Company expects that it will have more than 200 stockholders, as a result of which it will be subject to the provisions of Chapter 110F of the Massachusetts General Laws, an anti-takeover law. In general, this statute prohibits a publicly held Massachusetts corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person becomes an interested stockholder, unless either (i) prior to that date, the Board of Directors approved either the business combination or the transaction in which the person became an interested stockholder, (ii) the interested stockholder acquires 90% of the outstanding voting stock of the corporation (excluding shares held by certain affiliates of the corporation) at the time it becomes an interested stockholder or (iii) the business combination is approved by the Board of Directors and by the holders of two-thirds of the outstanding voting stock of the corporation (excluding shares held by the interested stockholder) voting at a meeting. In general, an "interested stockholder" is a person who owns 5% (15% in the case of a person eligible to file a Schedule 13G under the Securities Act with respect to the Common Stock) or more of the outstanding voting stock of the corporation or who is an affiliate or associate of the corporation and was the owner of 5% (15% in the case of a person eligible to file a Schedule 13G under the Securities Act with respect to the Common Stock) or more of the outstanding voting stock within the prior three years. A "business combination" includes mergers, consolidations, stock and asset sales, and other transactions with the interested stockholder resulting in a financial benefit (except proportionately as a stockholder of the corporation) to the interested stockholder. The Company may at any time amend its Articles or By-Laws to elect not to be governed by Chapter 110F by a vote of the holders of a majority of its voting stock. Such an amendment would not be effective for twelve months and would not apply to a business combination with any person who became an interested stockholder prior to the date of the amendment.

Upon the closing of the Offering, the Company will be subject to Section 50A of Chapter 156B of the Massachusetts General Laws, which requires that any publicly held Massachusetts corporation have a classified (staggered) Board of Directors unless the corporation opts out of the statute's coverage. The Company has elected not to opt out of the statute's coverage. Section 50A requires that the classified board consist of three classes as nearly equal in size as possible and provides that directors may be removed only for cause, as defined in the statute. See "Management--Executive Officers and Directors."

The By-Laws include a provision that excludes the Company from the applicability of Chapter 110D of the Massachusetts General Laws, entitled "Regulation of Control Share Acquisitions." In general, this statute provides that any stockholder who acquires 20% or more of the outstanding voting stock of a corporation subject to this statute may not vote that stock unless the disinterested stockholders of the corporation so authorize. In addition, Chapter 110D permits a corporation to provide in its articles of organization or by-laws that the corporation may redeem (for fair value) all of the shares acquired in a control share acquisition if the interested stockholder does not deliver a control share acquisition statement or if the interested stockholder delivers a control share acquisition statement but the stockholders of the corporation do not authorize voting rights for those shares. The Board of Directors may amend the By-Laws at any time to subject the Company to this statute prospectively.

Under Section 43 of Chapter 156B of the Massachusetts General Laws, any action taken by written consent of the stockholders requires the unanimous written consent of the stockholders entitled to vote on the matter.

LIMITATION OF LIABILITY

The Company's Articles provide that no director of the Company shall be personally liable to the Company or to its stockholders for monetary damages for breach of fiduciary duty as a director, except that the limitation shall not eliminate or limit liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 61 or 62 of Chapter 156B of the Massachusetts General Laws, dealing with liability for unauthorized distributions and loans to insiders, respectively, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Articles and By-Laws further provide for the indemnification of the Company's directors and officers to the fullest extent permitted by Section 67 of Chapter 156B of the Massachusetts General Laws, including circumstances in which indemnification is otherwise discretionary.

A principal effect of these provisions is to limit or eliminate the potential liability of the Company's directors for monetary damages arising from breaches of their duty of care, unless the breach involves one of the four exceptions described in (i) through (iv) above. These provisions may also shield directors from liability under federal and state securities laws.

STOCK TRANSFER AGENT

The transfer agent and registrar for the Common Stock is Boston EquiServe, L.P.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon the closing of the Offering, the Company will have 8,081,740 shares of Common Stock outstanding. Of these shares, the 2,188,000 shares of Common Stock sold in the Offering will be freely tradeable in the public market without restriction under the Securities Act, unless they are purchased by an "affiliate" of the Company (as that term is defined in Rule 144 under the Securities Act ("Rule 144")), who would generally be able to sell such shares only in accordance with Rule 144. The remaining 5,893,740 shares will be "restricted securities" as defined in Rule 144 (the "Restricted Shares"). Restricted securities generally may be sold in the public market only if they are registered under the Securities Act or sold in compliance with Rule 144. The Restricted Shares are subject to lock-up agreements pursuant to which they may not be sold or transferred without the prior written consent of NationsBanc Montgomery Securities LLC for a period of 180 days after the date of this Prospectus. See "Underwriting." The Restricted Shares are also subject to the Stock Restriction Agreement, which prohibits the sale or other transfer of Restricted Shares without the consent of the Board of Directors for a period of two years after the Offering and imposes other restrictions on sale in subsequent years. See "Certain Transactions--Stock Restriction Agreement."

### SALES OF RESTRICTED SHARES

All of the Restricted Shares are subject to the lock-up agreements described below and, following the expiration of the lock-up period (or earlier with the consent of the Representatives in certain cases), approximately 3,081,630 shares will be eligible for sale under Rule 144(k) and approximately an additional 2,447,880 shares will be eligible for sale subject to the restrictions of Rule 144.

In general, under Rule 144 as currently in effect, any person (or persons whose shares are aggregated), who has beneficially owned Restricted Shares for at least one year is entitled to sell, within any three-month period, a number of Restricted Shares that does not exceed the greater of (i) 1% of the then-outstanding number of shares of Common Stock (approximately 80,800 shares, based on the number of shares to be outstanding after the Offering) or (ii) the average weekly trading volume of the Common Stock in the public market during the four calendar weeks preceding the filing of the seller's Form 144, provided that certain requirements concerning the availability of public information concerning the Company, manner of sale and notice of sale are satisfied. A person who is not an affiliate of the Company, has not been an affiliate within three months prior to the sale and has beneficially owned the Restricted Shares for at least two years is entitled to sell those Restricted Shares under Rule 144(k) without regard to the limitations described above. Rule 144 also provides that affiliates of the Company who are selling shares of Common Stock that are not Restricted Shares must nonetheless comply with the same restrictions applicable to Restricted Shares with the exception of the holding-period requirement. The one-year and two-year holding periods described above do not begin to run until the full purchase price or other consideration is paid by the person acquiring the Restricted Shares from the Company or an affiliate of the Company and, in certain cases, may include the holding period of a prior owner.

Rule 144A under the Securities Act permits current holders of Restricted Shares to sell, subject to certain conditions, all or a portion of their shares to certain "qualified institutional buyers," as defined in Rule 144A.

### OPTIONS

Any employee or director of or consultant to the Company who, prior to the effective date of the registration statement of which this Prospectus forms a part, was granted options to purchase shares of Common Stock pursuant to Rule 701 will be entitled to rely on the resale provision of Rule 701 with respect to shares of Common Stock acquired upon exercise of such options ("Rule 701 Shares"). This resale provision permits non-affiliates to sell Rule 701 Shares without having to comply with the public information, holding-period, volume-limitation or notice requirements of Rule 144 and permits affiliates to sell Rule 701 Shares without having to comply with the holding-period requirement of Rule 144, in each case commencing 90 days after such effective date.

As soon as practicable after the date of this Prospectus, the Company intends to file registration statements on Form S-8 under the Securities Act to register all shares of Common Stock issuable under the Option Plan and the Stock Purchase Plan. See "Management--Benefit Plans." The Company expects that those registration statements will become effective immediately upon filing. Shares covered by either registration statement will be eligible for sale in the public market after the effective date of the applicable registration statement, subject to Rule 144 limitations applicable to affiliates and to the lock-up agreements described below, if applicable.

## LOCK-UP AGREEMENTS; STOCK RESTRICTION AGREEMENT

The directors and executive officers of the Company and the holders of the Restricted Shares have agreed that, subject to certain exceptions, for a period of 180 days after the date of this Prospectus, they will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock. See "Underwriting." In addition to the foregoing lock-up agreements, each existing stockholder of the Company has agreed that he or she will not sell or otherwise transfer any Restricted Shares without the consent of the Board of Directors for a period of two years after the Offering except in a public offering. In subsequent years, holders of Restricted Shares will be entitled to sell limited portions of their Restricted Shares as described in "Certain Transactions--Stock Restriction Agreement." The Board of Directors may consent to the sale or transfer of any or all of the Restricted Shares at any time, subject to the restrictions of the lock-up agreements.

## EFFECT OF SALES OF SHARES

Prior to the Offering, there has been no public market for the Common Stock of the Company. No prediction can be made as to the effect, if any, that sales of shares of Common Stock in the public market, or the perception that such sales could occur, will have on the market price of the Common Stock prevailing from time to time. Sales of substantial numbers of shares of Common Stock in the public market could materially adversely affect the market price of the Common Stock and could impair the Company's ability to raise capital through a sale of its equity securities. See "Risk Factors--Shares Eligible for Future Sale; Possible Adverse Effect on Market Price."

## UNDERWRITING

The Underwriters named below (the "Underwriters"), represented by NationsBanc Montgomery Securities LLC and William Blair & Company, L.L.C. (the "Representatives"), have severally agreed, subject to the terms and conditions set forth in the Underwriting Agreement, to purchase from the Company and the Selling Stockholders the aggregate number of shares of Common Stock indicated below opposite their respective names at the initial public offering price less the underwriting discount set forth on the cover page of this Prospectus. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters are committed to purchase all of the shares of Common Stock if they purchase any.

| UNDERWRITERS | NUMBER OF SHARES |
|---|---|
| NationsBanc Montgomery Securities LLC..... | |
| William Blair & Company, L.L.C..... | |
| Total..... | 2,188,000 |

The Representatives have advised the Company and the Selling Stockholders that the Underwriters propose initially to offer the Common Stock to the public on the terms set forth on the cover page of this Prospectus. The Underwriters may allow selected dealers a concession of not more than $ per share; and the Underwriters may allow, and such dealers may reallow, a concession of not more than $ per share to certain other dealers. After the Offering, the offering price and other selling terms may be changed by the Representatives. The Common Stock is offered subject to receipt and acceptance by the Underwriters and to certain other conditions, including the right to reject orders in whole or in part.

The Company and the Selling Stockholders have granted an option to the Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to a maximum of 328,200 additional shares of Common Stock in the aggregate to cover over-allotments, if any, at the same price per share as the initial shares to be purchased by the Underwriters. To the extent the Underwriters exercise this option, each of the Underwriters will be committed, subject to certain conditions, to purchase such additional shares in approximately the same proportion as set forth in the above table. The Underwriters may purchase such shares only to cover over-allotments made in connection with the Offering.

The Underwriting Agreement provides that the Company and the Selling Stockholders will indemnify the several Underwriters against certain liabilities, including civil liabilities under the Securities Act, or will contribute to payments the Underwriters may be required to make in respect thereof.

At the request of the Company, the Underwriters have reserved for sale to certain employees of the Company and certain other persons, at the initial public offering price, up to 109,400 of the shares of Common Stock offered hereby. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

All of the Company's stockholders have agreed that, subject to certain exceptions, for a period of 180 days after the date of this Prospectus, they will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock. In addition, subject to certain exceptions, the Company has agreed that, for a period of 180 days after the date of this Prospectus, it will not, without the prior written consent of NationsBanc Montgomery Securities LLC, directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer, establish an open put equivalent position or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock.

The Underwriters are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock. If the Underwriters create a short position in the Common Stock in connection with the Offering, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the Underwriters may reduce that short position by purchasing Common Stock in the open market. The Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above. In addition, the Representatives may impose "penalty bids" under contractual arrangements with the Underwriters whereby they may reclaim from an Underwriter (or dealer participating in the Offering) for the account of the other Underwriters, the selling concession with respect to the Common Stock that is distributed in the Offering but subsequently purchased for the account of the Underwriters in the open market.

In general, purchases of Common Stock for the purpose of stabilization or to reduce a short position could cause the price of the Common Stock to be higher than it might be in the absence of such purchases. None of the Company, the Selling Stockholders and the Underwriters makes any representation or predictions as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Company, the Selling Stockholders and the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Representatives have informed the Company and the Selling Stockholders that the Underwriters do not expect to make sales of Common Stock offered by this Prospectus to accounts over which they exercise discretionary authority in excess of 5% of the number of shares of Common Stock offered hereby.

Prior to the Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price will be determined by negotiations among the Company, the Selling Stockholders and the Representatives. Among the factors to be considered in such negotiations will be the history of, and the prospects for, the Company and the industry in which it competes, an assessment of the Company's management, its past and present earnings and the trend of such earnings, the prospects for future earnings of the Company, the present state of the Company's business, the general condition of the securities markets at the time of the Offering and the market prices of publicly traded stock of comparable companies in recent periods.

## LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and the Selling Stockholders by Foley, Hoag & Eliot LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by Hale and Dorr LLP, Boston, Massachusetts.

## EXPERTS

The consolidated financial statements of the Company at November 30, 1996 and November 29, 1997, and for each of the fiscal years in the three-year period ended November 29, 1997, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing herein and in the Registration Statement and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

## CHANGE IN INDEPENDENT AUDITORS

On January 29, 1998, the Board of Directors, upon the recommendation of the Audit Committee, authorized the Company to retain Ernst & Young LLP as its independent auditors and dismissed the Company's former independent auditors. The consolidated financial statements of the Company at November 30, 1996 and November 29, 1997, and for each of the fiscal years in the three-year period ended November 29, 1997, appearing elsewhere in this Prospectus, were audited by Ernst & Young LLP and its

report is included herein. The report of the Company's former independent auditors on the financial statements of the Company at November 30, 1996 and for each of the fiscal years in the two-year period ended November 30, 1996 contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or application of accounting principles. During the fiscal years in the three-year period ended November 29, 1997 and the subsequent interim period up to and including the date of dismissal, the Company had no disagreements with its former independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure related to the financial statements on which the former independent auditors reported, which, if not resolved to the satisfaction of the former independent auditors, would have caused it to make reference to the subject matter of the disagreement in connection with its report. The Company did not consult with Ernst & Young LLP during fiscal 1996, fiscal 1997 or any subsequent period prior to retaining Ernst & Young LLP regarding the application of accounting principles to any transaction or the type of audit opinion that might be rendered on the Company's financial statements.

## ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (including all amendments thereto, the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock, reference is made to the Registration Statement and the exhibits and schedules filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract or any other document referred to contain the information required to be disclosed in this Prospectus pursuant to the Securities Act and the rules and regulations thereunder, and, in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or document filed as an exhibit to the Registration Statement. Each such statement is qualified in all respects by reference to the exhibit. The Registration Statement, including the exhibits and schedules thereto, may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Regional Offices of the Commission at Suite 1400, 500 West Madison Street, Chicago, Illinois 60661 and 7 World Trade Center, Thirteenth Floor, New York, New York 10048. Copies may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. The Commission also maintains a Web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants, such as the Company, that make electronic filings with the Commission.

The Company intends to furnish its stockholders with annual reports containing audited financial statements and a report thereon provided by independent certified public accountants, and to make available to its stockholders quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended November 29, 1997,
November 30, 1996 and November 25, 1995

Quarters ended February 20, 1998

and February 21, 1997 (Unaudited)

CONTENTS

## REPORT OF INDEPENDENT AUDITORS

Board of Directors
CHARLES RIVER ASSOCIATES INCORPORATED

We have audited the accompanying consolidated balance sheets of Charles River Associates Incorporated (the "Company") as of November 29, 1997 and November 30, 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 29, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Charles River Associates Incorporated as of November 29, 1997 and November 30, 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 29, 1997, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts

February 25, 1998

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 20, 1998 | PRO FORMA FEBRUARY 20, 1998 |
|---|---|---|---|---|
| | | | (UNAUDITED) | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 1,434 | $ 2,054 | $ 6,988 | $ 485 |
| Accounts receivable, net of allowances of $578 in 1996 and $394 in 1997 and $430 in 1998 for doubtful accounts | 7,361 | 10,140 | 7,653 | 7,653 |
| Unbilled services | 4,856 | 4,731 | 5,216 | 5,216 |
| Prepaid expenses | 224 | 280 | 476 | 476 |
| Total current assets | 13,875 | 17,205 | 20,333 | 13,830 |
| Property and equipment, net | 1,321 | 2,890 | 2,897 | 2,897 |
| Other assets | 272 | 340 | 598 | 598 |
| Total assets | $15,468 | $20,435 | $23,828 | $17,325 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 925 | $ 902 | $ 1,244 | $ 1,244 |
| Accrued expenses | 4,265 | 5,729 | 8,495 | 8,495 |
| Deferred revenue | 636 | 225 | 250 | 250 |
| Current portions of notes payable to former stockholders and capital lease obligations | 262 | 325 | 323 | 323 |
| Dividends payable | 800 | 1,764 | 260 | 260 |
| Deferred income taxes | 433 | 528 | 203 | 1,422 |
| Total current liabilities | 7,321 | 9,473 | 10,775 | 11,994 |
| Notes payable to former stockholders, net of current portion | 428 | 707 | 707 | 707 |
| Capital lease obligations, net of current portion | 122 | 74 | 66 | 66 |
| Deferred rent | 1,395 | 1,302 | 1,467 | 1,467 |
| Minority interest | -- | 343 | 291 | 291 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Common Stock (voting); no par value; 25,000,000 shares authorized; 6,228,040 shares in 1996 and 6,519,240 shares in 1997 and 1998 issued | 902 | 1,977 | 1,977 | 1,977 |
| Retained earnings | 5,989 | 7,770 | 9,645 | 1,923 |
| | 6,891 | 9,747 | 11,622 | 3,900 |
| Notes receivable from stockholders | (660) | (1,211) | (1,100) | (1,100) |
| Treasury stock (15,600 shares in 1996, at cost) | (29) | -- | -- | -- |
| Total stockholders' equity | 6,202 | 8,536 | 10,522 | 2,800 |
| Total liabilities and stockholders' equity | $15,468 | $20,435 | $23,328 | $17,325 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT SHARE DATA)

| | YEARS ENDED | | | QUARTER ENDED | |
|---|---|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 21, 1997 | FEBRUARY 20, 1998 |
| | | (53 WEEKS) | | (UNAUDITED) | |
| Revenues | $31,839 | $37,367 | $44,805 | $ 9,648 | $11,137 |
| Costs of services | 19,760 | 23,370 | 28,374 | 6,106 | 6,486 |
| Supplemental compensation | 1,212 | 1,200 | 1,233 | 280 | -- |
| Gross profit | 10,867 | 12,797 | 15,198 | 3,262 | 4,651 |
| General and administrative | 8,397 | 9,060 | 10,509 | 2,134 | 2,754 |
| Income from operations | 2,470 | 3,737 | 4,689 | 1,128 | 1,897 |
| Interest income, net | 118 | 124 | 302 | 9 | 46 |
| Income before provision for income taxes and minority interest | 2,588 | 3,861 | 4,991 | 1,137 | 1,943 |
| Provision for income taxes | (174) | (273) | (306) | (76) | (120) |
| Net income before minority interest | 2,414 | 3,588 | 4,685 | 1,061 | 1,823 |
| Minority interest | -- | -- | 282 | -- | 52 |
| Net income | $ 2,414 | $ 3,588 | $ 4,967 | $ 1,061 | $ 1,875 |
| Basic and diluted net income per share | $0.40 | $0.59 | $0.78 | $0.17 | $0.29 |
| Weighted average number of common shares | 5,987,384 | 6,091,384 | 6,355,873 | 6,212,440 | 6,519,240 |
| Pro forma income data (unaudited): | | | | | |
| Net income as reported | | | $ 4,967 | | $1,875 |
| Pro forma adjustment | | | (1,833) | | (694) |
| Pro forma net income | | | $ 3,134 | | $1,181 |
| Pro forma net income per share | | | $0.48 | | $0.18 |
| Weighted average number of common shares | | | 6,505,873 | | 6,669,240 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

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

| | COMMON STOCK | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | CLASS A | | CLASS B | | SINGLE CLASS | | | |
| | SHARES ISSUED | AMOUNT | SHARES ISSUED | AMOUNT | SHARES ISSUED | AMOUNT | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS |
| BALANCE AT NOVEMBER 26, 1994 | 5,598,840 | $325 | 490,360 | $46 | -- | -- | $ 82 | $2,280 |
| Net income | | | | | | | | 2,414 |
| Issuance of Class A Common Stock | 36,400 | 51 | | | | | | |
| Purchase of treasury stock | | | | | | | | |
| Sale of treasury stock | | | | | | | (14) | |
| Retirement of treasury stock | | | (128,960) | (12) | | | (24) | |
| Conversion to single class of common stock | (5,635,240) | (376) | (361,400) | (34) | 5,996,640 | $ 410 | | |
| Distributions to stockholders | | | | | | | | (778) |
| Collection on notes receivable | | | | | | | | |
| BALANCE AT NOVEMBER 25, 1995 | -- | -- | -- | -- | 5,996,640 | 410 | 44 | 3,916 |
| Net income (53 weeks) | | | | | | | | 3,588 |
| Issuance of Common Stock | | | | | 257,400 | 495 | | |
| Purchase of treasury stock | | | | | | | (22) | |
| Sale of treasury stock | | | | | | | 87 | |
| Adjustments to purchase price of treasury stock | | | | | | | (93) | (19) |
| Retirement of treasury stock | | | | | (26,000) | (3) | (16) | |
| Distributions to stockholders | | | | | | | | (1,496) |
| Collection on notes receivable | | | | | | | | |
| BALANCE AT NOVEMBER 30, 1996 | -- | -- | -- | -- | 6,228,040 | 902 | -- | 5,989 |
| Net income | | | | | | | | 4,967 |
| Issuance of Common Stock | | | | | 400,400 | 1,085 | | |
| Distributions to stockholders | | | | | | | | (2,600) |
| Collection on notes receivable from stockholders | | | | | | | | |
| Purchase of treasury stock | | | | | | | | |
| Adjustment to purchase price of treasury stock | | | | | | | | (220) |
| Sale of treasury stock | | | | | | | | |
| Retirement of treasury stock | | | | | (109,200) | (10) | | (366) |
| Accrued interest on notes receivable from stockholders | | | | | | | | |
| BALANCE AT NOVEMBER 29, 1997 | -- | -- | -- | -- | 6,519,240 | 1,977 | -- | 7,770 |
| Net income | | | | | | | | 1,875 |
| Collection on notes receivable from stockholders | | | | | | | | |
| BALANCE AT FEBRUARY 20, 1998 (UNAUDITED) | -- | -- | -- | -- | 6,519,240 | $1,977 | -- | $9,645 |

| | | TREASURY STOCK | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | CLASS A | | CLASS B | | SINGLE CLASS | | |
| | NOTES RECEIVABLE | SHARES | AMOUNT | SHARES | AMOUNT | SHARES | AMOUNT | TOTAL STOCKHOLDERS' EQUITY |
| BALANCE AT NOVEMBER 26, 1994 | -- | -- | -- | (128,960) | $(36) | -- | -- | $ 2,697 |
| Net income | | | | | | | | 2,414 |
| Issuance of Class A Common Stock | | | | | | | | 51 |
| Purchase of treasury stock | | (119,600) | $(182) | | | | | (182) |
| Sale of treasury stock | $ (110) | 119,600 | 182 | | | | | 58 |
| Retirement of treasury stock | | | | 128,960 | 36 | | | -- |
| Conversion to single class of common stock | | | | | | | | -- |
| Distributions to stockholders | | | | | | | | (778) |
| Collection on notes receivable | 22 | | | | | | | 22 |
| BALANCE AT NOVEMBER 25, 1995 | (88) | -- | -- | -- | -- | -- | -- | 4,282 |
| Net income (53 weeks) | | | | | | | | 3,588 |
| Issuance of Common Stock | (254) | | | | | | | 241 |
| Purchase of treasury stock | | | | | | (228,800) | $(390) | (412) |
| Sale of treasury stock | (322) | | | | | 187,200 | 342 | 107 |
| Adjustments to purchase price of treasury stock | | | | | | | | (112) |
| Retirement of treasury stock | | | | | | 26,000 | 19 | -- |
| Distributions to stockholders | | | | | | | | (1,496) |
| Collection on notes receivable | 4 | | | | | | | 4 |
| BALANCE AT NOVEMBER 30, 1996 | (660) | -- | -- | -- | -- | (15,600) | (29) | 6,202 |
| Net income | | | | | | | | 4,967 |
| Issuance of Common Stock | (715) | | | | | | | 370 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Distributions to stockholders..... | | | | | | | | (2,600) |
| Collection on notes receivable from stockholders..... | 264 | | | | | | | 264 |
| Purchase of treasury stock..... | | | | | | (119,600) | (444) | (444) |
| Adjustment to purchase price of treasury stock..... | | | | | | | | (220) |
| Sale of treasury stock..... | (58) | | | | | 26,000 | 97 | 39 |
| Retirement of treasury stock..... | | | | | | 109,200 | 376 | -- |
| Accrued interest on notes receivable from stockholders..... | (42) | | | | | | | (42) |
| BALANCE AT NOVEMBER 29, 1997..... | (1,211) | -- | -- | -- | -- | -- | -- | 8,536 |
| Net income..... | | | | | | | | 1,875 |
| Collection on notes receivable from stockholders..... | 111 | | | | | | | 111 |
| BALANCE AT FEBRUARY 20, 1998 (UNAUDITED)..... | $(1,100) | -- | -- | -- | -- | -- | -- | $10,522 |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

| | YEARS ENDED | | | QUARTER ENDED | |
|---|---|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 21, 1997 | FEBRUARY 20, 1998 |
| | | (53 WEEKS) | | (UNAUDITED) | |
| Operating activities: | | | | | |
| Net income | $2,414 | $3,588 | $4,967 | $1,061 | $1,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 440 | 486 | 727 | 122 | 240 |
| Deferred rent | 209 | 7 | (93) | (144) | 165 |
| Deferred income taxes | 56 | 127 | 95 | 61 | (325) |
| Stock bonuses | 51 | 68 | -- | -- | -- |
| Minority interest | -- | -- | (282) | -- | (52) |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (485) | (1,121) | (2,779) | 193 | 2,487 |
| Unbilled services | (976) | (1,491) | 125 | 903 | (485) |
| Prepaid expenses and other | (41) | (122) | (172) | (239) | (458) |
| Accounts payable and accrued expenses | (229) | 676 | 1,030 | 1,750 | 3,133 |
| Net cash provided by operating activities | 1,439 | 2,218 | 3,618 | 3,707 | 6,580 |
| Investing activities: | | | | | |
| Purchases of property and equipment | (400) | (774) | (2,290) | (279) | (243) |
| Sale (purchase) of short-term investments | (298) | 298 | -- | -- | -- |
| Net cash used in investing activities | (698) | (476) | (2,290) | (279) | (243) |
| Financing activities: | | | | | |
| Payments on notes payable to former shareholders and capital lease obligations | (86) | (96) | (370) | (15) | (10) |
| Purchase of treasury stock | -- | (19) | -- | -- | -- |
| Issuance of common stock | -- | 172 | 370 | -- | -- |
| Sale of treasury stock | 58 | 107 | 39 | -- | -- |
| Collection of notes receivable from stockholders | 22 | 4 | 264 | 54 | 111 |
| Dividends paid | (245) | (1,474) | (1,636) | (588) | (1,504) |
| Proceeds from minority interest | -- | -- | 625 | -- | -- |
| Net cash used in financing activities | (251) | (1,306) | (708) | (549) | (1,403) |
| Net increase in cash and cash equivalents | 490 | 436 | 620 | 2,879 | 4,934 |
| Cash and cash equivalents at beginning of year | 508 | 998 | 1,434 | 1,434 | 2,054 |
| Cash and cash equivalents at end of year | $ 998 | $1,434 | $2,054 | $4,313 | $6,988 |
| Supplemental cash flow information: | | | | | |
| Cash paid for income taxes | $29 | $120 | $275 | -- | $18 |
| Notes receivable in exchange for common stock | $110 | $576 | $773 | -- | -- |
| Notes payable in exchange for treasury stock | $182 | $412 | $444 | -- | -- |

See accompanying notes.

CHARLES RIVER ASSOCIATES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Charles River Associates Incorporated (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.

ESTIMATES

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of February 20, 1998 and the consolidated statements of income, stockholders' equity and cash flows for the quarters ended February 20, 1998 and February 21, 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.

FISCAL YEAR

The Company's fiscal year ends on the last Saturday in November. The fiscal year ended November 30, 1996 consisted of 53 weeks; the fiscal years ended November 25, 1995 and November 29, 1997 consisted of 52 weeks.

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.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents consist principally of money-market funds, commercial paper, bankers' acceptances and certificates of deposit with maturities when purchased of 90 days or less. Short-term investments consist of commercial paper and certificates of deposit with maturities when purchased of more than 90 days but less than one year.

PROPERTY AND EQUIPMENT

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

leasehold improvements is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the leasehold improvements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and NeuCo LLC, a limited liability company founded by the Company and an affiliate of Commonwealth Energy Systems in June 1997. The Company has a 50.1% interest in NeuCo LLC. The portion of the results of operations of NeuCo LLC allocable to its minority owners is shown as "minority interest" in the Company's statement of income for fiscal 1997 and that amount along with the capital contributions to NeuCo LLC of its minority interest owners is shown as "minority interest" on the Company's balance sheet as of November 29, 1997. All significant intercompany accounts have been eliminated.

CONCENTRATION OF CREDIT RISK

The Company's accounts receivable base consists of a broad range of clients in a variety of industries located throughout the United States and in certain other countries The Company performs a credit evaluation of each of its clients to minimize its collectibility risk. Historically, the Company has not experienced significant write-offs. In fiscal 1995, one client accounted for approximately 11% of the Company's revenues.

The Company provides an allowance for doubtful accounts to provide for potentially uncollectible amounts. Activity in the accounts is as follows (in thousands):

| | YEAR ENDED | | | QUARTER ENDED |
|---|---|---|---|---|
| | NOVEMBER 25, 1995 | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 20, 1998 |
| | | (53 WEEKS) | | (UNAUDITED) |
| Balance at beginning of period | $370 | $207 | $578 | $394 |
| Charge to cost and expenses | 13 | 412 | -- | 36 |
| Amounts written off | (176) | (41) | (184) | -- |
| Balance at end of period | $207 | $578 | $394 | $430 |

DEFERRED REVENUE

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

INCOME TAXES

Since fiscal 1988, the Company has been treated for federal and state income tax purposes as an S corporation under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company's stockholders, rather than the Company, have been and are required to pay federal and certain state income taxes based on the Company's taxable earnings. The Company files its returns using the cash method of accounting. Upon closing of the proposed initial public offering of common stock, the Company's status as an S corporation will terminate and thereafter, it will be subject to corporate taxation as a C corporation under the Code. Concurrently with the termination of the Company's status as an S corporation, the Company will adopt 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 fiscal year ended November 29, 1997 and the quarter ended February 20, 1998. For that period, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109) was used to calculate

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

pro forma income taxes and the pro forma effect of the termination of the Company's S corporation status on deferred income taxes.

Under the asset and liability method of Statement 109, the Company must recognize deferred tax assets and liabilities to reflect the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date on which the change in the tax rate occurs.

At the time of the termination of the Company's status as an S corporation, the Company will record a net deferred income tax liability and a one-time additional provision for income taxes. The amounts to be recorded will depend upon differences between the financial reporting and tax bases of the Company's assets and liabilities at the time. If the Company's S corporation status had been terminated as of February 20, 1998, the net deferred income tax liability would have increased by approximately $1.2 million to approximately $1.4 million. (See Note 11)

IMPAIRMENT OF LONG-LIVED ASSETS

In the first quarter of 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which establishes criteria for the recognition and measurement of impairment losses associated with long-lived assets. The adoption of this standard had no impact on the Company's consolidated financial statements.

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. Pursuant to the previous requirements of the Securities and Exchange Commission (SEC), common shares and common share equivalents issued by the Company during the twelve-month period prior to the initial public offering of the Company's common stock would have been included in the calculations as if they were outstanding for all periods prior to the offering whether or not they were anti-dilutive. In February 1998, the SEC issued Staff Accounting Bulletin 98 which, among other things, conformed prior SEC requirements to Statement 128 and eliminated inclusion of such shares in the computation of 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 would be required to pay a dividend in the amount of $2.4 million (assuming an initial public offering price of $16.00 per share) that is expected to be paid upon the completion of the initial public offering.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 February 20, 1998, the Company had deferred start-up costs of $59,000. The Company believes that the adoption of this SOP will not have a material impact on the Company's consolidated financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 20, 1998 |
|---|---|---|---|
| | (IN THOUSANDS) | | (UNAUDITED) |
| Furniture and equipment | $3,508 | $4,731 | $4,793 |
| Leasehold improvements | 316 | 1,311 | 1,193 |
| | 3,824 | 6,042 | 5,986 |
| Accumulated depreciation and amortization | 2,503 | 3,152 | 3,089 |
| | $1,321 | $2,890 | $2,897 |

3. ACCRUED EXPENSES

Accrued expenses consist of the following:

| | NOVEMBER 30, 1996 | NOVEMBER 29, 1997 | FEBRUARY 20, 1998 |
|---|---|---|---|
| | (IN THOUSANDS) | | (UNAUDITED) |
| Compensation and related expenses | $4,059 | $5,410 | $7,547 |
| Other | 206 | 319 | 948 |
| | $4,265 | $5,729 | $8,495 |

4. NOTES PAYABLE TO FORMER STOCKHOLDERS

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

Under the Exit Agreement, the Company repurchased shares of common stock from certain stockholders at a purchase price based upon a formula that uses the book value of the Company at the date the stockholder separates from the Company (the "Fixed Amount") and an amount (the "Contingent Pay-Out Amount") equal to the stockholder's pro rata portion of 25% of the Company's earnings before bonuses, supplemental compensation and amortization of goodwill, if any, for each of the five fiscal years commencing with the fiscal year in which the repurchase was made. The Fixed Amount is payable in three equal installments and the Contingent Pay-Out Amount is payable in five equal annual install-

4. NOTES PAYABLE TO FORMER STOCKHOLDERS (CONTINUED)

ments. The Fixed Amount bears interest at an average prime rate (8.5% at February 20, 1998) determined in accordance with the terms of the Exit Agreement.

For financial reporting purposes, the Company initially estimates the Contingent Pay-Out Amount owed to each former stockholder for the full five year payment period based on the actual amount of the contingent payment for the first year. In subsequent years, the Company adjusts the estimate annually based on actual amounts of the contingent payment for all preceding years. The related adjustments are made to treasury stock and additional paid in capital and to the extent additional paid in capital is not available, retained earnings. Annual principal payments to former stockholders are estimated as of November 29, 1997 to be $280,000 in fiscal 1998; $279,000 in fiscal 1999; $246,000 in fiscal 2000; $114,000 in fiscal 2001; and $68,000 in fiscal 2002. The Company believes the recorded value of the notes payable to former stockholders approximates fair market value.

5. FINANCING ARRANGEMENTS

The Company has a line of credit which permits borrowings of up to $2.0 million with interest at the bank's base rate (8.5% at November 29, 1997) and is secured by the Company's accounts receivable. The terms of the line of credit includes certain operating and financial covenants. No borrowings were outstanding as of November 29, 1997. The Company had outstanding standby letters of credit at February 20, 1998 amounting to $76,000, which expire between March and June 1998.

6. EMPLOYEE BENEFIT PLANS

The Company maintains a profit-sharing retirement plan that covers substantially all full-time employees. Contributions are made at the discretion of the Company and its subsidiary and cannot exceed the maximum amount deductible under applicable provisions of the Code. Contributions were approximately $1.1 million in each of fiscal 1995 and 1996, approximately $1.2 million in fiscal 1997 and $269,000 and $227,000 for the quarters ended February 21, 1997 and February 20, 1998, respectively.

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 after the proposed initial public offering. During fiscal 1995, fiscal 1996 and fiscal 1997, the Company also had another bonus program, which consisted of discretionary payments to officers and certain Outside Experts based primarily on the Company's cash flows. These bonus payments are shown as supplemental compensation in the Company's statements of income. The Company does not intend to make additional payments under this bonus program after fiscal 1997.

8. LEASES

The Company leases its facilities under operating lease arrangements and certain equipment under capital lease agreements. Assets held under capital lease agreements amounted to $418,000 at November 30, 1996 and November 29, 1997. Accumulated amortization amounted to $259,000 at November 30, 1996 and $304,000 at November 29, 1997. At November 29, 1997, the minimum rental commitments under all noncancellable operating and capital leases with initial or recurring terms of more than one year were as follows (in thousands):

| FISCAL YEAR | OPERATING LEASES | CAPITAL LEASES |
|---|---|---|
| 1998 | $ 1,687 | $ 52 |
| 1999 | 1,907 | 48 |
| 2000 | 1,925 | 33 |
| 2001 | 1,941 | |
| 2002 | 1,821 | |
| Thereafter | 8,011 | |
| | $17,292 | 133 |
| Less amount representing interest | | 14 |
| Present value of net minimum lease payments | | 119 |
| Less current portion of obligations under capital leases | | 45 |
| Long-term obligations under capital leases | | $ 74 |

Rent expense amounted to $1.5 million for each of fiscal 1995 and 1996 and $1.8 million for fiscal 1997 and $314,000 and $487,000 for the quarters ended February 21, 1997 and February 20, 1998, respectively.

9. NOTES RECEIVABLE FROM STOCKHOLDERS

In 1995, in an effort to align each officer's interest with the overall interests of the Company, the Company adopted a policy requiring that each of its officers have an equity interest in the Company. The Company sold shares of common stock to new or existing members of the management team at the fair market value of the common stock on the date of purchase as determined by the Company's Board of Directors. A portion of the purchase price is payable at the time of purchase and the remainder is payable in installments over a period of five years. The portion of the purchase price not paid at the time of purchase bears interest at an average prime rate described in the stock purchase agreement (8.5% at February 20, 1998).

10. STOCKHOLDERS' EQUITY

In February 1995, the Company converted all outstanding shares of Class A and Class B common stock to a single class of common stock. In addition, the Company terminated its Stock Distribution and Redemption Plan, and established a new agreement with its stockholders called the Exit Agreement, which defines the rights of the Company and its stockholders if any stockholder ceases for any reason to be an employee, director, officer, consultant or independent contractor of the Company. Under the Exit Agreement, subject to certain restrictions, the Company has the right to repurchase all of the shares of an inactive stockholder and, the inactive stockholder has the right to cause the Company to purchase his or her shares of stock, at a formula price which is subject to annual adjustment (see note 4).

11. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following pro forma adjustments have been made to the historical consolidated balance sheet as of February 20, 1998 and to the consolidated statement of income for the year then ended:

a) The pro forma consolidated statements of income for the year ended November 29, 1997 and the quarter ended February 20, 1998 reflect the provision for income taxes that would have been recorded had the Company and NeuCo LLC been C corporations during those periods, assuming effective tax rates for the year ended November 29, 1997 and the quarter ended February 20, 1998 of 43% and 42%, respectively.

b) Prior to the consummation of the proposed initial public offering, the Company expects to declare an S corporation distribution to its existing stockholders in an amount representing all undistributed cash earnings through the termination of the Company's S corporation status but not to exceed the cash available as of that date. At February 20, 1998, the S corporation distribution is estimated to be approximately $6.5 million. The declaration and payment of this distribution is reflected on the February 20, 1998 pro forma consolidated balance sheet. The amount of this distribution will be higher or lower than the foregoing amount based upon actual cash-basis earnings between February 20, 1998 and the closing date of the initial public offering.

At the time of the termination of the Company's status as an S corporation, the Company will record a net deferred income tax liability and a one-time additional provision for income taxes. The amounts to be recorded will depend upon differences between the financial reporting and tax bases of the Company's assets and liabilities at the time. If the Company's S corporation status had been terminated as of February 20, 1998, the net deferred income tax liability would have been $1.4 million, resulting from differing methods of accounting for financial reporting and tax purposes for the following items (in thousands):

| | |
|---|---|
| Deferred tax liabilities: | |
| Cash to accrual adjustment | $ 843 |
| Profit sharing | 93 |
| Deferred rent | 605 |
| Other | 111 |
| | 1,652 |
| Deferred tax assets: | |
| Allowance for doubtful accounts | (176) |
| Excess tax over book depreciation and amortization | (54) |
| | (230) |
| | $1,422 |

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

| | YEAR ENDED NOVEMBER 29, 1997 | QUARTER ENDED FEBRUARY 20, 1998 |
|---|---|---|
| Federal statutory rate | 34.0% | 34.0% |
| State income taxes, net of federal income tax benefit | 6.2 | 6.2 |
| Other | 2.8 | 1.7 |
| | 43.0% | 41.9% |

12. RELATED PARTY TRANSACTIONS

The Company made payments to stockholders of the Company who performed consulting services for the Company in the amounts of $1.7 million in fiscal 1995, $1.6 million in fiscal 1996 and $1.8 million in fiscal 1997 and $506,000 and $645,000 for the quarters ended February 21, 1997 and February 20, 1998, respectively.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| | FEBRUARY 16, 1996 | MAY 10, 1996 | AUGUST 30, 1996 | NOVEMBER 30, 1996 |
| | (12 WEEKS) | (12 WEEKS) | (16 WEEKS) | (13 WEEKS) |
| | (IN THOUSANDS) | | | |
| Revenues | $6,990 | $8,334 | $11,356 | $10,687 |
| Gross profit | 2,324 | 3,033 | 4,095 | 3,345 |
| Income from operations | 513 | 946 | 1,205 | 1,073 |
| Income before provision for income taxes | 532 | 980 | 1,226 | 1,123 |
| Net income | 495 | 911 | 1,140 | 1,042 |

| | QUARTER ENDED | | | |
|---|---|---|---|---|
| | FEBRUARY 21, 1997 | MAY 16, 1997 | SEPTEMBER 5, 1997 | NOVEMBER 29, 1997 |
| | (12 WEEKS) | (12 WEEKS) | (16 WEEKS) | (12 WEEKS) |
| | (IN THOUSANDS) | | | |
| Revenues | $9,648 | $9,171 | $14,498 | $11,488 |
| Gross profit | 3,262 | 2,979 | 4,990 | 3,967 |
| Income from operations | 1,128 | 817 | 1,629 | 1,115 |
| Income before provision for income taxes and minority interest | 1,137 | 901 | 1,670 | 1,283 |
| Minority interest | -- | -- | 198 | 84 |
| Net income | 1,061 | 841 | 1,756 | 1,309 |

14. SUBSEQUENT EVENTS

STOCK SPLIT

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. These actions are subject to approval by the Company's stockholders. The accompanying consolidated financial statements have been adjusted retroactively to give effect to these actions.

14. SUBSEQUENT EVENTS (CONTINUED)

STOCK RESTRICTION AGREEMENT

On February 20, 1998, the Company's Board of Directors authorized the Company to amend and restate the Exit Agreement (as so amended and restated, the "Stock Restriction Agreement"). The Stock Restriction Agreement is subject to approval by the Company's stockholders and, if approved, will take effect upon the closing of the Offering. The Stock Restriction Agreement will prohibit each person who is a stockholder of the Company before the closing of the Offering 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).

No dealer, sales representative or any other person has been authorized to give any information or to make any representations in connection with the Offering other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, any of the Selling Stockholders or any of the Underwriters. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the shares of Common Stock to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or that the information contained herein is correct as of any time subsequent to the date hereof.

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Until , 1998 (25 days after the date of this Prospectus), all dealers effecting transactions in the registered securities offered hereby, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

2,188,000 SHARES

[CHARLES RIVER LOGO]

CHARLES RIVER ASSOCIATES INCORPORATED

COMMON STOCK

PROSPECTUS

NationsBanc Montgomery Securities LLC

William Blair & Company

, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the various expenses in connection with the issuance and distribution of the securities being registered, other than the underwriting discount. All amounts shown are estimates except the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee and the Nasdaq National Market listing fee.

| | PAYABLE BY THE COMPANY |
|---|---|
| Securities and Exchange Commission registration fee | $ 12,619 |
| National Association of Securities Dealers, Inc. filing fee | 4,778 |
| Nasdaq National Market listing fee | 37,705 |
| Printing and engraving expenses | 75,000 |
| Transfer agent fees | 5,000 |
| Accounting fees and expenses | 225,000 |
| Legal fees and expenses | 300,000 |
| Blue Sky fees and expenses (including related legal fees) | 11,800 |
| Indemnity insurance expense | 150,000 |
| Miscellaneous | 78,098 |
| Total | $900,000 |

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article VI.C. of the Company's Amended and Restated Articles of Organization provides that a director shall not have personal liability to the Company or its stockholders for monetary damages arising out of the director's breach of fiduciary duty as a director of the Company, to the maximum extent permitted by Massachusetts law. Section 13(b)(1 1/2) of Chapter 156B of the Massachusetts General Laws provides that the articles of organization of a corporation may state a provision eliminating or limiting the personal liability of a director to a corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under sections 61 or 62 of Chapter 156B of the Massachusetts General Laws, which relate to liability for unauthorized distributions and loans to insiders, respectively, or (iv) for any transaction from which the director derived an improper personal benefit.

Article VI.D. of the Company's Amended and Restated Articles of Organization further provides that the Company shall, to the fullest extent authorized by Chapter 156B of the Massachusetts General Laws, indemnify each person who is, or shall have been, a director or officer of the Company or who is or was a director or employee of the Company and is serving, or shall have served, at the request of the Company, as a director or officer of another organization or in any capacity with respect to any employee benefit plan of the Company, against all liabilities and expenses (including judgments, fines, penalties, amounts paid or to be paid in settlement, and reasonable attorneys' fees) imposed upon or incurred by any such person in connection with, or arising out of, the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which they may be involved by reason of being or having been such a director or officer or as a result of service with respect to any such employee benefit plan. Section 67 of Chapter 156B of the Massachusetts General Laws authorizes a corporation to indemnify its directors, officers, employees and other agents unless such person shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that such action was in the best interests of the corporation or, to the extent such matter

related to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

The effect of these provisions would be to permit indemnification by the Company for, among other liabilities, liabilities arising out of the Securities Act of 1933, as amended (the "Securities Act").

Section 67 of Chapter 156B of the Massachusetts General Laws also affords a Massachusetts corporation the power to obtain insurance on behalf of its directors and officers against liabilities incurred by them in those capacities. The Company has procured a directors and officers liability and company reimbursement liability insurance policy that (i) insures directors and officers of the Company against losses (above a deductible amount) arising from certain claims made against them by reason of certain acts or omissions of such directors or officers in their capacity as directors or officers and (ii) insures the Company against losses (above a deductible amount) arising from any such claims, but only if the Company is required or permitted to indemnify such directors or officers for such losses under statutory or common law or under provisions of the Company's Amended and Restated Articles of Organization or Amended and Restated By-Laws.

Reference is hereby made to Section 8 of the Underwriting Agreement among the Company, the Selling Stockholders and the Underwriters, filed as Exhibit 1.1 to this Registration Statement, for a description of indemnification arrangements among the Company, the Selling Stockholders and the Underwriters.

Reference is hereby made to the Indemnity Agreement between the Company and the Selling Stockholders, filed as Exhibit 10.11 to this Registration Statement, for a description of indemnification arrangements by the Company for the benefit of the Selling Stockholders.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following information is furnished with regard to all securities sold by the Company within the past three years which were not registered under the Securities Act. The share numbers set forth below have been adjusted to reflect the Stock Split.

(a) On May 1, 1995, the Company sold 119,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $1.40 per share, $57,500 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. In September 1996, the Company repurchased all of the shares sold to the employee and in June 1997 paid the employee an amount equal to the repurchase price less the amount payable by the employee under the stock purchase agreement.

(b) On April 1, 1996, the Company sold 91,000 shares of Common Stock to employees of the Company at a purchase price of approximately $1.88 per share, $54,478 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreements. As of February 15, 1998, the Company had received $23,348 in installment payments.

(c) On April 15, 1996, the Company issued 36,400 shares of Common Stock to a consultant to the Company as bonus compensation for services rendered by the consultant.

(d) On May 28, 1996, the Company sold 88,400 shares of Common Stock to employees of the Company at a purchase price of approximately $1.88 per share, $86,276 of which was paid at the time of purchase and the remainder of which was paid on or before February 15, 1998.

(e) On May 30, 1996, the Company sold 15,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $1.88 per share, $9,339 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $8,005 in installment payments.

(f) On July 22, 1996, the Company sold 26,000 shares of Common Stock to a consultant to the Company at a purchase price of approximately $2.29 per share, $22,475 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $7,435 in installment payments.

(g) On November 22, 1996, the Company sold 124,800 shares of Common Stock to employees of the Company at a purchase price of approximately $2.29 per share, $107,880 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreements. As of February 15, 1998, the Company had received $53,532 in installment payments.

(h) On November 27, 1996, the Company sold 62,400 shares of Common Stock to an employee of the Company at a purchase price of approximately $2.29 per share, $53,940 of which was paid at the time of purchase and the remainder of which was payable in installments as set forth in the stock purchase agreement. As of February 15, 1998, the Company had received $17,844 in installment payments.

(i) On June 9, 1997, the Company sold 228,800 shares of Common Stock to employees of and a consultant to the Company at a purchase price of approximately $2.71 per share, $158,400 of which was paid at the time of purchase, $52,800 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreements.

(j) On August 29, 1997, the Company sold 52,000 shares of Common Stock to employees of the Company at a purchase price of approximately $2.71 per share, $48,000 of which was paid at the time of purchase and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreements.

(k) On October 10, 1997, the Company sold 119,600 shares of Common Stock to an employee of the Company at a purchase price of approximately $2.71 per share, $50,400 of which was paid at the time of purchase, $60,000 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreement.

(l) On November 21, 1997, the Company sold 26,000 shares of Common Stock to an employee of the Company at a purchase price of approximately $3.71 per share, $38,500 of which was paid in November 1997 and the remainder of which was payable in installments after February 15, 1998 as set forth in the stock purchase agreement.

The issuances described in this Item 15 were made in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. None of the foregoing transactions involved a distribution or public offering. No underwriters were engaged in connection with the foregoing issuances of securities, and no underwriting discounts or commissions were paid.

ITEM 16. EXHIBITS AND FINANCIAL SCHEDULES.

(a) EXHIBITS

| | |
|---|---|
| 1.1 | Underwriting Agreement |
| +3.1 | Restated Articles of Organization of the Company |
| 3.2 | Proposed form of Amended and Restated Articles of Organization of the Company [to become effective immediately before the Offering] |
| +3.3 | By-Laws of the Company |
| 3.4 | Proposed form of Amended and Restated By-Laws of the Company [to become effective immediately before the Offering] |
| 4.1 | Specimen certificate for the Common Stock of the Company |
| *5.1 | Opinion of Foley, Hoag & Eliot LLP |
| 10.1 | 1998 Incentive and Nonqualified Stock Option Plan |
| 10.2 | 1998 Employee Stock Purchase Plan |
| +10.3 | Amended and Restated Loan Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston, as amended |
| +10.4 | Amended and Restated Security Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston |
| +10.5 | Revolving Credit Note of the Company dated as of November 18, 1994 in the principal amount of $2,000,000 payable to The First National Bank of Boston |
| 10.6 | Office Lease Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 1, 1978, as amended |
| +10.7 | Office Lease Agreement between the Company and Deutsche Immobilien Fonds Aktiengesellschaft dated March 6, 1997 |
| 10.8 | Form of Consulting Agreement with Outside Experts |
| *10.9 | Stock Restriction Agreement between the Company and its pre-offering stockholders |
| 10.10 | Form of Selling Stockholder's Irrevocable Power of Attorney (including proposed form of Custody Agreement) |
| *10.11 | Form of Indemnity Agreement between the Company and the Selling Stockholders |
| +16.1 | Letter of Parent, McLaughlin & Nangle Certified Public Accountants, Inc. |
| +21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Ernst & Young LLP, Independent Auditors |
| *23.2 | Consent of Foley, Hoag & Eliot LLP (included in Exhibit 5.1) |
| +24.1 | Power of Attorney (contained on the signature page of this Registration Statement) |
| 27.1 | Financial Data Schedule |

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+ Previously filed.

* To be filed by amendment.

(b) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not applicable or the required information is shown in the Company's Consolidated Financial Statements or Notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS AMENDMENT NO. 1 TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF BOSTON, MASSACHUSETTS, ON THE 2ND DAY OF APRIL, 1998.

CHARLES RIVER ASSOCIATES INCORPORATED

By: /s/ LAUREL E. MORRISON
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Laurel E. Morrison
Chief Financial Officer, Vice President, Finance and Administration, and Treasurer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| * | Chairman of the Board | April 2, 1998 |
| Franklin M. Fisher | | |
| * | President, Chief Executive Officer and Director (principal executive officer) | April 2, 1998 |
| James C. Burrows | | |
| /s/ LAUREL E. MORRISON | Chief Financial Officer, Vice President, Finance and Administration, and Treasurer (principal financial and accounting officer) | April 2, 1998 |
| Laurel E. Morrison | | |
| * | Vice President and Director | April 2, 1998 |
| Firoze E. Katrak | | |
| * | Vice President and Director | April 2, 1998 |
| William B. Burnett | | |
| * | Director | April 2, 1998 |
| Carl Kaysen | | |
| * | Director | April 2, 1998 |
| Rowland T. Moriarty | | |

*By /s/ LAUREL E. MORRISON
---
Laurel E. Morrison,
as Attorney-in-Fact

# EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| 1.1 | Underwriting Agreement |
| +3.1 | Restated Articles of Organization of the Company |
| 3.2 | Proposed form of Amended and Restated Articles of Organization of the Company [to become effective immediately before the Offering] |
| +3.3 | By-Laws of the Company |
| 3.4 | Proposed form of Amended and Restated By-Laws of the Company [to become effective immediately before the Offering] |
| 4.1 | Specimen certificate for the Common Stock of the Company |
| *5.1 | Opinion of Foley, Hoag & Eliot LLP |
| 10.1 | 1998 Incentive and Nonqualified Stock Option Plan |
| 10.2 | 1998 Employee Stock Purchase Plan |
| +10.3 | Amended and Restated Loan Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston, as amended |
| +10.4 | Amended and Restated Security Agreement dated as of November 18, 1994 between the Company and The First National Bank of Boston |
| +10.5 | Revolving Credit Note of the Company dated as of November 18, 1994 in the principal amount of $2,000,000 payable to The First National Bank of Boston |
| 10.6 | Office Lease Agreement between the Company and John Hancock Mutual Life Insurance Company dated March 1, 1978, as amended |
| +10.7 | Office Lease Agreement between the Company and Deutsche Immobilien Fonds Aktiengesellschaft dated March 6, 1997 |
| 10.8 | Form of Consulting Agreement with Outside Experts |
| *10.9 | Stock Restriction Agreement between the Company and its pre-offering stockholders |
| 10.10 | Form of Selling Stockholder's Irrevocable Power of Attorney (including proposed form of custody agreement) |
| *10.11 | Form of Indemnity Agreement between the Company and the Selling Stockholders |
| +16.1 | Letter of Parent, McLaughlin & Nangle Certified Public Accountants, Inc. |
| +21.1 | Subsidiaries of the Company |
| 23.1 | Consent of Ernst & Young LLP, Independent Auditors |
| *23.2 | Consent of Foley, Hoag & Eliot LLP (included in Exhibit 5.1) |
| +24.1 | Power of Attorney (contained on the signature page of this Registration Statement) |
| 27.1 | Financial Data Schedule |

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+ Previously filed.

* To be filed by amendment.

EXHIBIT 1.1

H&D Draft 3/30/98

2,188,000 SHARES

# CHARLES RIVER ASSOCIATES INCORPORATED

COMMON STOCK

## UNDERWRITING AGREEMENT

DATED APRIL __, 1998

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# UNDERWRITING AGREEMENT

April __, 1998

NATIONSBANC MONTGOMERY SECURITIES LLC
WILLIAM BLAIR & COMPANY, L.L.C.
As Representatives of the several Underwriters
c/o NATIONSBANC MONTGOMERY SECURITIES LLC
600 Montgomery Street
San Francisco, California 94111

Ladies and Gentlemen:

INTRODUCTORY. Charles River Associates Incorporated, a Massachusetts corporation (the "Company"), proposes to issue and sell to the several underwriters named in Schedule A (the "Underwriters") an aggregate of 1,562,500 shares of its Common Stock, no par value (the "Common Stock"); and the stockholders of the Company named in Schedule B (collectively, the "Selling Stockholders") severally propose to sell to the Underwriters an aggregate of 625,500 shares of Common Stock. The 1,562,500 shares of Common Stock to be sold by the Company and the 625,500 shares of Common Stock to be sold by the Selling Stockholders are collectively called the "Firm Common Shares." In addition, the Company proposes to grant to the Underwriters an option to purchase up to an additional 234,375 shares of Common Stock and the Selling Stockholders propose severally to grant to the Underwriters an option to purchase up to an additional 93,825 shares of Common Stock, each Selling Stockholder selling up to the amount set forth opposite such Selling Stockholder's name in Schedule B, all as provided in Section 2. The additional 234,375 shares to be sold by the Company and the additional 93,825 shares to be sold by the Selling Stockholders pursuant to such option are collectively called the "Optional Common Shares." The Firm Common Shares and, if and to the extent such option is exercised, the Optional Common Shares are collectively called the "Common Shares." NationsBanc Montgomery Securities LLC ("NMS") and William Blair & Company L.L.C. have agreed to act as representatives of the several Underwriters (in such capacity, the "Representatives") in connection with the offering and sale of the Common Shares.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-46941), which contains a form of prospectus to be used in connection with the public offering and sale of the Common Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933

and the rules and regulations promulgated thereunder (collectively, the "Securities Act"), including any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A or Rule 434 under the Securities Act, is called the "Registration Statement." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the "Rule 462(b) Registration Statement," and from and after the date and time of filing of the Rule 462(b) Registration Statement the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first used by the Underwriters to confirm sales of the Common Shares, is called the "Prospectus"; provided, however, if the Company has, with the consent of NMS, elected to rely upon Rule 434 under the Securities Act, the term "Prospectus" shall mean the Company's prospectus subject to completion (each, a "preliminary prospectus") dated _____, 1998 (such preliminary prospectus is called the "Rule 434 preliminary prospectus"), together with the applicable term sheet (the "Term Sheet") prepared and filed by the Company with the Commission under Rules 434 and 424(b) under the Securities Act and all references in this Agreement to the date of the Prospectus shall mean the date of the Term Sheet. All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, a preliminary prospectus, the Prospectus or the Term Sheet, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").

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

SECTION 1. REPRESENTATIONS AND WARRANTIES

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

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

Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T

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

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

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

(d) The Underwriting Agreement. This Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification or contribution hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency,

reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

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

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

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

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

(i) Preparation of the Financial Statements. The financial statements filed with the Commission as a part of the Registration Statement and included in the Prospectus present fairly the consolidated financial position of the Company and

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

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

(k) Capitalization and Other Capital Stock Matters. The authorized, issued and outstanding capital stock of the Company as of November 29, 1997 was as set forth in the Prospectus under the caption "Capitalization." The

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

(l) Nasdaq National Market Listing. The Common Shares have been approved for inclusion on the Nasdaq National Market, subject only to official notice of issuance.

(m) Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required. Neither the Company nor the Subsidiary is in violation of its charter or by-laws or is in default (or, with the giving of notice or lapse of time, would be in default) ("Default") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or the Subsidiary is a party or by which it or any of them may be bound or to which any of the property or assets of the Company or the Subsidiary is subject (each, an "Existing Instrument"), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by-laws of the Company or the Subsidiary, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or the Subsidiary pursuant to, or require the consent of any other part to, any Existing Instrument, except for such conflicts, breaches, Defaults, liens, charges or encumbrances (i) as to which the

Company has obtained prior to the date hereof a valid waiver or consent, a copy of which has been delivered to counsel for the Underwriters, or (ii) as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or the Subsidiary. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act, Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), applicable state securities or blue sky laws and from the National Association of Securities Dealers, Inc. (the "NASD").

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

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

(p) All Necessary Permits, etc. The Company and the Subsidiary possess such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to

conduct their respective businesses, except where any failure to possess the same, individually or in the aggregate, would not result in a Material Adverse Change, and neither the Company nor the Subsidiary has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could result in a Material Adverse Change.

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

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

(s) Company Not an "Investment Company." The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Company is not, and after receipt of payment for the Common Shares will not be, an "investment company" within the meaning of Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(t) Insurance. Each of the Company and the Subsidiary are insured by recognized, financially sound and reputable institutions with policies in such

amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses including, but not limited to, policies covering real and personal property owned or leased by the Company and the Subsidiary against theft, damage, destruction, acts of vandalism and earthquakes. The Company has no reason to believe that it or the Subsidiary will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. Since November 29, 1992, neither of the Company nor the Subsidiary has been denied any insurance coverage which it has sought or for which it has applied.

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

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

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

(x) ERISA Compliance. The Company and the Subsidiary and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company, the Subsidiary or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Company or the Subsidiary, any member of any group of organizations described in Sections 414(b),(c),(m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company or the Subsidiary is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or

maintained by the Company, the Subsidiary or any of their ERISA Affiliates. No "employee benefit plan" established or maintained by the Company, the Subsidiary or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA). Neither the Company, the Subsidiary nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each "employee benefit plan" established or maintained by the Company, the Subsidiary or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

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

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

(a) The Underwriting Agreement. This Agreement has been duly executed and delivered by or on behalf of such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification or contribution hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(b) The Custody Agreement and Power of Attorney. Each of the (i) Custody Agreement signed by such Selling Stockholder and Boston EquiServe, L.P., as custodian (the "Custodian"), relating to the deposit of the Common Shares to be sold by such Selling Stockholder (the "Custody Agreement") and (ii) Power of Attorney appointing certain individuals named therein as such Selling Stockholder's attorneys-in-fact (each, an "Attorney-in-Fact") to the extent set forth therein relating to the transactions contemplated hereby and by the Prospectus (the "Power of Attorney"), of such Selling Stockholder has been duly executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification or contribution

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

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

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

(e) Non-Contravention; No Further Authorizations or Approvals Required. The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement and the Power of Attorney will not contravene or conflict with, result in a breach of, or constitute a Default under, or require the consent of any other party to, any agreement or instrument to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder, except for any such contravention, conflict, breach or Default as to which the Company has obtained prior to the date hereof a valid waiver (a copy of which has been delivered to counsel for the Underwriters) and any such consent as has been obtained by the Company prior to the date hereof (a copy of which has been delivered to counsel for the Underwriters). No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in this Agreement, except such as have been obtained or made and are in full force and effect under the Securities Act, Section 12(g) of the Exchange Act, applicable state securities or blue sky laws and from the NASD.

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

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

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

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

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

Effect and is not prompted to sell shares of Common Stock by any information concerning the Company which is not set forth in the Registration Statement and the Prospectus.

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

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

The Firm Common Shares. Upon the terms herein set forth, (i) the Company agrees to issue and sell to the several Underwriters an aggregate of 1,562,500 Firm Common Shares and (ii) the Selling Stockholders agree, severally and not jointly, to sell to the several Underwriters an aggregate of 625,500 Firm Common Shares, each Selling Stockholder selling the number of Firm Common Shares set forth opposite such Selling Stockholder's name on Schedule B. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Company and the Selling Stockholders the respective number of Firm Common Shares set forth opposite their names on Schedule A. The purchase price per Firm Common Share to be paid by the several Underwriters to the Company and the Selling Stockholders shall be $___ per share.

The First Closing Date. Delivery of certificates for the Firm Common Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of NMS, 600 Montgomery Street, San Francisco, California (or such other place as may be agreed to by the Company and the Representatives) at 6:00 a.m. San Francisco time, on _____, 1998 [the fourth full business day after the date of this Agreement, unless the pricing occurs at a time earlier than 4:30 p.m., East Coast time, in which case insert the third full business day after the date of this Agreement], or such other time and date not later than 10:30 a.m. San Francisco time, on _____, 1998 [ten business days following the original contemplated First Closing Date] as the Representatives shall designate by notice to the Company (the time and date of such closing are called the "First Closing Date"). The Company and the Selling Stockholders hereby acknowledge that circumstances under which the Representatives may provide notice to postpone the First Closing Date as originally scheduled include, but are in no way limited to, any determination by the Company or the Representatives to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 10.

The Optional Common Shares; the Second Closing Date. In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms

but subject to the conditions herein set forth, the Company and the Selling Stockholders hereby grant, severally and not jointly, an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 328,200 Optional Common Shares from the Company and the Selling Stockholders at the purchase price per share to be paid by the Underwriters for the Firm Common Shares. The option granted hereunder is for use by the Underwriters solely in covering any over-allotments in connection with the sale and distribution of the Firm Common Shares. The option granted hereunder may be exercised at any time (but not more than once) upon notice by the Representatives to the Company and the Selling Stockholders, which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Common Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Common Shares are to be registered and (iii) the time, date and place at which such certificates are to be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in such case the term "First Closing Date" shall refer to the time and date of delivery of certificates for the Firm Common Shares and the Optional Common Shares). Such time and date of delivery, if subsequent to the First Closing Date, is called the "Second Closing Date" and shall be determined by the Representatives and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. If any Optional Common Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be purchased as the number of Firm Common Shares set forth on Schedule A opposite the name of such Underwriter bears to the total number of Firm Common Shares and (b) the Company and each Selling Stockholder agree, severally and not jointly, to sell the number of Optional Common Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Common Shares to be sold as the number of Optional Common Shares set forth in Schedule B opposite the name of such Selling Stockholder (or, in the case of the Company, as the number of Optional Common Shares to be sold by the Company as set forth in the paragraph "Introductory" of this Agreement) bears to the total number of Optional Common Shares. The Representatives may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company and the Selling Stockholders.

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

has been declared effective as the Representatives, in their sole judgment, have determined is advisable and practicable.

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

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

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

Delivery of the Common Shares. The Company and the Selling Stockholders shall, severally and not jointly deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters certificates for the Firm Common Shares to be sold by them at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company and the Selling Stockholders shall, severally and not jointly, also deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters, certificates for the Optional Common Shares the Underwriters have agreed to purchase from them at the First Closing Date or the Second Closing Date, as the case may be, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Common Shares shall be in definitive form and registered in such names and

denominations as the Representatives shall have requested at least two full business days prior to the First Closing Date (or the Second Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the Second Closing Date, as the case may be) at a location in New York City as the Representatives may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

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

SECTION 3. ADDITIONAL COVENANTS.

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

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

(b) Securities Act Compliance. After the date of this Agreement, the Company shall promptly advise the Representatives in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission relating to the Registration Statement, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of any

proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A and 434, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

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

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

(e) Blue Sky Compliance. The Company shall cooperate with the Representatives and counsel for the Underwriters to qualify or register the Common Shares for sale under (or obtain exemptions from the application of) the Blue Sky or state securities laws or Canadian provincial securities laws of those jurisdictions designated by the Representatives, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Common Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a

foreign corporation. The Company will advise the Representatives promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Common Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

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

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

(h) Earnings Statement. As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement (which need not be audited) covering the twelve-month period ending May __, 1999 [the end of the Company's first quarter ending after one year following the effective date of the Registration Statement] that satisfies the provisions of Section 11(a) of the Securities Act.

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

(j) Agreement Not To Offer or Sell Additional Securities. During the period of 180 days following the date of the Prospectus, the Company will not, without the prior written consent of NMS (which consent may be withheld at the sole discretion of NMS), directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any shares of Common Stock, options or warrants to acquire shares of the Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock (other than as contemplated by this Agreement with respect to the Common Shares); provided, however, that the Company may: (i) issue shares of its Common Stock or options to purchase its Common Stock, or Common Stock upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Prospectus, but only if the holders of such shares,

options, or shares issued upon exercise of such options, agree in writing with NMS not to sell, offer, dispose of or otherwise transfer any such shares or options during such 180 day period without the prior written consent of NMS (which consent may be withheld at the sole discretion of NMS) or, in the case of stock options, such options may not be exercised during such 180 day period; (ii) file one or more registration statements on Form S-8 covering shares of Common Stock issuable pursuant to any stock option or stock purchase plan described in the Prospectus; (iii) issues shares of Common Stock to officers of the Company, provided such officers agree in writing with NMS not to sell, offer, dispose of or otherwise transfer any such shares during such 180 day period without the prior written consent of NMS (which consent may be withheld at the sole discretion of NMS); or (iv) issue shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock, as payment for all or part of the purchase price of an acquisition by the Company of another company or business, provided the total number of shares of Common Stock issuable in connection with such acquisition (including shares issuable upon exchange, exercise or conversion of any other securities of the Company issued in connection with such acquisition) does not exceed 5% of the number of shares of Common Stock outstanding immediately prior to such acquisition, and provided further that each person or entity receiving any such shares or securities in connection with such acquisition agrees in writing with NMS not to sell, offer, dispose of or otherwise transfer any such shares or securities during such 180 day period without the prior written consent of NMS (which consent may be withheld at the sole discretion of NMS).

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

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

(a) Agreement Not to Offer or Sell Additional Securities. Such Selling Stockholder will not, without the prior written consent of NMS (which consent may be withheld in its sole discretion), directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock, or securities exchangeable or exercisable for or convertible into shares of Common Stock currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under the Exchange, except that a 180-day period shall be used rather than the 60-day period set forth therein by the undersigned, or publicly announce the undersigned's intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on the date 180 days after the date of the Prospectus; provided, however, that such Selling Stockholder may sell or otherwise transfer any such shares or securities (i) to the Company and (ii) to an officer of the Company, provided such officer agrees in writing with NMS not to sell, offer, dispose of or otherwise transfer any such shares or securities during such 180-day period without the prior written consent of NMS (which consent may be withheld at the sole discretion of NMS).

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

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

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

certificates of experts), each preliminary prospectus and the Prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Common Shares for offer and sale under the Blue Sky laws and the Canadian provincial securities laws, and, if requested by the Representatives, preparing and printing a "Blue Sky Survey" or memorandum, and any supplements thereto, advising the Underwriters of such qualifications, registrations and exemptions, (vii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the NASD's review and approval of the Underwriters' participation in the offering and distribution of the Common Shares, (viii) the fees and expenses associated with listing the Common Shares on the Nasdaq National Market, and (ix) all other fees, costs and expenses referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Section 4, Section 6, Section 8 and Section 9 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

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

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

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

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

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

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

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

(c) No Material Adverse Change. For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First Closing Date), the

Second Closing Date, in the judgment of the Representatives there shall not have occurred any Material Adverse Change.

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

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

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

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

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

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

(g) Bring-down Comfort Letter. On each of the First Closing Date and, with respect to the Optional Common Shares (if not purchased on the First

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

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

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

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

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

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

(k) Lock-Up Agreement from Certain Stockholders of the Company Other Than Selling Stockholders. On the date hereof, the Company shall have furnished to the Representatives an agreement in the form of Exhibit C hereto from each

director, officer and each beneficial owner of Common Stock (as defined and determined according to Rule 13d-3 under the Exchange Act, except that a 180-day period shall be used rather than the 60-day period set forth therein), other than the Selling Stockholders, and such agreement shall be in full force and effect on each of the First Closing Date and the Second Closing Date.

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

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

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

SECTION 7. EFFECTIVENESS OF THIS AGREEMENT.

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

the Securities Act, and the notification by the Company to the Representatives of the receipt of such notification by the Commission.

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

SECTION 8. INDEMNIFICATION.

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

liability or action arising out of or based upon any matter covered by clause (i) or (ii) above; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the reasonable fees and disbursements of counsel chosen by NMS) as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Notwithstanding the foregoing: (A) neither the Company nor any Selling Stockholder shall be liable under clause (v) of the preceding sentence to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its bad faith, negligence or willful misconduct; (B) the indemnity and reimbursement agreements in the preceding sentence shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Representatives expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); (C) with respect to any preliminary prospectus, the indemnity and reimbursement agreements in the preceding sentence shall not inure to the benefit of any Underwriter from whom the person asserting any loss, claim, damage, liability or expense purchased Common Shares, or any person controlling such Underwriter, if copies of the Prospectus were timely delivered to the Underwriter pursuant to Section 2 and a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Common Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage, liability or expense; (D) the indemnity and reimbursement agreements of a Selling Stockholder set forth in clauses (iii) and (iv) of the preceding sentence shall not apply to any inaccuracy in the representations and warranties of the Company or any other Selling Stockholder or to any failure of the Company or any other Selling Stockholder to perform their respective obligations hereunder or under law; (E) the liability of each Selling Stockholder under the indemnity and reimbursement agreements in the preceding sentence, or otherwise for a breach of such Selling Stockholder's representations or warranties set forth in this Agreement, shall be limited to an amount equal to the initial public offering price of the Common Shares sold by such Selling Stockholder, less the underwriting discount, as set forth on the front cover page of the Prospectus; and (F) the

Company and the Selling Stockholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible. The indemnity and reimbursement agreements set forth in this Section 8(a) shall be in addition to any liabilities that the Company and the Selling Stockholders may otherwise have.

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

claim, damage, liability, expense or action. The Company and each of the Selling Stockholders hereby acknowledge that the only information that the Underwriters have furnished to the Company expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) are the statements set forth (A) as the paragraph on the inside front cover page of each preliminary prospectus the Prospectus concerning stabilization by the Underwriters and (B) in the table in the first paragraph and as the second, seventh, eighth and ninth paragraphs under the caption "Underwriting" in the Prospectus; and the Underwriters confirm that such statements are correct. The indemnity and reimbursement agreements set forth in this Section 8(b) shall be in addition to any liabilities that each Underwriter may otherwise have.

(c) Notifications and Other Indemnification Procedures. Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 8 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by

such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (NMS in the case of Section 8(b) and Section 9), representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the reasonable fees and expenses of counsel shall be at the expense of the indemnifying party.

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

SECTION 9. CONTRIBUTION. If the indemnification provided for in Section 8 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion

as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Common Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements in or omissions from any preliminary prospectus, the Prospectus or the Registration Statement (or any amendment or supplement to any of the foregoing) or inaccuracies in the representations and warranties herein which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Common Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Common Shares pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discount received by the Underwriters, in each case as set forth on the front cover page of the Prospectus (or, if Rule 434 under the Securities Act is used, the corresponding location on the Term Sheet) bear to the aggregate initial public offering price of the Common Shares as set forth on such cover. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact or any such inaccurate or alleged inaccurate representation or warranty relates to information supplied by the Company or the Selling Stockholders, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

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

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity

for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9.

Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting commissions received by such Underwriter in connection with the Common Shares underwritten by it and distributed to the public nor shall any Selling Stockholder be required to contribute any amount in excess of the initial public offering price of the Common Shares sold by such Selling Stockholder, less the underwriting discount, as set forth on the front cover page of the Prospectus. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their names in Schedule A. For purposes of this Section 9, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company, and each person, if any, who controls a Selling Stockholder within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Selling Stockholder.

SECTION 10. DEFAULT OF ONE OR MORE OF THE SEVERAL UNDERWRITERS. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Common Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Common Shares to be purchased on such date, the other Underwriters shall be obligated, severally, in the proportions that the number of Firm Common Shares set forth opposite their respective names on Schedule A bears to the aggregate number of Firm Common Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Common Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the Second Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Common Shares and the aggregate number of Common Shares with respect to which such default occurs exceeds 10% of the aggregate number of Common Shares to be purchased on such date, and arrangements satisfactory to the Representatives and the Company for the

purchase of such Common Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any non-defaulting party to any other party except that the provisions of this sentence, Section 4, Section 8 and Section 9 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

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

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

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

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

If to the Representatives:

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

with a copy to:

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

If to the Company:

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

With a copy to:

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

If to the Selling Stockholders:

Boston EquiServe, L.P.
150 Royall Street
Canton, MA 02021
Facsimile: (781) 575-2549
Attention: Carole McHugh

With a copy to:

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

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

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

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

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

SECTION 17. FAILURE OF ONE OR MORE OF THE SELLING STOCKHOLDERS TO SELL AND DELIVER COMMON SHARES. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Common Shares to be sold and delivered by such Selling Stockholders at the First Closing Date pursuant to this Agreement, then the Underwriters may at their option, by written notice from the Representatives to the Company and the Custodian, either (i) terminate this Agreement without any liability on the part of any Underwriter or, except as provided in Sections 4, 6, 8 and 9 hereof, the Company or the Selling Stockholders (other than such defaulting Selling Stockholders), or (ii) purchase the shares which the Company and the other Selling Stockholders have agreed to sell and deliver in accordance with the terms hereof. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Common Shares to be sold and delivered by such Selling Stockholders pursuant to this Agreement at the First Closing Date or the Second Closing Date, then the Underwriters shall have the right, by written notice from the Representatives to the Company and the Custodian, to postpone the First Closing Date or the Second Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

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

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 8 and the contribution provisions of Section 9, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of

Sections 8 and 9 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

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

Very truly yours,

CHARLES RIVER ASSOCIATES INCORPORATED

By: _____
President

EACH OF THE SELLING STOCKHOLDERS

By: _____
(Attorney-in-fact)

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

NATIONSBANC MONTGOMERY SECURITIES LLC

WILLIAM BLAIR & COMPANY, L.L.C.

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

By NATIONSBANC MONTGOMERY SECURITIES LLC

By:_____

SCHEDULE A

| UNDERWRITERS | NUMBER OF FIRM COMMON SHARES TO BE PURCHASED |
|---|---|
| NationsBanc Montgomery Securities LLC..... | |
| William Blair & Company, L.L.C..... | |
| ..... | |
| ..... | |
| ..... | |
| | ---------- |
| Total..... | ========== |

SCHEDULE B

| SELLING STOCKHOLDER | NUMBER OF FIRM COMMON SHARES TO BE SOLD | MAXIMUM NUMBER OF OPTIONAL COMMON SHARES TO BE SOLD |
|---|---|---|
| Franklin M. Fisher | 73,294 | |
| Steven C. Salop | 52,000 | |
| Firoze E. Katrak | 34,550 | |
| Rowland T. Moriarty | 41,080 | |
| William B. Burnett | 31,200 | |
| Carl Kaysen | 7,582 | |
| Richard S. Ruback | 31,200 | |
| Jagdish C. Agarwal | 23,325 | |
| Thomas R. Overstreet | 23,325 | |
| Alan R. Willens | 21,104 | |
| Stanley M. Besen | 20,409 | |
| Michael A. Kemp | 20,409 | |
| Bridger M. Mitchell | 20,409 | |
| Deloris R. Wright | 20,409 | |
| Raju Patel | 14,578 | |
| Daniel Brand | 13,412 | |
| Steven R. Brenner | 13,412 | |
| George C. Eads | 13,412 | |
| W. David Montgomery | 13,412 | |
| Gary L. Roberts | 13,412 | |
| Louis L. Wilde | 13,412 | |
| Stephen H. Kalos | 11,663 | |
| Arnold J. Lowenstein | 11,663 | |
| C. Christopher Maxwell | 11,663 | |
| Robert M. Spann | 11,663 | |

| | | |
|---|---|---|
| John R. Woodbury | 11,663 | |
| Monica G. Noether | 11,079 | |
| Robert J. Larner and Anne M. Larner | 10,059 | |
| Joen E. Greenwood | 9,937 | |
| William R. Hughes | 8,748 | |
| Gregory K. Bell | 3,900 | |
| Paul R. Milgrom | 5,200 | |
| Douglas R. Bohi | 2,916 | |
| Total: | 625,500 | 93,825 |

EXHIBIT A

[The final opinion in draft form should be attached as Exhibit A at the time this Agreement is executed.]

Opinion of Counsel for the Company

References to the Prospectus in this Exhibit A include any supplements thereto at the Closing Date. References to the Registration Statement include any Rule 462(b) Registration Statement.

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of The Commonwealth of Massachusetts.

(ii) The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under the Underwriting Agreement.

(iii) The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Change.

(iv) The Subsidiary has been duly organized and is validly existing as a limited liability company in good standing under the laws of the Commonwealth of Massachusetts, has the power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and, to the best knowledge of such counsel, is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, result in a Material Adverse Change.

(v) The Company is the legal and beneficial owner of its membership interest in the Subsidiary, as described in the Prospectus.

(vi) Immediately prior to the issue and sale of Common Shares pursuant to the Agreement on the date hereof, the authorized capital stock of the Company was comprised of 25,000,000 shares of Common Stock, without par value, _____ of which were outstanding of record, and 1,000,000 shares of Preferred Stock,

without par value, none of which were outstanding of record. The capital stock of the Company (including the Common Stock) conforms to the descriptions thereof set forth in the Prospectus under the heading "Description of Capital Stock". All of the outstanding shares of Common Stock (including the shares of Common Stock owned by Selling Stockholders) have been duly authorized and validly issued, are (except, in the case of shares purchased by officers of the Company under agreements which provide for the purchase price to be paid in installments, to the extent of the installments which are not yet due and payable) fully paid and nonassessable and, to the best of such counsel's knowledge, have been issued in compliance with the registration and qualification requirements of federal and state securities laws. The form of certificate used to evidence the Common Stock is in due and proper form and complies with all applicable requirements of the charter and by-laws of the Company and the Business Corporation Law of The Commonwealth of Massachusetts. The description of the Company's stock option and stock purchase plans, and the options or other rights granted and exercised thereunder, set forth in the Prospectus is an accurate and fair description in all material respects of such plans, arrangements, options and rights.

(vii) No stockholder of the Company or any other person has any preemptive right, right of first refusal or other similar right to subscribe for or purchase securities of the Company arising (i) by operation of the charter or by-laws of the Company or the Business Corporation Law of The Commonwealth of Massachusetts or (ii) to the best knowledge of such counsel, otherwise.

(viii) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(ix) The Common Shares to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale pursuant to the Underwriting Agreement and, when issued and delivered by the Company pursuant to the Underwriting Agreement against payment of the consideration set forth therein, will be validly issued, fully paid and nonassessable.

(x) Based solely on the oral advice of the staff of the Commission, the Registration Statement has been declared effective by the Commission under the Securities Act. To the best knowledge of such counsel, no stop order suspending the effectiveness of either of the Registration Statement or the Rule 462(b) Registration Statement, if any, has been issued under the Securities Act and, to the best knowledge of such counsel, no proceedings for such purpose have been instituted or are pending or are contemplated or threatened by the Commission. Any required filing of the Prospectus under Rule 424(b) under the Securities Act has been made in the manner and within the time period required by such Rule 424(b).

(xi) The Registration Statement, the Prospectus and each amendment or supplement to the Registration Statement and the Prospectus, as of their respective effective or issue dates (other than the financial statements and supporting schedules

included therein, as to which no opinion need be rendered), comply as to form in all material respects with the applicable requirements of the Securities Act. Such counsel may state that it is rendering no opinion as to the accuracy of any financial or accounting data contained therein.

(xii) Based solely on a letter dated _____, 1998 from, and subsequent conversations with members of the staff of, the Nasdaq Stock Market, the Common Shares have been approved for listing on the Nasdaq National Market.

(xiii) The statements (i) in the Prospectus under the captions "Description of Capital Stock," "Management's Discussion and Analysis and Results of Operations--Liquidity and Capital Resources," "Business--Legal Proceedings," "Certain Transactions,"and "Shares Eligible for Future Sale," and (ii) in Item 14 and Item 15 of the Registration Statement, insofar as such statements constitute matters of law, summaries of legal matters, the Company's charter or by-law provisions, documents or legal proceedings, or legal conclusions, has been reviewed by such counsel and fairly present and summarize, in all material respects, the matters referred to therein.

(xiv) To the best knowledge of such counsel, there are no legal or governmental actions, suits or proceedings pending or threatened which are required to be disclosed in the Registration Statement, other than those disclosed therein.

(xv) To the best knowledge of such counsel, there are no Existing Instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto; and the descriptions thereof and references thereto are correct in all material respects.

(xvi) No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the execution, delivery and performance of the Underwriting Agreement by the Company and consummation by the Company of the transactions contemplated thereby and by the Prospectus, except as required under the Securities Act, Section 12(g) of the Exchange Act, applicable state securities or blue sky laws and from the NASD.

(xvii) The execution and delivery of the Underwriting Agreement by the Company and the performance by the Company of its obligations thereunder (other than performance by the Company of its obligations under the indemnification and contribution sections of the Underwriting Agreement, as to which no opinion need be rendered) (i) have been duly authorized by all necessary corporate action on the part of the Company; (ii) will not result in any violation of the provisions of the charter, by-laws or other organizational documents of the Company or the Subsidiary; (iii) will not

constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or the Subsidiary pursuant to, (A) the Company's revolving line of credit with BankBoston Corporation, or (B) to the best knowledge of such counsel, any other material Existing Instrument; or (iv) to the best knowledge of such counsel, will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or the Subsidiary.

(xviii) The Company is not, and after receipt of payment for the Common Shares sold by it will not be, an "investment company" within the meaning of the Investment Company Act.

(xix) To the best knowledge of such counsel, there are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by the Underwriting Agreement, except for such rights as have been duly waived.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Company, representatives of the independent public or certified public accountants for the Company and with representatives of the Underwriters at which the contents of the Registration Statement and the Prospectus, and any supplements or amendments thereto, and related matters were discussed and, although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (other than as specified above), and any supplements or amendments thereto, and (except as specifically set forth in this opinion) have not made any independent confirmation or verification thereof, on the basis of the foregoing (and relying, as to materiality, upon the statements of officers and other representatives of the Company), nothing has come to their attention which would lead them to believe either that the Registration Statement or any amendments thereto, at the time the Registration Statement or such amendments became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, as of its date or at the First Closing Date or the Second Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no belief as to the financial statements or schedules or other financial or statistical data derived therefrom, included in the Registration Statement or the Prospectus or any amendments or supplements thereto).

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than those of The Commonwealth of Massachusetts, the General Corporation Law of the State of Delaware and the federal law of the United States, to the extent they deem proper and specified in such opinion, upon the opinion (which shall be dated the First Closing Date or the Second Closing Date, as the case may be, shall be satisfactory in form and substance to the Underwriters, shall expressly state that the Underwriters may rely on such opinion as if it were addressed to them and shall be furnished to the Representatives) of other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters; provided, however, that such counsel shall further state that they believe that they and the Underwriters are justified in relying upon such opinion of other counsel, and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and public officials.

EXHIBIT B

[The final opinion in draft form should be attached as Exhibit B at the time this Agreement is executed.]

Opinion of Counsel for the Selling Stockholders

[FH&E to add introductory language]

The opinion shall be rendered to the Representatives at the request of the Company and shall so state therein. References to the Prospectus in this Exhibit B include any supplements thereto at the Closing Date.

(i) The Underwriting Agreement has been duly executed and delivered by or on behalf of, and is a valid and binding agreement of, each Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification thereunder may be limited by applicable law and except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(ii) The execution and delivery by each Selling Stockholder of, and the performance by such Selling Stockholder of his or her obligations under, the Underwriting Agreement and his or her Custody Agreement and his or her Power of Attorney will not, to the best of such counsel's knowledge, violate or contravene any provision of applicable law or regulation, or violate, result in a breach of or constitute a default under the terms of any agreement or instrument to which such Selling Stockholder is a party or by which he or she is bound, or any judgment, order or decree applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder.

(iii) Each Selling Stockholder is the sole record owner of all of the Common Shares which may be sold by such Selling Stockholder under the Underwriting Agreement and has the legal right and power to enter into the Underwriting Agreement and his or her Custody Agreement and his or her Power of Attorney, to sell, transfer and deliver all of the Common Shares which may sold by such Selling Stockholder under the Underwriting Agreement and to comply with his or her other obligations under the Underwriting Agreement, his or her Custody Agreement and his or her Power of Attorney.

(iv) Each of the Custody Agreement and Power of Attorney of each Selling Stockholder has been duly executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in

accordance with its terms, except as rights to indemnification thereunder may be limited by applicable law and except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(v) Assuming that the Underwriters purchase the Common Shares which are sold by such Selling Stockholder pursuant to the Underwriting Agreement for value and without notice of any adverse claim (within the meaning of Section 8-303 of Chapter 106 of the Massachusetts General Laws) to the Common Shares, the delivery of such Common Shares pursuant to the Underwriting Agreement will pass good and valid title to such Common Shares, free and clear of any such adverse claim.

(vi) To the best of such counsel's knowledge, no consent, approval, authorization or other order of, or registration or filing with, any court or governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in the Underwriting Agreement, except as required under the Securities Act, Section 12(g) of the Exchange Act, applicable state securities or blue sky laws, and from the NASD.

EXHIBIT C

EXHIBIT 3.2

FEDERAL IDENTIFICATION
NO. 04-2372210

THE COMMONWEALTH OF MASSACHUSETTS

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

Examiner

Name Approved

We, JAMES C. BURROWS, *President

and PETER M. ROSENBLUM, *Clerk

of CHARLES RIVER ASSOCIATES INCORPORATED,
(Exact name of corporation)

located at 200 CLARENDON STREET, T-33, BOSTON, MA 02116,
(Street address of corporation Massachusetts)

do hereby certify that the following Restatement of the Articles of Organization was duly adopted at a meeting held on APRIL 9, 1998

by a vote of --- shares of Common Stock, without par value of 125,370 shares outstanding.

**being at least two-thirds of each type, class or series outstanding and entitled to vote thereon and each type, class or series of stock whose rights are adversely affected thereby:

C [ ]
P [ ]
M [ ]
R.A. [ ]

ARTICLE I

The name of the corporation is:

CHARLES RIVER ASSOCIATES INCORPORATED

ARTICLE II

The purpose of the corporation is to engage in the following business activities:

SEE CONTINUATION SHEET II.A.

P.C.

Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8 1/2 X 11 sheets of paper with a left margin of a least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

ARTICLE III

State the total number of shares and par value, if any, of each class of stock which the corporation is authorized to issue:

| WITHOUT PAR VALUE | | WITH PAR VALUE | | |
|---|---|---|---|---|
| TYPE | NUMBER OF SHARES | TYPE | NUMBER OF SHARES | PAR VALUE |
| Common: | 25,000,000 | Common: | | |
| | | | | |
| Preferred: | 1,000,000 | Preferred: | | |
| | | | | |

ARTICLE IV

If more than one class of stock is authorized, state a distinguishing designation for each class. Prior to the issuance of any shares of a class, if shares of another class are outstanding, the corporation must provide a description of the preferences, voting powers, qualifications, and special or relative rights or privileges of that class and of each other class of which shares are outstanding and of each series then established within any class.

SEE CONTINUATION SHEETS IV.A. THROUGH IV.C.

ARTICLE V

The restrictions, if any, imposed by the Articles of Organization upon the transfer of shares of stock of any class are:

SEE CONTINUATION SHEET V.A.

ARTICLE VI

**Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

SEE CONTINUATION SHEETS VI.A. THROUGH VI.F.

Note: The preceding six (6) articles are considered to be permanent and may ONLY be changed by filing appropriate Articles of Amendment.

ARTICLE VII

The effective date of the restated Articles of Organization of the corporation shall be the date approved and filed by the Secretary of the Commonwealth. If a later effective date is desired, specify such date which shall not be more than thirty days after the date of filing.

ARTICLE VIII

THE INFORMATION CONTAINED IN ARTICLE VIII IS NOT A PERMANENT PART OF THE ARTICLES OF ORGANIZATION.

a. The street address (post office boxes are not acceptable) of the principal office of the corporation in Massachusetts is:

200 CLARENDON STREET, T-33
BOSTON, MA 02116

b. The name, residential address and post office address of each director and officer of the corporation is as follows:

| NAME | RESIDENTIAL ADDRESS | POST OFFICE ADDRESS |
|---|---|---|
| President: | | |
| Treasurer: | SEE CONTINUATION SHEET VIII.A. | |
| Clerk: | | |
| Directors: | | |

c. The fiscal year (i.e., tax year) of the corporation shall end on the last

SATURDAY OF THE MONTH OF NOVEMBER.

d. The name and business address of the resident agent, if any, of the corporation is:

NONE.

**We further certify that the foregoing Restated Articles of Organization affect no amendments to the Articles of Organization of the corporation as heretofore amended, except amendments to the following articles. Briefly describe amendments below:

NONE.

SIGNED UNDER THE PENALTIES OF PERJURY, this ____ day of _____, 1998,

*President,

- _____,

*Clerk.

- _____,

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(GENERAL LAWS, CHAPTER 156B, SECTION 74)

==========

I hereby approve the within Restated Articles of Organization and, the filing fee in the amount of $_____ having been paid, said articles are deemed to have been filed with me this ___ day of _____, 199__.

Effective Date:_____

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
PHOTOCOPY OF DOCUMENT TO BE SENT TO:

PETER M. ROSENBLUM, ESQ.
FOLEY, HOAG & ELIOT LLP
ONE POST OFFICE SQUARE
BOSTON, MA 02109

Telephone: (617) 832-1151

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet II.A.

II.A. PURPOSES

To engage on its own behalf and for others in the business of research and development of an economic, demographic, scientific and sociological nature and to conduct research and development for commercial and governmental projects; to provide economic, business and other consulting services; and to buy, sell and distribute goods, wares and merchandise of every kind and description.

To acquire, hold, dispose of, buy, sell, underwrite, handle on commission and otherwise deal in, and to guaranty, any stocks, shares, bonds, notes and obligations of and interests in corporations, joint-stock companies, trusts, associations, partnerships, limited liability companies, firms or persons and all forms of public and municipal securities of this or any other country, or any right or interest therein, and while owner thereof, to exercise all rights, powers and privileges of ownership in the same manner and to the same extent that an individual might.

To acquire, hold, use, construct, maintain and dispose of buildings, plants, factories, mills, machinery, works, patent rights and privileges, inventions, formulae, trademarks and names, secret processes and all other real and personal property, tangible or intangible, of whatever kind and wherever situated, or any right or interest therein, for the purposes of the foregoing businesses, and as a going business or otherwise, all or any part of the assets of any corporation, joint-stock company, trust, association, partnership, limited liability company, firm or person, and in such cases to assume all or any part of its or his liabilities.

To engage in, transact and carry on any or all of the above businesses or any other business or activity necessary or convenient for or incidental to any or all of the foregoing or which can advantageously be conducted in connection therewith, and to engage in, transact and carry on any business or activity which a business corporation organized under the provisions of Chapter 156B of the General Laws of Massachusetts, as amended from time to time, or any successor statute, may lawfully engage in, transact or conduct.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet IV.A.

IV.A. DESIGNATION AND CLASSIFICATION OF STOCK

The aggregate number of shares of capital stock which the Corporation has authority to issue is 26,000,000 consisting of:

(i) 25,000,000 shares of Common Stock, without par value (the "Common Stock"); and

(ii) 1,000,000 shares of Preferred Stock, without par value (the "Preferred Stock").

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet IV.B.

IV.B. DESCRIPTION OF THE COMMON STOCK

The description of the Common Stock is as follows:

Each holder of Common Stock shall at every meeting of stockholders be entitled to one vote in person or by proxy for each share of Common Stock held by him. The holders of the Common Stock shall be entitled to such dividends as may from time to time be declared by the Board of Directors out of any funds legally available for the declaration of dividends, subject to any provisions of these Articles of Organization, as amended from time to time, and subject to the relative rights and preferences of any shares of Preferred Stock authorized and issued hereunder. Subject to the relative rights and preferences of any shares of Preferred Stock authorized and issued hereunder, upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, the holders of shares of Common Stock shall be entitled to receive pro rata all assets of the Corporation available for distribution to its stockholders.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet IV.C.

IV.C. DESCRIPTION OF THE PREFERRED STOCK

The description of the Preferred Stock is as follows:

1. CERTIFICATE OF DESIGNATION. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article IV, to provide for the issuance of shares of Preferred Stock with or without series, and, by filing a certificate pursuant to the applicable law of The Commonwealth of Massachusetts (the "Certificate of Designation"), to establish from time to time the number of shares to be included in each such series and to fix the designation, preferences, voting powers, qualifications and special or relative rights or privileges of the shares of each such series. In the event that at any time the Board of Directors shall have established and designated one or more series of Preferred Stock consisting of a number of shares less than the total number of authorized shares of Preferred Stock, the remaining authorized shares of Preferred Stock shall be deemed to be shares of an undesignated series of Preferred Stock until designated by the Board of Directors as being a part of a series previously established or a new series then being established by the Board of Directors. Notwithstanding the fixing of the number of shares constituting a particular series, the Board of Directors may at any time thereafter authorize the issuance of additional shares of the same series except as set forth in the Certificate of Designation.

2. AUTHORITY OF BOARD. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(a) the number of shares constituting that series, which number may be increased or decreased (but not below the number of shares of such series then outstanding) from time to time by the Board of Directors, and the distinctive designation of that series;

(b) whether any dividend shall be paid on shares of that series, and, if so, the dividend rate on the shares of that series; whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) whether shares of that series shall have voting rights in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(d) whether shares of that series shall be convertible into shares of Common Stock or another security and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) whether shares of that series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether that series shall have a sinking

fund for the redemption or purchase of shares of that series and, if so, the terms and amount of such sinking fund;

(f) whether, in the event of purchase or redemption of the shares of that series, any shares of that series shall be restored to the status of authorized but unissued shares or shall have such other status as shall be set forth in the Certificate of Designation;

(g) the rights of the shares of that series in the event of the sale, conveyance, exchange or transfer of all or substantially all of the property and assets of the Corporation, or the merger or consolidation of the Corporation into or with any other corporation or entity, or the merger of any other corporation or entity into it, or the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of shares of that series to payment in any such event;

(h) whether shares of that series shall carry any preemptive right in or preemptive right to subscribe to any additional shares of Preferred Stock or any shares of any other class of stock which may at any time be authorized or issued, or any bonds, debentures or other securities convertible into shares of stock of any class of the Corporation, or options or warrants carrying rights to purchase such shares or securities; and

(i) any other designations, preferences, voting powers, qualifications, and special or relative rights or privileges of the shares of that series.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet V.A.

V.A. RESTRICTIONS ON TRANSFER

1. No stockholder (or stockholder's legal representative) shall sell, assign, transfer or otherwise dispose of, whether by act of such stockholder (or stockholder's legal representative) or by operation of law, any share of the capital stock of the Corporation or any beneficial interest therein without the approval of the Board of Directors, except that the foregoing restrictions shall not apply to (i) transfers effected by operation of law resulting from the death of such stockholder and (ii) transfers by such stockholder (or stockholder's legal representative) to the Corporation.

2. No stockholder may sell, assign, transfer or otherwise dispose of, whether by act of such stockholder or by operation of law, any share of the capital stock of the Corporation, or any beneficial interest therein, if, in the opinion of legal counsel to the Corporation, such sale, assignment, transfer or other disposition might result in the termination of the Corporation's S-corporation status for any reason (including by reason of creating more than the allowed number of shareholders under Section 1361 of the Internal Revenue Code of 1986, as amended, or any successor statute).

3. In the event of an attempted sale, assignment, transfer or other disposition by a stockholder ("Defaulting Holder") in violation of Section 1 or Section 2 above (a "Prohibited Transfer"), such Prohibited Transfer shall be null and void and shall not be recognized on the books and records of the Corporation, and the Defaulting Holder shall retain the right to vote and receive distributions and shall continue to report the share of income or loss allocated by the Corporation to such Defaulting Holder for tax purposes.

4. The restrictions in this Article V.A. shall terminate upon the closing of any public offering of the Corporation's securities pursuant to a registration statement filed in accordance with the Securities Act of 1933, as amended.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.A.

VI.A. CERTAIN BUSINESS COMBINATIONS

1. VOTE REQUIRED FOR CERTAIN BUSINESS COMBINATIONS.

(a) HIGHER VOTE FOR CERTAIN BUSINESS COMBINATIONS. In addition to any affirmative vote required by law or these Articles of Organization, and except as otherwise expressly provided in Section 2 of this Article VI.A.:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation or entity (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, license, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries, except pursuant to an employee benefit plan of the Corporation or any Subsidiary thereof; or

(iv) any reclassification of securities of the Corporation (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which are directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder,

shall require the affirmative vote of the holders of at least eighty percent (80%) of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for purposes of this Article VI.A., each share of the Voting Stock shall have the number of votes granted to it pursuant to Article IV of these Articles of Organization). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or by any other provisions of these Articles or Organization or any Certificate of Designation (as defined in Article IV of these Articles of Organization), or in any agreement with any national securities exchange or otherwise.

(b) DEFINITION OF "BUSINESS COMBINATION." The term "Business Combination" as used in this Article VI.A. shall mean any transaction which is referred to in any one or more of Sections 1(a)(i) through (v).

2. WHEN HIGHER VOTE IS NOT REQUIRED. The provisions of Section 1 of this Article VI.A. shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provisions of these Articles of Organization, if, in the case of any Business Combination that does not involve any cash or other consideration being received by the stockholders of the Corporation solely in their capacity as stockholders of the Corporation, the condition specified in the following Section 2(a) is met, or, in the case of any other Business Combination, all of the conditions specified in the following Sections 2(a) and 2(b) are met:

(a) APPROVAL BY DISINTERESTED DIRECTORS. The Business Combination shall have been approved by a majority of the members of the Board of Directors (the "Board") who are Disinterested Directors (as hereinafter defined), it being understood that this condition shall not be capable of satisfaction unless there is at least one Disinterested Director.

(b) PRICE AND PROCEDURAL REQUIREMENTS. All of the following conditions shall have been met:

(i) the aggregate amount of the cash, and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash, to be received per share by the holders of Common Stock of the Corporation in such Business Combination shall be at least equal to the higher of the following:

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder or any of its Affiliates for any shares of Common Stock of the Corporation acquired or beneficially owned by it or them that were acquired (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; or

(B) the Fair Market Value per share of Common Stock of the Corporation on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash, and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash, to be received per share by holders of shares of any class of outstanding Voting Stock other than Common Stock shall be at least equal to the highest of the following (it being intended that the requirements of this Section 2(b)(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(A) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder or any of its Affiliates for any shares of such class of Voting Stock acquired or beneficially owned by it or them that were acquired (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; or

(B) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary liquidation, dissolution or winding up of the Corporation; or

(C) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

If shares of any class are issued in Series, notwithstanding the foregoing provisions concerning classes of shares, the Fair Market Value shall be determined and applied in this Section 2(b)(ii) on the basis of each series and not on the basis of the class as a whole.

(iii) The price determined in accordance with Sections 2(b)(i) and (ii) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(iv) The holders of all outstanding shares of Voting Stock not beneficially owned by the Interested Stockholder immediately prior to the consummation of any Business Combination shall be entitled to receive in such Business Combination cash or other consideration for their shares meeting all of the terms and conditions of this Section 2(b); provided, however, that the failure of any stockholders who are exercising their statutory rights to dissent from such Business Combination and receive payment of the fair value of their shares to exchange their shares in such Business Combination shall not be deemed to have prevented the condition set forth in this Section 2(b)(iv) from being satisfied.

(v) The consideration to be received by holders of any particular class or, if outstanding, any particular series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class or such series of Voting Stock. If the Interested Stockholder has paid for shares of any class or any series of Voting Stock with varying forms of consideration, the form of consideration to be received per share by holders of such class or such series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or such series of Voting Stock previously acquired by the Interested Stockholder.

(vi) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (A) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock of the Corporation; (B) there shall have been (I) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (II) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (C) neither such Interested Stockholder nor any of its Affiliates shall have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(vii) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(viii) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder (or any subsequent provisions replacing the Exchange Act or such rules or regulations) shall be mailed to stockholders of the Corporation at least thirty (30) days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to the Exchange Act or subsequent provisions). Such proxy or information statement shall contain, if a majority of the Disinterested Directors so requests, an opinion of a reputable investment banking firm which shall be selected by a majority of the Disinterested Directors, furnished with all information such investment banking firm reasonably requests and paid a reasonable fee for its services by the Corporation upon the Corporation's receipt of such opinion, as to the fairness (or lack of

fairness) of the terms of the proposed Business Combination from the point of view of the holders of shares of Voting Stock (other than the Interested Stockholder).

3. CERTAIN DEFINITIONS. For the purposes of this Article VI.A.:

(a) "Person" shall mean any individual, group acting in concert, corporation, partnership, limited liability company, association, joint venture, pool, joint stock company, trust, unincorporated organization or similar company, syndicate, or any group formed for the purpose of acquiring, holding or disposing of securities.

(b) "Interested Stockholder" shall mean any person (other than the Corporation, any Subsidiary or any person who held, beneficially and of record, more than fifteen percent (15%) of the voting power of the Voting Stock outstanding at the close of business on the day immediately preceding the date of filing of these Restated Articles or Organization) who or which:

(i) is the beneficial owner, directly or indirectly, of more than fifteen percent (15%) of the voting power of the then outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of fifteen percent (15%) or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.

(c) A person shall be a "beneficial owner" of any shares of Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly, within the meaning of Rule 13d-3 of the Exchange Act, as in effect on February 20, 1998; or

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to an agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the beneficial owner of securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's Affiliates or Associates until such tendered securities are accepted for purchase; or (B) the right to vote pursuant to any agreement, arrangement, understanding or otherwise; provided, however, that a person shall not be deemed the beneficial owner of any security if the agreement, arrangement or understanding to vote such security (I) arises solely from a revocable proxy

or consent solicitation made pursuant to, and in accordance with, the Exchange Act and (II) is not also then reportable on Schedule 13D under the Exchange Act (or a comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly within the meaning of Rule 13d-3 under the Exchange Act, as in effect on February 20, 1998, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except to the extent permitted by the provisions of Section 3(c)(ii)(B) above) or disposing of any shares of Voting Stock;

provided, however, that in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote any shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate of such trustee), solely by reason of such capacity of such trustee, shall be deemed, for any purpose hereof, to beneficially own any shares of Voting Stock held under any such plan.

(d) For the purposes of determining whether a person is an Interested Stockholder pursuant to Section 3(b), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of Section 3(c), but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(e) "Affiliate" and "Associate" shall have the meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on February 20, 1998.

(f) "Subsidiary" means any entity of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation.

(g) "Disinterested Director" means any director of the Corporation who (i) is not, and was not at any time during the two-year period immediately prior to the date in question, an Affiliate or Associate of the Interested Stockholder and (ii) either (A) was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder or (B) thereafter received favorable votes for his or her nomination or election as a director by a majority of the Disinterested Directors then serving on the Board.

(h) "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding and including the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding and including the date in question on any automated quotation system maintained by the

Nasdaq Stock Market, Inc. or any similar system then in use, or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Disinterested Directors; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Disinterested Directors.

(i) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Sections 2(b)(i) and (ii) of this Article VI.A. shall include the shares of Common Stock of the Corporation and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(j) For the purposes of determining the "Announcement Date," in the event that the first public announcement of the proposal of the Business Combination is made after the close on such date of any securities exchange registered under the Exchange Act on which any shares of the Voting Stock of the Corporation are traded, or of any automated quotation system maintained by the Nasdaq Stock Market, Inc. or any other system on which any shares of the Voting Stock of the Corporation are listed, then the Announcement Date shall be deemed to be the next day on which such exchange or quotation system is open.

4. POWERS OF THE BOARD OF DIRECTORS. A majority of the Board shall have the power and duty to determine for the purposes of this Article VI.A., on the basis of information known to them after reasonable inquiry, whether a person is an Interested Stockholder, which determination shall be conclusive. Once the Board has made a determination, pursuant to the preceding sentence, that a person is an Interested Stockholder, then a majority of Disinterested Directors shall have the power and duty to determine for the purposes of this Article VI.A., on the basis of information known to them after reasonable inquiry, (a) the number of shares of Voting Stock beneficially owned by any person, (b) whether a person is an Affiliate or Associate of another, (c) whether the assets which may be the subject of any Business Combination have, or the consideration which may be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value equal to or greater than ten percent (10%) of the combined assets of the Corporation and its Subsidiaries and (d) whether all of the applicable conditions set forth in Section 2(b) shall have been met with respect to any Business Combination, any of which determinations by a majority of the Disinterested Directors shall be conclusive. A majority of the Disinterested Directors shall have the further power to interpret all of the terms and provisions of this Article VI.A., which interpretation shall be conclusive.

5. NO EFFECT ON FIDUCIARY OBLIGATIONS OF INTERESTED STOCKHOLDERS. Nothing contained in this Article VI.A. shall be construed to relieve any Interested Stockholder of any fiduciary obligation imposed by law.

6. AMENDMENT, REPEAL, ETC. Notwithstanding any other provisions of these Articles of Organization or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage or no vote may be specified by law, these Articles of Organization or the By-Laws of the Corporation), and in addition to any affirmative vote of the holders of Preferred Stock or any other class of capital stock of the Corporation or any series of the foregoing then outstanding which is

required by law or by or pursuant to these Articles of Organization, the affirmative vote of the holders of eighty percent (80%) or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article VI.A.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.B.

VI.B. CERTAIN TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

Except as provided in Article VI.A. of, or as otherwise provided in, these Articles of Organization, the Corporation may authorize, by a vote of a majority of the shares of each class of stock outstanding and entitled to vote thereon, (a) the sale, lease or exchange of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions as it deems expedient, and (b) the merger or consolidation of the Corporation into any other corporation or entity, provided that such sale, lease, exchange, merger or consolidation shall have been approved by a majority of the members of the Board of Directors.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.C.

VI.C. LIMITATION OF LIABILITY OF DIRECTORS

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that this Article shall not eliminate or limit any liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Sections 61 and 62 of the Massachusetts General Laws, Chapter 156B, as amended or any successor statute (the "Massachusetts Business Corporation Law"), or (iv) with respect to any transaction from which the director derived an improper personal benefit.

No amendment or repeal of this Article shall adversely affect the rights and protection afforded to a director of the Corporation under this Article for acts or omissions occurring prior to such amendment or repeal.

If the Massachusetts Business Corporation Law is subsequently amended to further eliminate or limit the personal liability of directors or to authorize corporate action to further eliminate or limit such liability, then the liability of the directors of the Corporation shall, without any further action of the Board of Directors or the stockholders of the Corporation, be eliminated or limited to the fullest extent permitted by the Massachusetts Business Corporation Law.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.D.

VI.D. INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

1. RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (hereinafter a "Proceeding"), by reason of the fact that he or she is or was (a) a director of the Corporation, (b) an officer of the Corporation elected or appointed by the stockholders or the Board of Directors, or (c) serving, at the request of the Corporation as evidenced by a vote of the Board of Directors prior to the occurrence of the event to which the indemnification relates, as a director, officer, employee or agent of another Person (as defined in Article VI.A.), including service with respect to an employee benefit plan (a Person described in (a), (b) or (c) may hereinafter be referred to as an "Indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity as such a director or officer of the Corporation or as such other, officer, employee or agent or in any other capacity while serving as such a director or officer of the Corporation or as such other director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Massachusetts Business Corporation Law (but in the case of an amendment to the Massachusetts Business Corporation Law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, but not limited to, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be such a director, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 3 of this Article VI.D. with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized or ratified by the Board of Directors of the Corporation. The right to indemnification conferred in this Article VI.D. shall be a contract right and shall include the right to be paid by the Corporation for expenses incurred in defending any Proceeding in advance of its final disposition (hereinafter an "Advancement of Expenses"); provided, however, that, if the Massachusetts Business Corporation Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "Undertaking"), by such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Article VI.D. or otherwise. The Corporation may accept any Undertaking without reference to the financial ability of the Indemnitee to make repayment.

2. INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to an Advancement of Expenses, to any employee or agent of the Corporation up to the fullest extent of the right to indemnification in like circumstances of a director or officer pursuant to Article VI.D.1. hereof.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

3. RIGHT OF INDEMNITEE TO BRING SUIT. If a claim under this Article VI.D. is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be twenty (20) days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the Indemnitee is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that the Indemnitee has not met the applicable standard of conduct set forth in the Massachusetts Business Corporation Law. In addition, in any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Corporation shall be entitled to recover such expenses upon a Final Adjudication that the Indemnitee has not met the applicable standard of conduct set forth in the Massachusetts Business Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or Stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Massachusetts Business Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article VI.D. or otherwise shall be on the Corporation.

4. NON-EXCLUSIVITY OF RIGHTS. The rights to indemnification and to Advancement of Expenses conferred in this Article VI.D. shall not be exclusive of any other right which any person may have or hereafter acquire under these Articles of Organization, the By-Laws or any statute, agreement, vote of stockholders or of disinterested directors or otherwise.

5. INSURANCE; OFFSET. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or any director, officer, employee or agent of another Person against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Massachusetts Business Corporation Law. The Corporation's obligation to provide indemnification under this Article VI.D. shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person.

6. AMENDMENTS. Without the consent of a person entitled to the indemnification and other rights provided in this Article VI.D. (unless otherwise required by the Massachusetts Business

Corporation Law), no amendment modifying or terminating such rights shall adversely affect such person's rights under this Article VI.D. with respect to the period prior to such amendment.

7. SAVINGS CLAUSE. If this Article VI.D. or any portion hereof shall be found invalid on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses, liabilities and losses with respect to any Proceeding to the fullest extent permitted by any applicable portion of this Article VI.D. that shall not have been found invalid and to the fullest extent permitted by applicable law.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.E.

VI.E. MAKING AND AMENDING BY-LAWS; PLACES OF MEETINGS OF STOCKHOLDERS; PARTNERSHIP IN ANY BUSINESS ENTERPRISE

1. The Board of Directors shall have power to make, alter, amend and repeal the By-Laws of the Corporation in whole or in part, except with respect to any provision thereof which by law, these Articles of Organization or such By-Laws requires action by the stockholders, who shall also have power to make, alter, amend and repeal the By-Laws of the Corporation. Any By-Laws made by the Board of Directors under the powers conferred hereby may be altered, amended, or repealed by the Board of Directors or the stockholders. Notwithstanding the foregoing and anything contained in these Articles of Organization to the contrary, neither Section 3.5 of Article III and Section 4.3 of Article IV of the By-Laws nor this Article VI.E., shall be altered, amended or repealed by the stockholders, and no provision inconsistent therewith or herewith shall be adopted by the stockholders, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

2. Meetings of the stockholders may be held anywhere in the United States.

3. The Corporation may be a partner in any business enterprise it would have power to conduct by itself.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VI.F.

VI.F. TRANSACTIONS WITH AFFILIATED PERSONS

The Corporation may enter into contracts or transact business with one or more of its directors, officers or stockholders or with any corporation, organization or other concern in which one or more of its directors, officers or stockholders are directors, officers or stockholders or are otherwise interested and may enter into other contracts or transactions in which one or more of its directors, officers or stockholders are in any way interested. In the absence of fraud, no such contract or transaction shall be invalidated or in any way affected by the fact that such one or more of the directors, officers or stockholders of the Corporation have or may have any interest which is or might be adverse to the interest of the Corporation even though the vote or action of directors, officers or stockholders having such adverse interest may have been necessary to obligate the Corporation upon such contract or transaction.

At any meeting of the Board of Directors (or of any duly authorized committee thereof) at which any such contract or transaction shall be authorized or ratified, any director having such adverse interest may vote or act thereat with like force and effect as if he had no such interest, provided in such case that the nature of such interest (though not necessarily the extent or details thereof) shall be disclosed or shall have been known to the directors. A general notice that a director or officer is interested in any corporation, organization or other concern of any kind referred to above shall be a sufficient disclosure as to the interest of such director or officer with respect to all contracts and transactions with such corporation, organization or other concern. No director shall be disqualified from holding office as a director or an officer of the Corporation by reason of any such adverse interest, unless the Board of Directors shall determine that such adverse interest is detrimental to the Corporation. In the absence of fraud, no director, officer or stockholder having such adverse interest shall be liable on account of such adverse interest to the Corporation or to any stockholder or creditor thereof or to any other person for any loss incurred by it under or by reason of such contract or transaction, nor shall any such director, officer or stockholder be accountable on such ground for any gains or profits realized thereon.

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VIII.A.

VIII.A. OFFICERS AND DIRECTORS

| | Name | Residential Address | Post Office Address |
|---|---|---|---|
| President: | James C. Burrows | 75 Clairemont Road<br>Belmont, MA 02178 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| Treasurer: | Laurel E. Morrison | 49 Lenox Street<br>Newton, MA 02165 | (same as above) |
| Clerk: | Peter M. Rosenblum | 143 Hobart Street<br>Newton Centre, MA 02159 | Foley, Hoag & Eliot LLP<br>One Post Office Square<br>Boston, MA 02109 |
| Directors: | James C. Burrows | 75 Clairemont Road<br>Belmont, MA 02178 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| | William B. Burnett | 404 N. Pitt Street<br>Alexandria, VA 22314 | Suite 700, 600 13th Street, N.W.<br>Washington, DC 20005 |
| | Franklin M. Fisher | 130 Mt. Auburn Street, #508<br>Cambridge, MA 02138 | 200 Clarendon Street, T-33<br>Boston, MA 02116 |
| | Firoze E. Katrak | 6 Canal Park, #706<br>Cambridge, MA 02141 | (same as above) |
| | Carl Kaysen | 41 Holden Street<br>Cambridge, MA 02138 | (same as above) |
| | Rowland T. Moriarty | 105 Hundreds Road<br>Wellesley Hills, MA 02181 | (same as above) |

CHARLES RIVER ASSOCIATES INCORPORATED

AMENDED AND RESTATED ARTICLES OF ORGANIZATION

Continuation Sheet VIII.B.

VIII.B. BRIEF DESCRIPTION OF AMENDMENTS

Article II: Article II has been amended to add to the purposes of the Corporation, to remove the reference to Chapter 156 of the General Laws of Massachusetts, and to make certain other changes.

Article III: Article III has been amended to increase the number of authorized shares of Common Stock, without par value, to 25,000,000 shares and to authorize 1,000,000 shares of an undesignated class of Preferred Stock, without par value.

Article IV: Article IV has been amended to add descriptions of the Common Stock and the Preferred Stock.

Article V: Article V has been amended to change the words "written consent" in Section 1 to "approval," to delete in Section 2 the parenthetical reference to "the Code," and to make certain conforming changes.

Article VI: Article VI has been amended to add references to certain business combinations; certain transactions approved by the Board of Directors; limitation of liability of directors; indemnification of directors, officers and others; the making and amending of By-Laws; the places of meetings of stockholders; and transactions with affiliated persons; and to modify certain language.

Article VIII: Article VIII has been amended to reflect the current officers and directors.

Exhibit 3.4

# AMENDED AND RESTATED BY-LAWS
# of
# CHARLES RIVER ASSOCIATES INCORPORATED

## ARTICLE I
## Articles of Organization

The name and purposes of the Corporation shall be as set forth in the Articles of Organization. These By-Laws, the powers of the Corporation and its Directors and Stockholders, and all matters concerning the conduct and regulation of the business of the Corporation, shall be subject to such provisions in regard thereto, if any, as are set forth in the Articles of Organization. All references in these By-Laws to the Articles of Organization shall be construed to mean the Articles of Organization of the Corporation as from time to time amended or restated.

## ARTICLE II
## Fiscal Year

Except as from time to time otherwise determined by the Directors, the fiscal year of the Corporation shall end on the last Saturday of November in each year.

## ARTICLE III
## Meetings of Stockholders

SECTION 3.1. ANNUAL MEETINGS.

The annual meeting of Stockholders shall be held on the third Friday in April of each year (or if that be a legal holiday in the place where the meeting is to be held, on the next succeeding full business day) at 10:00 a.m. unless a different hour is fixed by the Board of Directors or the President. The purposes for which the annual meeting is to be held, in addition to those prescribed by law, by the Articles of Organization or by these By-Laws, may be specified by the Board of Directors or the President. If no annual meeting has been held on the date fixed above, or by adjournment therefrom, a special meeting in lieu thereof may be held and any action taken at such special meeting shall have the same force and effect as if taken at the annual meeting.

Notwithstanding any other provision in these By-Laws, the Board of Directors may change the date, time and place of any annual or special meeting of the Stockholders (other than a special meeting called upon the written application of Stockholders (a "Meeting Requested by Stockholders")) prior to the time for such meeting, including, without limitation, by postponing or deferring the date of any such annual or special meeting (other than a Meeting Requested by Stockholders) previously called or by canceling any special meeting previously called (other than a Meeting Requested by Stockholders).

SECTION 3.2. SPECIAL MEETINGS.

(a) Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of the Stockholders entitled to vote may be called by the Board of Directors, the Chairman of the Board of Directors or the President.

(b) If the Corporation shall not have a class of voting stock registered under the Securities Exchange Act of 1934, as amended (including any successor statute, the "Exchange Act"), special meetings of the Stockholders entitled to vote shall be called by the Clerk, or in case of the death, absence, incapacity or refusal of the Clerk, by any other officer, upon written application of one or more Stockholders who are entitled to vote and who hold at least ten percent (10%) in interest of the capital stock entitled to vote at the meeting.

(c) If the Corporation shall have a class of voting stock registered under the Exchange Act, special meetings of the Stockholders entitled to vote shall be called by the Clerk, or in case of the death, absence, incapacity or refusal of the Clerk, by any other officer, upon written application of one or more Stockholders who are entitled to vote and who hold at least forty percent (40%) in interest of the capital stock entitled to vote at the meeting.

SECTION 3.3. PLACE OF MEETINGS.

All meetings of the Stockholders shall be held at the principal office of the Corporation in Massachusetts, unless a different place within Massachusetts or, to the extent permitted by the Articles of Organization, elsewhere within the United States is designated by the President or by the Board of Directors. Any adjourned session of any meeting of the Stockholders shall be held at such place within Massachusetts or, if permitted by the Articles of Organization, elsewhere within the United States as is designated in the vote of adjournment.

SECTION 3.4. NOTICE OF MEETINGS.

A written notice of the place, date and hour of all meetings of Stockholders stating the purposes of the meeting shall be given at least ten (10) days before the meeting to each Stockholder entitled to vote thereat and to each Stockholder who is otherwise entitled by law, by the Articles of Organization or by these By-Laws to such notice, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to such Stockholder at his address as it appears in the records of the Corporation. Such notice shall be given by the Clerk, or in case of the death, absence, incapacity, or refusal of the Clerk, by any other officer or by a person designated either by the Clerk, by the person or persons calling the meeting or by the Board of Directors. If notice is given by mail, such notice shall be deemed given when dispatched. If notice is not given by mail and is given by leaving such notice at the Stockholder's residence or usual place of business, it shall be deemed given when so left. Whenever notice of a meeting is required to be given to a Stockholder under any provision of law, of the Articles of Organization or of these By-laws, a written waiver thereof, executed before or after the meeting by such Stockholder or his attorney thereunto authorized, and filed with the records of the meeting, shall be deemed equivalent to such notice. Every Stockholder who is present at a meeting (whether in person or by proxy) shall

be deemed to have waived notice thereof. A waiver of notice of any meeting need not specify the purposes of such meeting.

SECTION 3.5. NOTICE OF STOCKHOLDER BUSINESS AT A MEETING OF THE STOCKHOLDERS.

The following provisions of this Section 3.5 shall apply to the conduct of business at any meeting of the Stockholders. As used in this Section 3.5, the term annual meeting shall include a special meeting in lieu of an annual meeting.

(a) At any meeting of the Stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of the notice provided for in paragraph (b) of this Section 3.5, who is entitled to vote at such meeting and who complies with the notice procedures set forth in paragraph (b) of this Section 3.5.

(b) For business to be properly brought before any meeting of the Stockholders by a Stockholder pursuant to clause (iii) of paragraph (a) of this Section 3.5, the Stockholder must have given timely notice thereof in writing to the Clerk of the Corporation. To be timely, a Stockholder's notice must be delivered to or mailed to and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the date specified in Section 3.1 above for such annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if a special meeting in lieu of an annual meeting of Stockholders is to be held on a date prior to the date specified in Section 3.1 above, and if less than seventy (70) days' notice or prior public disclosure of the date of such special meeting in lieu of an annual meeting is given or made, notice by the Stockholder to be timely must be so delivered or received not later than the close of business on the tenth (10th) day following the earlier of the day on which notice of the date of such special meeting in lieu of an annual meeting was mailed or the day on which public disclosure was made of the date of such special meeting in lieu of an annual meeting; and (ii) in the case of a special meeting (other than a special meeting in lieu of an annual meeting), not later than the tenth (10th) day following the earlier of the day on which notice of the date of the scheduled meeting was mailed or the day on which public disclosure was made of the date of the scheduled meeting. A Stockholder's notice to the Clerk shall set forth as to each matter the Stockholder proposes to bring before the meeting (w) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (x) the name and address, as they appear on the Corporation's books, of the Stockholder proposing such business, the name and address of the beneficial owner, if any, on whose behalf the proposal is made, and the name and address of any other Stockholders or beneficial owners known by such Stockholder to be supporting such proposal, (y) the class and number of shares of the capital stock of the Corporation which are owned beneficially and of record by such Stockholder of record, by the beneficial owner, if any, on whose behalf the proposal is made and by any other Stockholders or beneficial owners known by such Stockholder to be supporting such proposal, and (z) any material interest of such Stockholder of record and/or of the beneficial owner, if any, on whose behalf the proposal is made, in such proposed business and any material interest of any other Stockholders or beneficial owners known by such

Stockholder to be supporting such proposal in such proposed business, to the extent known by such Stockholder.

(c) Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 3.5. The person presiding at the meeting shall, if the facts warrant, determine that business was not properly brought before the meeting and in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare at the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 3.5, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.5.

(d) This Section 3.5 shall not prevent the consideration and approval or disapproval at the meeting of reports of officers, Directors and committees of the Board of Directors, but, in connection with such reports, no new business shall be acted upon at such meeting unless properly brought before the meeting as provided in these By-Laws.

SECTION 3.6. QUORUM.

At any meeting of the Stockholders, a quorum shall consist of a majority in interest of all stock issued, outstanding and entitled to vote at the meeting; except that if two or more classes or series of stock are outstanding and entitled to vote on any matter as separate classes or series, then in the case of each such class or series a quorum for that matter shall consist of a majority in interest of all stock of that class or series issued, outstanding and entitled to vote, except when a larger quorum is required by law, by the Articles of Organization or by these By-Laws. Any meeting of the Stockholders may be adjourned from time to time to any other time and to any other place by a majority of the votes properly cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice. Any business which could have been transacted at any meeting of the Stockholders as originally called may be transacted at any adjournment thereof.

SECTION 3.7. ACTION BY VOTE.

When a quorum is present at any meeting, a plurality of the votes properly cast for election to any office shall elect to such office, and a majority of the votes properly cast (or if there are two or more classes or series of stock entitled to vote as separate classes or series, then in the case of each such class or series, a majority of the stock of that class or series present or represented and entitled to vote and voting) upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the Articles of Organization or by these By-Laws. No ballot shall be required for any election unless requested by a Stockholder present or represented at the meeting and entitled to vote in the election.

SECTION 3.8. VOTING.

Stockholders entitled to vote shall have one vote for each share of stock entitled to vote held by them of record according to the records of the Corporation and a proportionate vote for a fractional share, unless otherwise provided or required by law, by the Articles of Organization or by these By-Laws. The vote for each share of stock held in the name of two or more persons shall be cast in accordance with the decision of any one of them unless at or prior to the time the vote is cast the Corporation receives a specific written notice to the contrary from any one of them (which notice to the contrary need not be in writing if given in person at the meeting at which the vote is to be cast), in which case the vote for each share of stock held in the name of such persons shall be cast in accordance with the decision of a majority of such persons. The Corporation shall not, directly or indirectly, vote any share of its own stock. Nothing in these By-Laws shall be construed to limit the right of the Corporation to vote any shares of stock held directly or indirectly by it in a fiduciary capacity.

SECTION 3.9. ACTION BY WRITTEN CONSENT OF STOCKHOLDERS.

Any action required or permitted to be taken at any meeting of the Stockholders may be taken without a meeting if all Stockholders entitled to vote on the matter consent to the action in writing and the written consents are filed with the records of the meetings of Stockholders. Such consents shall be treated for all purposes as a vote at a meeting.

SECTION 3.10. PROXIES.

Any Stockholder entitled to vote may vote either in person or by a written proxy dated not more than six (6) months before the meeting named therein, which proxy shall be filed with the Clerk or other person responsible to record the proceedings of the meeting before being voted. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after the final adjournment of such meeting. Proxies need not be sealed or attested. Notwithstanding the foregoing, a proxy coupled with an interest sufficient in law to support an irrevocable power, including, without limitation, an interest in the stock or in the Corporation generally, may be made irrevocable if it so provides, need not specify the meeting to which it relates, and shall be valid and enforceable until the interest terminates, or for such shorter period as may be specified in the proxy. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by any one of them unless at or prior to exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a Stockholder shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

SECTION 3.11. CONDUCT OF BUSINESS.

The President or his designee, or, if the office of President shall be vacant, then a person appointed by the Board of Directors, shall preside at any meeting of Stockholders as the chairman of the meeting. In addition to his powers pursuant to Section 3.5(c), the person presiding at any

meeting of Stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

## ARTICLE IV
## Directors

SECTION 4.1. POWERS.

The business of the Corporation shall be managed by a Board of Directors who shall have and may exercise all the powers of the Corporation except as otherwise reserved to the Stockholders by law, by the Articles of Organization or by these By-Laws. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled. Without limiting the generality of the foregoing, the Board of Directors shall have the power, unless otherwise provided by law, to purchase and to lease, pledge, mortgage and sell all property of the Corporation (including to issue or sell the stock of the Corporation) and to make such contracts and agreements as they deem advantageous, to fix the price to be paid for or in connection with any property or rights purchased, sold, or otherwise dealt with by the Corporation, to borrow money, issue bonds, notes and other obligations of the Corporation, and to secure payment thereof by mortgage or pledge of all or any part of the property of the Corporation. The Board of Directors may determine the compensation to be paid to Directors for their service as Directors. The Board of Directors, or such officer or committee as the Board of Directors may designate, may determine the compensation and duties, in addition to those prescribed by these By-Laws, of all officers, agents and employees of the Corporation.

SECTION 4.2. ENUMERATION, ELECTION AND TERM OF OFFICE.

The Board of Directors shall consist of not less than three Directors, except that whenever there shall be only two Stockholders, the number of Directors shall be not less than two, and whenever there shall be only one Stockholder, the number of Directors shall be not less than one. Except as otherwise provided by law or by the Articles of Organization, the number of Directors shall be as determined from time to time by the Stockholders and may be enlarged or reduced at any time by vote of a majority of the Directors then in office, but no reduction in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director. Except as otherwise provided by law or by the Articles of Organization, the Directors shall be chosen at the annual meeting of the Stockholders, or special meeting in lieu thereof, by such Stockholders as have the right to vote thereon, and each shall hold office until the next annual election of Directors and until his successor is chosen and qualified or until he sooner dies, resigns, is removed, or becomes disqualified. No Director need be a Stockholder.

SECTION 4.3. NOMINATION OF DIRECTORS.

The following provisions of this Section 4.3 shall apply to the nomination of persons for election to the Board of Directors.

(a) Nominations of persons for election to the Board of Directors of the Corporation may be made (i) by or at the direction of the Board of Directors or (ii) by any Stockholder of the Corporation who is a Stockholder of record at the time of giving of the notice provided for in paragraph (b) of this Section 4.3, who is entitled to vote for the election of Directors at the meeting and who complies with the notice procedures set forth in paragraph (b) of this Section 4.3.

(b) Nominations by Stockholders shall be made pursuant to timely notice in writing to the Clerk of the Corporation. To be timely, a Stockholder's notice shall be delivered to or mailed to and received at the principal executive offices of the Corporation, not less than sixty (60) days nor more than ninety (90) days prior to the date specified in Section 3.1 above for the annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if a special meeting in lieu of an annual meeting of Stockholders is to be held on a date prior to the date specified in Section 3.1 above, and if less than seventy (70) days' notice or prior public disclosure of the date of such special meeting in lieu of an annual meeting is given or made, notice by the Stockholder to be timely must be so delivered or received not later than the close of business on the tenth (10th) day following the earlier of the day on which notice of the date of such special meeting in lieu of an annual meeting was mailed or the day on which public disclosure was made of the date of such special meeting in lieu of an annual meeting. A Stockholder's notice to the Clerk shall set forth (x) as to each person whom the Stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, pursuant to Regulation 14A under the Exchange Act or pursuant to any other then existing statute, rule or regulation applicable thereto (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (y) as to the Stockholder giving the notice (1) the name and address, as they appear on the Corporation's books, of such Stockholder and (2) the class and number of shares of the capital stock of the Corporation which are beneficially owned by such Stockholder and also which are owned of record by such Stockholder; and (z) as to the beneficial owner, if any, on whose behalf the nomination is made, (1) the name and address of such person and (2) the class and number of shares of the capital stock of the Corporation which are beneficially owned by such person. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee as a Director. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Clerk of the Corporation that information required to be set forth in a Stockholder's notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 4.3. The person presiding at the meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 4.3, a Stockholder shall also comply with all applicable requirements of

the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 4.3.

SECTION 4.4. CHAIRMAN AND VICE CHAIRMAN OF THE BOARD.

The Board of Directors shall annually elect a Chairman and may annually elect a Vice Chairman of the Board, each of whom shall have such powers as the directors may from time to time designate. Unless the Board of Directors otherwise provides, the Chairman of the Board shall preside, when present, at all meetings of the Board of Directors and of any committee of the Board of Directors to which he shall have been elected.

SECTION 4.5. REGULAR MEETINGS.

Regular meetings of the Board of Directors may be held at such times and places within or without The Commonwealth of Massachusetts as the Board of Directors may fix from time to time and, when so fixed, no notice thereof need by given, provided that any Director who is absent when such times and places are fixed shall be given notice of the fixing of such times and places. The first meeting of the Board of Directors following the annual meeting of the Stockholders, or special meeting in lieu thereof, may be held without notice immediately after and at the same place as the annual meeting of the Stockholders or the special meeting in lieu thereof, as the case may be. If in any year a meeting of the Board of Directors is not held at such time and place, any action to be taken may be taken at any later meeting of the Board of Directors with the same force and effect as if held or transacted at such meeting.

SECTION 4.6. SPECIAL MEETINGS.

Special meetings of the Directors may be held at any time and at any place designated in the call of the meeting and may be called by the President, the Treasurer or one or more Directors. Reasonable notice thereof shall be given to each Director by the Clerk or an Assistant Clerk, or by the officer or one of the Directors calling the meeting.

SECTION 4.7. NOTICE.

It shall be reasonable and sufficient notice to a Director to send notice by mail at least forty-eight (48) hours or by telegram, facsimile transmission or electronic mail at least twenty-four (24) hours before the meeting addressed to him at his usual or last known business or residence address or to give notice to him in person or by telephone at least twenty-four (24) hours before the meeting. Notice of a meeting need not be given to any Director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any Director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

SECTION 4.8. QUORUM; ACTION AT A MEETING.

At any meeting of the Directors, a quorum for any election or for the consideration of any question shall consist of a majority of the Directors then in office. Whether or not a quorum is present, any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the votes of a majority of the Directors present shall be requisite and sufficient for election to any office and shall decide any question brought before such meeting, except in any case where a larger vote is required by law, by the Articles of Organization or by these By-Laws.

SECTION 4.9. ACTION BY CONSENT.

Any action required or permitted to be taken at any meeting of the Directors may be taken without a meeting if all the Directors consent to the action in writing and the written consents are filed with the records of the meetings of the Directors. Such consent shall be treated for all purposes as a vote of the Directors at a meeting.

SECTION 4.10. COMMITTEES.

The Board of Directors, by vote of a majority of the Directors then in office, may elect from its number an Executive Committee or other committees, composed of such number of its members as it may from time to time determine (but in any event not less than two), and may delegate thereto some or all of its powers except those which by law, by the Articles of Organization, or by these By-Laws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-Laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall upon request report its action to the Board of Directors.

SECTION 4.11. TELEPHONE CONFERENCE MEETINGS.

Any member of the Board of Directors or any committee thereof may participate in a meeting of such Board of Directors or committee thereof by means of a conference telephone (or similar communications equipment) by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

## ARTICLE V
## Officers and Agents

SECTION 5.1. ENUMERATION; QUALIFICATION.

The officers of the Corporation shall be a Chief Executive Officer, a President, a Treasurer, a Clerk and such other officers, if any, as the incorporators at their initial meeting, or the Directors from time to time, may in their discretion elect or appoint. The Corporation may also have such agents, if any, as the incorporators at their initial meeting, or the Directors from time to time, may in their discretion appoint. None of the officers of the Corporation need be a resident of Massachusetts if the Corporation has a resident agent appointed for the purpose of service of process. Any two or more offices may be held by the same person. Any officer may be required by the Directors to give bond for the faithful performance of his duties to the Corporation in such amount and with such sureties as the Directors may determine. The premiums for such bonds may be paid by the Corporation.

SECTION 5.2. POWERS.

Subject to law, to the Articles of Organization and to the other provisions of these By-Laws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office and such duties and powers as the Directors may from time to time designate.

SECTION 5.3. ELECTION.

The President, the Treasurer and the Clerk shall be elected annually by the Directors at their first meeting following the annual meeting of the Stockholders or special meeting in lieu thereof. Other officers, if any, may be elected or appointed by the Board of Directors at such meeting or at any other time.

SECTION 5.4. TENURE.

Except as otherwise provided by law, by the Articles of Organization or by these By-Laws, the President, the Treasurer and the Clerk shall hold office until the first meeting of the Directors following the next annual meeting of the Stockholders or special meeting in lieu thereof and until their respective successors are chosen and qualified, and each other officer shall hold office until the first meeting of the Directors following the next annual meeting of the Stockholders and until their respective successors are chosen and qualified, unless a different period shall have been specified by the terms of his election or appointment, or in each case until he sooner dies, resigns, is removed, or becomes disqualified. Each agent shall retain his authority at the pleasure of the Directors.

SECTION 5.5. CHIEF EXECUTIVE OFFICER.

The Chief Executive Officer shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business.

SECTION 5.6. PRESIDENT AND VICE PRESIDENT.

The President shall serve as the Chief Executive Officer of the Corporation and shall have such powers and shall perform such other duties as the Board of Directors may from time to time

designate. Unless otherwise provided by the Board of Directors, when present, the President shall preside at all meetings of the Stockholders. In addition, unless otherwise provided by the Board of Directors, when present, the President shall preside at meetings of the Board of Directors if a Chairman and Vice Chairman of the Board have not been elected or if the Chairman and Vice Chairman of the Board do not attend such meetings and have not designated any person to preside at such meetings.

Any Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 5.7. TREASURER AND ASSISTANT TREASURER.

The Treasurer shall, subject to the direction of the Board of Directors, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. He shall have custody of all funds, securities and valuable documents of the Corporation, except as the Board of Directors may otherwise provide.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 5.8. CLERK AND ASSISTANT CLERKS.

The Clerk shall keep a record of the meetings of Stockholders. In the event there is no Secretary or he is absent, the Clerk or an Assistant Clerk shall keep a record of the meetings of the Board of Directors. In the absence of the Clerk from any meeting of Stockholders, an Assistant Clerk if one be elected or appointed, otherwise a temporary Clerk designated by the person presiding at the meeting, shall perform the duties of the Clerk.

SECTION 5.9. SECRETARY.

The Secretary, if one be elected or appointed, shall keep a record of the meetings of the Board of Directors. In the absence of the Secretary, the Clerk and any Assistant Clerk, a temporary Secretary shall be designated by the person presiding at such meeting to perform the duties of the Secretary.

## ARTICLE VI
## Resignations, Removals and Vacancies

SECTION 6.1. RESIGNATIONS.

Any Director or officer may resign at any time by delivering his resignation in writing to the President or the Clerk or to a meeting of the Directors. Such resignation shall take effect at such time as is specified therein, or if no such time is so specified then upon delivery thereof.

SECTION 6.2. REMOVALS.

(a) Except as otherwise provided by law, any Director may be removed from office (i) with or without cause at any meeting of the Stockholders called for the purpose by the vote of a majority of the shares issued, outstanding and entitled to vote in the election of Directors or (ii) for cause at any meeting of the Board of Directors by vote of a majority of the Directors then in office. A Director may be removed for cause only after a reasonable notice and opportunity to be heard before the body proposing to remove him.

(b) The Directors may remove any officer from office with or without assignment of cause by vote of a majority of the Directors then in office. If cause is assigned for removal of any officer, such officer may be removed only after a reasonable notice and opportunity to be heard before the body proposing to remove him. The Directors may terminate or modify the authority of any agent or employee.

(c) Except as the Directors may otherwise determine, no Director or officer who resigns or is removed shall have any right to any compensation as such Director or officer for any period following his resignation or removal, or any right to damages on account of such removal whether his compensation be by the month or by the year or otherwise; provided, however, that the foregoing provision shall not prevent such Director or officer from obtaining damages from breach of any contract of employment legally binding upon the Corporation.

SECTION 6.3. VACANCIES.

Subject to law and to the Articles of Organization, any vacancy in the Board of Directors, including a vacancy resulting from an enlargement of the Board, may be filled by vote of a majority of the Directors then in office or, in the absence of such election by the Directors, by the Stockholders at a meeting called for the purpose; provided, however, that any vacancy resulting from action by the Stockholders may be filled by the Stockholders at the same meeting at which such action was taken by them.

If the office of any officer becomes vacant, the Directors may elect or appoint a successor by vote of a majority of the Directors present at the meeting at which such election or appointment is made.

Each such successor shall hold office for the unexpired term of his predecessor and until his successor shall be elected or appointed and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

## ARTICLE VII
## Stock

SECTION 7.1. ISSUE OF AUTHORIZED AND UNISSUED CAPITAL STOCK.

Any unissued capital stock from time to time authorized under the Articles of Organization may be issued by vote of the Directors. No such stock shall be issued unless the cash, so far as due, or the property, services or expenses for which it was authorized to be issued, has been actually received or incurred by, or conveyed or rendered to, the Corporation, or is in its possession as surplus.

SECTION 7.2. CERTIFICATES OF STOCK.

Each Stockholder shall be entitled to a certificate in a form selected by the Board of Directors stating the number and the class and the designation of the series, if any, of the shares held by him, except that the Board of Directors may provide by resolution that some or all of any or all classes and series of shares of the capital stock of the Corporation shall be uncertificated shares, to the extent permitted by law. Such certificate shall be signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer. Such signatures may be facsimiles if the certificate is signed by a transfer agent, or by a registrar, other than a Director, officer or employee of the Corporation. In case any officer who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the time of its issue.

Every certificate for shares of stock subject to any restriction on transfer pursuant to the Articles of Organization, these By-Laws, or any agreement to which the Corporation is a party shall have the restriction noted conspicuously on the certificate and shall also set forth on the face or back either the full text of the restriction or a statement of the existence of such restriction and a statement that the Corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge. Every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series, if any, authorized to be issued as set forth in the Articles of Organization or a statement of the existence of such preferences, powers, qualifications and rights and a statement that the Corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

SECTION 7.3. TRANSFERS.

Subject to the restrictions, if any, imposed by the Articles of Organization, these By-Laws or any agreement to which the Corporation is a party, shares of stock shall be transferred on the books of the Corporation only by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment of such shares or by a written power of attorney to sell, assign or transfer such shares, properly executed, with necessary transfer stamps affixed, and with such proof that the endorsement, assignment or power of attorney is genuine and effective as the Corporation or its transfer agent may

reasonably require. Except as may be otherwise required by law, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws. It shall be the duty of each Stockholder to notify the Corporation of his post office address.

SECTION 7.4. LOST, MUTILATED OR DESTROYED CERTIFICATES.

Except as otherwise provided by law, the Directors may determine the conditions upon which a new certificate of stock may be issued in place of any certificate alleged to have been lost, mutilated, or destroyed. They may, in their discretion, require the owner of a lost, mutilated or destroyed certificate, or his legal representative, to give a bond, sufficient in their opinion, with or without surety, to indemnify the Corporation against any loss or claim which may arise by reason of the issue of a certificate in place of such lost, mutilated, or destroyed stock certificate.

SECTION 7.5. TRANSFER AGENT AND REGISTRAR.

The Board of Directors may appoint a transfer agent or a registrar or both for its capital stock of any class or series thereof and require all certificates for such stock to bear the signature or facsimile thereof of any such transfer agent or registrar.

SECTION 7.6. SETTING RECORD DATE AND CLOSING TRANSFER RECORDS.

The Board of Directors may fix in advance a time not more than sixty (60) days before: (i) the date of any meeting of the Stockholders; or (ii) the date for the payment of any dividend or the making of any distribution to Stockholders; or (iii) the last day on which the consent or dissent of Stockholders may be effectively expressed for any purpose, as the record date for determining the Stockholders having the right to notice and to vote at such meeting or any adjournment thereof, or the right to receive such dividend or distribution, or the right to give such consent or dissent. If a record date is set, only Stockholders of record on the record date shall have such right, notwithstanding any transfer of stock on the books of the Corporation after the record date. Without fixing such record date, the Board of Directors may close the transfer records of the Corporation for all or any part of such sixty (60) day period.

If no record date is fixed and the transfer books are not closed, then the record date for determining Stockholders having the right to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, and the record date for determining Stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors acts with respect thereto.

## ARTICLE XIII
## Miscellaneous Provisions

SECTION 8.1. EXECUTION OF PAPERS.

All deeds, leases, transfers, contracts, bonds, notes, releases, checks, drafts and other obligations authorized to be executed on behalf of the Corporation shall be signed by the Chief Executive Officer, President or the Treasurer except as the Directors may generally or in particular cases otherwise determine.

SECTION 8.2. VOTING OF SECURITIES.

Except as the Directors may generally or in particular cases otherwise specify, the Chief Executive Officer, President or the Treasurer may on behalf of the Corporation vote or take any other action with respect to shares of stock or beneficial interest of any other corporation, or of any association, trust or firm, of which any securities are held by this Corporation, and may appoint any person or persons to act as proxy or attorney-in-fact for the Corporation, with or without power of substitution, at any meeting thereof.

SECTION 8.3. CORPORATE SEAL.

The seal of the Corporation shall be a circular die with the name of the Corporation, the word "Massachusetts" and the year of its incorporation cut or engraved thereon, or shall be in such other form as the Board of Directors may from time to time determine.

SECTION 8.4. CORPORATE RECORDS.

The original, or attested copies, of the Articles of Organization, By-Laws and records of all meetings of the incorporators and Stockholders, and the stock and transfer records, which shall contain the names of all Stockholders and the record address and the amount of stock held by each, shall be kept in Massachusetts at the principal office of the Corporation, or at an office of its transfer agent or of its Clerk or of its Resident Agent. Such copies and records need not all be kept in the same office. They shall be available at all reasonable times to the inspection of any Stockholder for any proper purpose but not to secure a list of Stockholders or other information for the purpose of selling such list or information or copies thereof or of using the same for a purpose other than in the interest of the applicant, as a Stockholder, relative to the affairs of the Corporation.

SECTION 8.5. EVIDENCE OF AUTHORITY.

A certificate by the Clerk, the Secretary, or any Assistant or temporary Clerk or Secretary as to any matter relative to the Articles of Organization, By-Laws, records of the proceedings of the

incorporators, Stockholders, Board of Directors, or any committee of the Board of Directors, or stock and transfer records or as to any action taken by any person or persons as an officer or agent of the Corporation, shall as to all persons who rely thereon in good faith be conclusive evidence of the matters so certified.

SECTION 8.6. RIGHT TO REPURCHASE.

Except as otherwise provided by law, by the Articles of Organization or by these By-Laws (including any amendments thereto), the Corporation, through its Board of Directors, shall have the right and power to repurchase any of its outstanding shares at such price and upon such terms as may be agreed upon between the Corporation and the selling Stockholder(s), or the predecessor(s) in interest thereof.

SECTION 8.7. DIVIDENDS.

Except as otherwise provided by law or by the Articles of Organization, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

SECTION 8.8. RATIFICATION.

Any action taken on behalf of the Corporation by the Directors or any officer or representative of the Corporation which requires authorization by the Stockholders or the Directors of the Corporation shall be deemed to have been authorized if subsequently ratified by the Stockholders entitled to vote or by the Directors, as the case may be, at a meeting held in accordance with these By-Laws.

SECTION 8.9. RELIANCE UPON BOOKS, RECORDS AND REPORTS.

Each Director or officer of the Corporation shall be entitled to rely on information, opinions, reports or records, including financial statements, books of account and other financial records, in each case presented by or prepared by or under the supervision of (i) one or more officers or employees of the Corporation whom the Director or officer reasonably believes to be reliable and competent in the matters presented, (ii) counsel, public accountants or other persons as to matters which the Director or officer reasonably believes to be within such person's professional or expert competence, or (iii) in the case of a Director, a duly constituted committee of the Board of Directors upon which he does not serve, as to matters within its delegated authority, which committee the Director reasonably believes to merit confidence, but he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. The fact that a Director or officer so performed his duties shall be a complete defense to any claim asserted against him by reason of his being or having been a Director or officer of the Corporation, except as expressly provided by statute.

SECTION 8.10. CONTROL SHARE ACQUISITION.

Until such time as this section shall be repealed or these By-Laws shall be amended to provide otherwise, including, without limitation, during any time that the Corporation shall be an "issuing public corporation" as defined in Chapter 110D of the Massachusetts General Laws, the provisions of Chapter 110D of the Massachusetts General Laws shall not apply to "control share acquisitions" of the Corporation within the meaning of such Chapter 110D.

## ARTICLE IX
## Amendments

Except as otherwise provided in the Articles of Organization, these By-Laws may be amended or repealed in whole or in part by the affirmative vote of the holders of a majority of the shares of each class of the capital stock at the time outstanding and entitled to vote at any annual or special meeting of Stockholders, provided that notice of the substance of the proposed amendment is stated in the notice of such meeting. If authorized by the Articles of Organization, the Directors may make, amend or repeal the By-Laws, in whole or in part, except with respect to any provision hereof which by law, by the Articles of Organization or by the By-Laws requires action by the Stockholders. Not later than the time of giving notice of the meeting of Stockholders next following the making, amending or repealing by the Directors of any By-Law, notice thereof stating the substance of such change shall be given to all Stockholders entitled to vote on amending the By-Laws. Any By-Law adopted, amended or repealed by the Directors may be repealed, amended or reinstated by the Stockholders entitled to vote on amending the By-Laws.

Exhibit 4.1

| NUMBER | [LOGO] | SHARES |
|---|---|---|
| COMMON STOCK | CHARLES RIVER ASSOCIATES INCORPORATED | COMMON STOCK |

INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS
THIS CERTIFICATE IS TRANSFERABLE IN BOSTON, MA AND IN NEW YORK, NY

CUSIP 159852 10 2
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK, WITHOUT PAR VALUE, OF

Charles River Associates Incorporated (the "Corporation") transferable upon the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed or assigned. This Certificate and the shares represented hereby are issued and held subject to the laws of the Commonwealth of Massachusetts and to the provisions of the Articles of Organization and By-Laws of the Corporation, each as now in effect or hereafter amended. This Certificate is not valid unless and until countersigned by the Transfer Agent and registered by the Registrar.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed by the facsimile signatures of its duly authorized officers and sealed with the facsimile seal of the Corporation.

Dated:
---

[CORPORATE SEAL]
CHARLES RIVER ASSOCIATES INCORPORATED
MASSACHUSETTS 1965
*

| Chief Financial Officer and Treasurer | President and Chief Executive Officer |
|---|---|

COUNTERSIGNED AND REGISTERED:
BANKBOSTON, N.A.

TRANSFER AGENT
AND REGISTRAR

BY

AUTHORIZED SIGNATURE

CHARLES RIVER ASSOCIATES INCORPORATED

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS AND SERIES OF STOCK. THE CORPORATION WILL FURNISH TO THE HOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A STATEMENT OF THE PREFERENCES, VOTING POWERS, QUALIFICATIONS AND SPECIAL AND RELATIVE RIGHTS OF THE SHARES OF EACH SUCH CLASS AND SERIES.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entirety

JT TEN - as joint tenants with right of survivorship and not as tenants in common

COM PROP - as community property

UNIF GIT MIN ACT- ____ (Cust) Custodian ____ (Minor) under Uniform Gifts to Minors Act ____ (state)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

- ---

- ---

- ---

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

- ---

_____ shares

- ---

of the common stock represented by the within Certificate, and do(es) hereby irrevocably constitute and appoint

_____ Attorney

- ---

to transfer such shares on the books of the within named Corporation with full power of substitution in the premises.

Dated, _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit 10.1

# CHARLES RIVER ASSOCIATES INCORPORATED

## 1998 INCENTIVE AND NONQUALIFIED STOCK OPTION PLAN

## SECTION 1. PURPOSE

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

## SECTION 2. ADMINISTRATION

2.1 THE PLAN ADMINISTRATOR. The Plan shall be administered by the Plan Administrator (the Plan Administrator"), which shall consist of the Board of Directors of the Company (the "Board") or, if appointed by the Board, a committee consisting of at least two "Disinterested

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

2.2 POWERS OF THE PLAN ADMINISTRATOR. Subject to the terms and conditions of the Plan, the Plan Administrator shall have the power:

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

(b) To construe and interpret the Plan and options granted thereunder and to establish, amend, and revoke rules and regulations for administration of the Plan. In this connection, the Plan Administrator may correct any defect or supply any omission, or reconcile any inconsistency in the Plan, or in any option agreement, in the manner and to the extent it shall deem necessary or expedient to make the Plan fully effective. All decisions and determinations by the Plan Administrator in the exercise of this power shall be final and binding upon the Company and optionees;

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

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

SECTION 3. STOCK

3.1 STOCK TO BE ISSUED. The stock subject to the options granted under the Plan shall be shares of the Company's authorized but unissued common stock, without par value (the "Common Stock"), or shares of the Company's Common Stock held in treasury. The total number of shares that may be issued pursuant to options granted under the Plan shall not exceed an aggregate of 970,000 shares of Common Stock; provided, however, that the class and aggregate number of shares which may be subject to options granted under the Plan shall be subject to adjustment as provided in Section 8 hereof.

3.2 EXPIRATION, CANCELLATION OR TERMINATION OF OPTION. Whenever any outstanding option under the Plan expires, is cancelled or is otherwise terminated (other than by exercise), the shares

of Common Stock allocable to the unexercised portion of such option may again be the subject of options under the Plan.

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

SECTION 4. ELIGIBILITY

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

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

4.3 MAXIMUM AGGREGATE FAIR MARKET VALUE. The aggregate fair market value (determined at the time the option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under the Plan and any other plans of the Company or any parent or subsidiary for the issuance of incentive stock options) shall not exceed $100,000 (or such greater amount as may from time to time be permitted with respect to incentive stock options by the Code or any other applicable law or regulation). Any option granted in excess of the foregoing limitation shall be specifically designated as being a Nonqualified Option.

4.4 OPTION GRANTS TO OUTSIDE DIRECTORS.

(a) GRANT OF OPTIONS UPON ELECTION TO BOARD. Each Outside Director joining the Board at or subsequent to the meeting of the Company's stockholders at which the Plan is approved (the "Approval Meeting") shall automatically be granted, upon such Outside Director so joining the Board, an initial Nonqualified Option to purchase 10,000 shares of

Common Stock. Such Nonqualified Option shall vest and become exercisable in three equal annual installments cumulatively beginning on the first anniversary of the date of grant.

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

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

(d) EXPIRATION. Each Nonqualified Option granted to an Outside Director under this Section 4.4 shall expire on the fifth anniversary of the date of grant.

SECTION 5. TERMINATION OF EMPLOYMENT OR DEATH OF OPTIONEE

5.1 TERMINATION OF EMPLOYMENT. Except as may be otherwise expressly provided herein, options shall terminate on the earlier of:

(a) the date of expiration thereof; or

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

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

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

As used herein, "cause" shall mean (x) any material breach by the optionee of any agreement to which the optionee and the Company (or any parent or subsidiary of the Company) are both parties, (y) any act or omission to act by the optionee which may have a material and adverse effect on the business of the Company (or any such parent or subsidiary) or on the optionee's ability to perform services for the Company (or any such parent or subsidiary), including, without limitation, the commission of any crime (other than ordinary traffic violations), or (z) any material misconduct

or material neglect of duties by the optionee in connection with the business or affairs of the Company (or any such parent or subsidiary) or any affiliate of the Company (or any such parent or subsidiary).

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

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

SECTION 6. TERMS OF THE OPTION AGREEMENTS

Each option agreement shall be in writing and shall contain such terms, conditions, restrictions, if any, and provisions as the Plan Administrator shall from time to time deem

appropriate. Such provisions or conditions may include, without limitation, restrictions on transfer, repurchase rights, or such other provisions as shall be determined by the Plan Administrator; PROVIDED, HOWEVER, that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional provisions shall not cause any Incentive Stock Option granted under the Plan to fail to qualify as an incentive stock option within the meaning of Section 422 of the Code.

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

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

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

6.3 PURCHASE PRICE. The purchase price per share under each option shall be determined by the Plan Administrator at the time the option is granted; provided, however, that the option price of any Incentive Stock Option shall not, unless otherwise permitted by the Code or other applicable law or regulation, be less than the fair market value of the Common Stock on the date the option is granted (110% of the fair market value in the case of a greater-than-ten-percent stockholder) and the option price of any Nonqualified Option shall not be less than 85% of the fair market value of the

Common Stock on the date the option is granted. For the purpose of the Plan the fair market value of the Common Stock shall be the closing price per share on the date of grant of the option as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as reported by the National Association of Securities Dealers Automated Quotation System ("Nasdaq") National Market System or, if the Common Stock is not listed on the Nasdaq National Market System, the mean of the bid and asked prices per share on the date of grant of the option or, if the Common Stock is not traded over-the-counter, the fair market value as determined by the Plan Administrator.

6.4 TRANSFERABILITY OF OPTIONS. Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable, during his lifetime, only by the optionee.

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

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

representing the shares purchased pursuant to such option shall carry a legend satisfactory to counsel for the Company referring to the Company's repurchase option or right of first refusal.

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

SECTION 7. METHOD OF EXERCISE; PAYMENT OF PURCHASE PRICE

7.1 METHOD OF EXERCISE. Any option granted under the Plan may be exercised by the optionee by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the "Notice"), accompanied by payment for such shares.

7.2 PAYMENT OF PURCHASE PRICE. Payment for the shares of Common Stock purchased pursuant to the exercise of an option shall be made either by (i) cash or check equal to the option price for the number of shares specified in the Notice, or (ii) with the consent of the Plan Administrator, other shares of Common Stock which (a) either have been owned by the optionee for more than six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (b) have a fair market value on the date of surrender not greater than the aggregate option price of the shares as to which such option shall be exercised, (iii) with the consent of the Plan

Administrator, delivery of such documentation as the Plan Administrator and the broker, if applicable, shall require to effect an exercise of the option and delivery to the Company of the sale or loan proceeds required to pay the option price, (iv) with the consent of the Plan Administrator, such other consideration which is acceptable to the Plan Administrator and which has a fair market value equal to the option price of such shares, or (v) with the consent of the Plan Administrator, a combination of (i), (ii), (iii) or (iv). For the purpose of the preceding sentence, the fair market value per share of Common Stock so delivered to the Company shall be determined in the manner specified in Section 6.3. As promptly as practicable after receipt of the Notice and accompanying payment, the Company shall deliver to the optionee certificates for the number of shares with respect to which such option has been so exercised, issued in the optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have deposited such certificates in the United States mail, addressed to the optionee, at the address specified in the Notice.

SECTION 8. CHANGES IN COMPANY'S CAPITAL STRUCTURE

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

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

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

such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares for which such option shall be so exercised.

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

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

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

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

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

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

SECTION 9. GENERAL RESTRICTIONS

9.1 INVESTMENT REPRESENTATIONS. The Company may require any person to whom an option is granted, as a condition of exercising such option, to give written assurances in substance and form satisfactory to the Company to the effect that such person is acquiring the Common Stock subject to the option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

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

> The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any State and may not be pledged, hypothecated, sold or otherwise transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory to the

Corporation, in form and substance satisfactory to the Corporation, that registration is not required for such sale or transfer.

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

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

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

SECTION 10. AMENDMENT OR TERMINATION OF THE PLAN

The Board of Directors may modify, revise or terminate this Plan at any time and from time to time, except that (i) the class of persons eligible to receive options and the aggregate number of shares issuable pursuant to this Plan shall not be changed or increased, other than by operation of Section 8 hereof, without the consent of the stockholders of the Company and (ii) the provisions

of Section 4.4 shall not be amended more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, or the rules thereunder.

SECTION 11. NONEXCLUSIVITY OF THE PLAN

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

SECTION 12. EFFECTIVE DATE AND DURATION OF PLAN

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

* * * * * * * *

Exhibit 10.2

# CHARLES RIVER ASSOCIATES INCORPORATED
# 1998 EMPLOYEE STOCK PURCHASE PLAN

## 1. PURPOSE.

The Charles River Associates Incorporated 1998 Employee Stock Purchase Plan (the "Plan") is intended to provide a method whereby employees of Charles River Associates Incorporated (the "Company") will have an opportunity to acquire an ownership interest (or increase an existing ownership interest) in the Company through the purchase of shares of the Common Stock of the Company. It is the intention of the Company that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

## 2. DEFINITIONS.

(a) "Compensation" means, for the purpose of any Offering (as hereinafter defined) pursuant to this Plan, base pay in effect as of the Offering Commencement Date (as hereinafter defined). Compensation shall not include any deferred compensation other than contributions by an individual through a salary reduction agreement to a cash or deferred plan pursuant to Section 401(k) of the Code or to a cafeteria plan pursuant to Section 125 of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Common Stock" means the common stock, without par value, of the Company.

(d) "Company" shall also include any Parent or Subsidiary of Charles River Associates Incorporated designated by the Board of Directors of the Company (the "Board").

(e) "Employee" means any person who is customarily employed at least 20 hours per week and more than five months in a calendar year by the Company.

(f) "Parent" shall mean any present or future corporation which is or would constitute a "parent corporation" as that term is defined in Section 424 of the Code.

(g) "Plan Administrator" shall consist of the Board or, if appointed by the Board, a committee consisting of at least two Outside Directors who shall be members of the Board, but who are not employees of the Company or of any parent or subsidiary of the Company.

(h) "Subsidiary" shall mean any present or future corporation which is or would constitute a "subsidiary corporation" as that term is defined in Section 424 of the Code.

3. ELIGIBILITY.

(a) Participation in the Plan is completely voluntary. Participation in any one or more of the Offerings under the Plan shall neither limit, nor require, participation in any other Offering.

(b) Each Employee shall be eligible to participate in the Plan on the first Offering Commencement Date, as hereinafter defined, following the completion of one year of continuous service with the Company. Notwithstanding the foregoing, no Employee shall be granted an option under the Plan:

(i) if, immediately after the grant, such Employee would own stock, and/or hold outstanding options to purchase stock, possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any Parent or Subsidiary; for purposes of this Paragraph the rules of Section 424(d) of the Code shall apply in determining stock ownership of any Employee; or

(ii) which permits such Employee's rights to purchase stock under all Section 423 employee stock purchase plans of the Company and any Parent or Subsidiary to exceed $25,000 of the fair market value of the stock (determined at the time such option is granted) for each calendar year in which such option is outstanding; for purposes of this Paragraph, the rules of Section 423(b)(8) of the Code shall apply.

4. OFFERING DATES.

The right to purchase stock hereunder shall be made available by a series of one year offerings (the "Offering" or "Offerings") to Employees eligible in accordance with Paragraph 3 hereof. The Plan Administrator will, in its discretion, determine the applicable date of commencement ("Offering Commencement Date") and termination date ("Offering Termination Date") for each Offering. Participation in any one or more of the Offerings under the Plan shall neither limit, nor require, participation in any other Offering.

5. PARTICIPATION.

Any eligible Employee may become a participant by completing a payroll deduction authorization form provided by the Company and filing it with the office of the Company's Treasurer 20 days prior to an applicable Offering Commencement Date, as determined by the Plan Administrator pursuant to Paragraph 4. A participant who obtains shares of Common Stock in one Offering will be deemed to have elected to participate in each subsequent Offering, provided such participant is eligible to participate during each such subsequent Offering and provided that such participant has not specifically elected not to participate in such subsequent Offering. Such

participant will also be deemed to have authorized the same payroll deductions under Paragraph 6 hereof for each such subsequent Offering as in the immediately preceding Offering; provided however, that, during the enrollment period prior to each new Offering, the participant may elect to change the participant's payroll deductions by submitting a new payroll deduction authorization form.

6. PAYROLL DEDUCTIONS.

(a) At the time a participant files his authorization for a payroll deduction, he shall elect to have deductions made from his pay on each payday during any Offering in which he is a participant at a specified percentage of his Compensation as determined on the applicable Offering Commencement Date; said percentage shall be in increments of one percent up to a maximum percentage of ten percent.

(b) Payroll deductions for a participant shall commence on the applicable Offering Commencement Date when his authorization for a payroll deduction becomes effective and subject to the last sentence of Paragraph 5 shall end on the Offering Termination Date of the Offering to which such authorization is applicable unless sooner terminated by the participant as provided in Paragraph 10.

(c) All payroll deductions made for a participant shall be credited to his account under the Plan. A participant may not make any separate cash payment into such account.

(d) A participant may withdraw from the Plan at any time during the applicable Offering period.

7. GRANTING OF OPTION.

(a) On the Offering Commencement Date of each Offering, a participating Employee shall be deemed to have been granted an option to purchase a maximum number of shares of the Common Stock equal to an amount determined as follows: 85% of the market value per share of the Common Stock on the applicable Offering Commencement Date shall be divided into an amount equal to the percentage of the Employee's Compensation which he has elected to have withheld (but no more than 10%) multiplied by the Employee's Compensation over the Offering period. Such market value per share of the Common Stock shall be determined as provided in clause (i) of Paragraph 7(b).

(b) The option price of the Common Stock purchased with payroll deductions made during each such Offering for a participant therein shall be the lower of:

(i) 85% of the closing price per share on the Offering Commencement Date as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as reported by the National Association of Securities Dealers Automated Quotation

System ("Nasdaq") National Market System or, if the Common Stock is not listed on the Nasdaq National Market System but is otherwise publicly traded over-the-counter, 85% of the mean of the bid and asked prices per share on the Offering Commencement Date or, if the Common Stock is not traded over-the-counter, 85% of the fair market value on the Offering Commencement Date as determined by the Plan Administrator; and

(ii) 85% of the closing price per share on the Offering Termination Date as reported by a nationally recognized stock exchange, or, if the Common Stock is not listed on such an exchange, as reported by the Nasdaq National Market System or, if the Common Stock is not listed on the Nasdaq National Market System but is otherwise publicly traded over-the-counter, 85% of the mean of the bid and asked prices per share on the Offering Termination Date or, if the Common Stock is not traded over-the-counter, 85% of the fair market value on the Offering Termination Date as determined by the Plan Administrator.

8. EXERCISE OF OPTION.

(a) Unless a participant gives written notice to the Treasurer of the Company as hereinafter provided, his option for the purchase of Common Stock with payroll deductions made during any Offering will be deemed to have been exercised automatically on the Offering Termination Date applicable to such Offering for the purchase of the number of full shares of Common Stock which the accumulated payroll deductions in his account at that time will purchase at the applicable option price (but not in excess of the number of shares for which options have been granted the Employee pursuant to Paragraph 7(a) and any pro rata allocation to such participant under Paragraph 12(a)), and any excess in his account at that time, other than amounts representing fractional shares, will be returned to him.

(b) Fractional shares will not be issued under the Plan and any accumulated payroll deductions which would have been used to purchase fractional shares shall be automatically carried forward to the next Offering unless the participant elects, by written notice to the Treasurer of the Company, to have the excess cash returned to him.

9. DELIVERY.

The Company will deliver to each participant (as promptly as possible after the appropriate Offering Termination Date), a certificate representing the Common Stock purchased upon exercise of his option.

10. WITHDRAWAL AND TERMINATION.

(a) Prior to the Offering Termination Date for an Offering, any participant may withdraw the payroll deductions credited to his account under the Plan for such Offering by giving written notice to the Treasurer of the Company. All of the participant's payroll deductions credited to such account will be paid to him promptly after receipt of notice of withdrawal, without interest, and no

future payroll deductions will be made from his pay during such Offering. The Company will treat any attempt to borrow by a participant on the security of accumulated payroll deductions as an election to withdraw such deductions.

(b) Except as set forth in Paragraph 6(d), a participant's election not to participate in, or withdrawal from, any Offering will not have any effect upon his eligibility to participate in any succeeding Offering or in any similar plan which may hereafter be adopted by the Company.

(c) Upon termination of the participant's employment for any reason, including retirement but excluding death, the payroll deductions credited to his account will be returned to him, or, in the case of his death, to the person or persons entitled thereto under Paragraph 14.

(d) Upon termination of the participant's employment because of death, his beneficiary (as defined in Paragraph 14) shall have the right to elect, by written notice given to the Company's Treasurer prior to the expiration of a period of 90 days commencing with the date of the death of the participant, either:

(i) to withdraw all of the payroll deductions credited to the participant's account under the Plan; or

(ii) to exercise the participant's option for the purchase of stock on the Offering Termination Date next following the date of the participant's death for the purchase of the number of full shares which the accumulated payroll deductions in the participant's account at the date of the participant's death will purchase at the applicable option price (subject to the limitation contained in Paragraph 7(a)), and any excess in such account will be returned to said beneficiary. In the event that no such written notice of election shall be duly received by the Company's Treasurer, the beneficiary shall automatically be deemed to have elected to withdraw the payroll deductions credited to the participant's account at the date of the participant's death and the same will be paid promptly to said beneficiary.

11. INTEREST.

No interest will be paid or allowed on any money paid into the Plan or credited to the account of any participating Employee.

12. STOCK.

(a) The maximum number of shares of Common Stock available for issuance and purchase by Employees under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in Paragraph 17, shall be 243,000 shares of Common Stock. If the total number of shares for which options are exercised on any Offering Termination Date in accordance with Paragraph 8 exceeds the maximum number of shares for the applicable Offering, the Company shall make a pro rata allocation of the shares available for delivery and distribution in an equitable

manner, and the balances of payroll deductions credited to the account of each participant under the Plan shall be returned to the participant.

(b) The participant will have no interest in stock covered by his option until such option has been exercised.

13. ADMINISTRATION.

The Plan shall be administered by the Plan Administrator. The interpretation and construction of any provision of the Plan and adoption of rules and regulations for administering the Plan shall be made by the Plan Administrator. Determinations made by the Plan Administrator with respect to any matter or provision contained in the Plan shall be final, conclusive and binding upon the Company and upon all participants, their heirs or legal representatives. Any rule or regulation adopted by the Plan Administrator shall remain in full force and effect unless and until altered, amended, or repealed by the Plan Administrator.

14. DESIGNATION OF BENEFICIARY.

A participant shall file with the Treasurer of the Company a written designation of a beneficiary who is to receive any Common Stock and/or cash under the Plan. Such designation of beneficiary may be changed by the participant at any time by written notice. Upon the death of a participant and upon receipt by the Company of proof of the identity and existence at the participant's death of a beneficiary validly designated by him under the Plan, the Company shall deliver such Common Stock and/or cash to such beneficiary. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such Common Stock and/or cash to the executor or administrator of the estate of the participant. No beneficiary shall, prior to the death of the participant by whom he has been designated, acquire any interest in the Common Stock and/or cash credited to the participant under the Plan.

15. TRANSFERABILITY.

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or the receipt of Common Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the participant other than by will or the laws of descent and distribution. Any such attempted assignment, transfer, pledge, or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Paragraph 10.

16. USE OF FUNDS.

All payroll deductions received or held by the Company under this Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

17. EFFECT OF CHANGES OF COMMON STOCK.

If the Company shall subdivide or reclassify the Common Stock which has been or may be subject to options under this Plan, or shall declare thereon any dividend payable in shares of such Common Stock, or shall take any other action of a similar nature affecting such Common Stock, then the number and class of shares of Common Stock which may thereafter be subject to options under the Plan (in the aggregate and to any participant) shall be adjusted accordingly and in the case of each option outstanding at the time of any such action, the number and class of shares which may thereafter be purchased pursuant to such option and the option price per share shall be adjusted to such extent as may be determined by the Plan Administrator, with the approval of independent public accountants and counsel, to be necessary to preserve the rights of the holder of such option.

18. AMENDMENT OR TERMINATION.

The Board may at any time terminate or amend the Plan. No such termination shall affect options previously granted, nor may an amendment make any change in any option theretofore granted which would adversely affect the rights of any participant holding options under the Plan without the consent of such participant.

19. NOTICES.

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received by the Treasurer of the Company.

20. MERGER OR CONSOLIDATION.

If the Company shall at any time merge into or consolidate with another corporation, the holder of each option then outstanding will thereafter be entitled to receive at the next Offering Termination Date upon the exercise of such option, in lieu of the number of shares of Common Stock as to which such option shall be exercisable, the number and class of shares of stock or other securities or property to which such holder would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of Common Stock equal to the number of shares for which such option was exercisable. In accordance with this Paragraph and Paragraph 17, the Plan Administrator shall determine the kind and amount of such securities or

property which such holder of an option shall be entitled to receive. A sale of all or substantially all of the assets of the Company shall be deemed a merger or consolidation for the foregoing purposes.

21. APPROVAL OF STOCKHOLDERS.

The Plan is subject to the approval of the stockholders of the Company at their next annual meeting or at any special meeting of the stockholders for which one of the purposes shall be to act upon the Plan.

22. GOVERNMENTAL AND OTHER REGULATIONS.

The Plan, and the grant and exercise of the rights to purchase shares hereunder, and the Company's obligation to sell and deliver shares upon the exercise of rights to purchase shares, shall be subject to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required. The Plan shall be governed by, and construed and enforced in accordance with, the provisions of Sections 421, 423 and 424 of the Code and the substantive laws of The Commonwealth of Massachusetts. In the event of any inconsistency between such provisions of the Code and any such laws, such provisions of the Code shall govern to the extent necessary to preserve favorable federal income tax treatment afforded employee stock purchase plans under Section 423 of the Code.

* * *

EXHIBIT 10.6

CONFORMED COPY

JOHN HANCOCK TOWER

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LEASE

JOHN HANCOCK TOWER

Boston, Massachusetts

THIS INDENTURE OF LEASE made the 1st day of March, 1978,

WITNESSETH:

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, ("Landlord"), lease to CHARLES RIVER ASSOCIATES INCORPORATED, a Massachusetts corporation, whose address is: 1050 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02138 ("Tenant") and tenant accepts that certain office space shown and designated on the plan attached hereto and made a part hereof as Exhibits A and A-1 and comprising the 43rd floor and a portion of the 44th floor, said space being herein referred to as the "Premises" in the building ("Building") at 200 Clarendon Street in the City of Boston, Massachusetts (the "Property") for a term commencing on the date when the Premises are deemed ready for occupancy as defined in Paragraph 6 and continuing for ten years ("Term"), unless sooner terminated as provided herein, subject to the agreements herein contained.

In consideration thereof, Landlord and Tenant covenant and agree as follows:

1. BASE RENT. Tenant shall pay to Landlord at the office of Landlord or at such other place as Landlord may designate, the annual base rent of $479,708.50 in equal monthly installments of $39,975.71 each in advance on the first day of each and every calendar month during the Term. If the Term commences or ends other than the first day of a month, then the rent for such month shall be prorated for such fractional period and paid promptly to Landlord. Tenant shall receive a credit of $239,854.24 to be applied against the first six installments of base rent.

2. RENT ADJUSTMENT. Landlord and Tenant agree that the following rent adjustments shall be made:

(a) If Ownership Taxes for any fiscal year of the Term (including the fiscal year in which this Lease terminates) after fiscal year 1978 (the Base Year for Ownership Tax purposes) shall exceed Ownership Taxes for the Base Year, Tenant shall pay to Landlord an amount equal to Tenant's Proportionate Share of the amount by which the Ownership Taxes for such fiscal year exceed the Ownership Taxes for the Base Year. For purposes of this paragraph, "fiscal year" shall mean the period July 1 to June 30 (or such other period as hereinafter may be adopted by the City of Boston, pursuant to law, as the fiscal year for real estate tax purposes.

Tenant's Proportionate Share of Ownership Taxes for any fiscal year shall be 2.8463 percent, the percentage resulting from dividing the number of square feet of rentable area included in the Premises (which is 45,470 square feet) by the number of square feet of rentable area included in the Building (which is 1,597,533 square feet).

Ownership Taxes shall mean all taxes and special assessments of every kind and nature which Landlord shall pay or become obligated to pay in respect of a fiscal year because of or in connection with the ownership, leasing and operation of the Building and the Property, subject to the following:

(i) the amount of ad valorem real and personal property taxes against Landlord's real and personal property to be included shall be the amount shown by the latest available tax bill issued for the fiscal year in respect of which Ownership Taxes are being determined. There shall be deducted from Ownership Taxes the amount of any refunds (less reasonable expenses incurred in obtaining such refunds) in the fiscal year received by Landlord.

(ii) the amount of special taxes or special assessments to be included shall be limited to the amount of the installment [plus any interest (other than penalty interest) payable thereon] of such special tax or special assessment required to be paid during the fiscal year in respect of which Ownership Taxes are being determined.

(iii) the amount of any tax or excise levied by the Commonwealth of Massachusetts or the City of Boston or any political subdivision of either, on rents or other income from the Property to be included shall not be greater than the amount which would have been payable on account of such tax or excise by Landlord during the fiscal year in respect of which Ownership Taxes are being determined had the income received by Landlord from the Building been the sole taxable income of Landlord for such fiscal year.

(iv) there shall be excluded from Ownership Taxes all federal income taxes, federal excess profits taxes, franchise, capital stock and federal or state inheritance or estate taxes.

(b) As the rent adjustment for Operating Expenses, if the Composite Operating Labor Rate for any calendar year of the Term (including the calendar year in which this Lease terminates) after calendar year 1978 (the Base Year for operating expense purposes) shall exceed the Composite Operating Labor Rate for the Base Year, Tenant shall pay to Landlord an amount equal to $0.005625 per square foot of rentable area included in the Premises for every 1/4 of 1% of percentage increase in the Composite Operating Labor Rate for such calendar year over the Composite Operating Labor Rate for the Base Year.

For purposes of this paragraph, the following definitions apply:

(i) The "Composite Operating Labor Rate" shall be the average of the hourly straight time wages plus taxes incidental to employment and the cost of Fringe Benefits in effect on March 15 of the full-time cleaning porters and elevator maintenance men employed in the Building whether employed by Landlord or an independent contractor.

(ii) "Fringe Benefits" shall mean all costs of pensions, insurance and other direct benefits incidental to employment as certified by an officer of Landlord to the extent that all such items are payable by the employer.

(c) As the rent adjustment for Utility Expenses, if for any calendar year of the Term (including the calendar year in which this Lease terminates), the rate charged for the supply of any utility services to the Building by any public or private utility company serving the Building exceeds the applicable rate for such utility services at the time of commencement of this Lease, Tenant shall pay Landlord an amount equal to the amount of such increase multiplied by the units of utility services allocable to Tenant. The units of utility services allocable to Tenant shall be the units of utility services for the Building times a fraction, the numerator of which is the number of square feet of rentable area included in the Premises and the denominator of which is the number of square feet of rentable area in the Building. This adjustment shall be increased proportionately for any additional units of electrical service supplied to Tenant pursuant to Paragraph 3(b).

For purposes of this paragraph, a private or public utility company shall include any and all companies now or in the future providing electricity, water, steam, gas or any other product whose rates are regulated by the Commonwealth of Massachusetts, the City of Boston or any agency or department thereof. The rate charged for the supply of utility services shall include without limitation any adjustment to such rate charged by a utility company including without limitation the so-called "fuel adjustment".

(d) For the purposes of this Lease, rentable area shall be computed as follows:

(i) The rentable area of a single tenancy floor shall be computed by measuring to the inside finish of exterior glass panels and shall include all areas within such glass panels excluding public stairs, elevator shafts, flues, stacks, pipe shafts, vertical ducts, and peripheral building columns with their enclosing walls and shall include: toilets, janitor closets and electrical closets within and serving only such floor.

(ii) the rentable area for a multiple tenancy floor shall include the Premises' proportionate share of the areas described in the preceding subsection plus the proportionate share of corridor space necessary for the multiple tenancy of the floor. Individual office or a portion of a divided floor shall be computed by measuring to the inside finish of exterior glass panels, to the corridor side of corridors and other permanent partitions, and to the center of partitions that separate the premises from adjoining rentable areas.

(e) Landlord agrees to keep and maintain on a year to year basis appropriate records supporting the computation of the Composite Operating Labor Rate and the rent adjustments for Utility Expenses.

Landlord shall deliver to Tenant within ten days after receipt of an Ownership Tax bill (beginning in fiscal year 1979) a report certified by an officer of Landlord. The report shall contain:

(i) The amount by which the Ownership Taxes for such fiscal year exceed the Ownership Taxes for the Base Year.

(ii) The amount of the rent adjustments for such fiscal year. Tenant shall pay to Landlord any amount due as a result of such rent adjustment within ten days' receipt of such report.

Landlord shall deliver to Tenant within 90 days after the close of each calendar year (including the calendar year in which this Lease terminates) a report certified by an officer of Landlord. This report shall contain the following:

(i) The officer's statement that the records supporting the computation of the Composite Operating Labor Rate and the rent adjustment for Utility Expenses have been maintained in accordance with the requirements of this subparagraph (e).

(ii) The amount by which the Composite Operating Labor Rate for such calendar year exceeds the Composite Operating Labor Rate for the Base Year.

(iii) A comparison of the Utility Expenses at the time of commencement of the Lease and for the calendar year.

(iv) The amount of the rent adjustments for such calendar year.

In the event that any rent adjustments results in a net increase in the rent due Landlord, Tenant shall and agrees to pay to Landlord, on or before 30 days immediately following Tenant's receipt of the report on account of which such increase is due the amount of such increase accrued to the rent date next preceding the date of such payment less amounts theretofore paid in respect thereof, and on the first day of each month which succeeds such payment and falls within the current calendar year in which the report is received (and also simultaneously with such payment if made on the first day of a calendar month), an amount for such month equal to one-twelfth of such increase. Tenant shall and agrees to pay to Landlord in and for each month of the current calendar year prior to receipt of the report an amount equal to one-twelfth of the rent adjustment for the immediately preceding calendar year. In the event that any such rent adjustment results in a net decrease in the amount of the installments of rent adjustment then currently being paid by Tenant, Landlord shall accompany the report required above with the payment to Tenant of the amount of such over-payment provided Tenant is not then in default in the performance of any of its obligations under this Lease.

All rent adjustments for any partial calendar year on expiration or earlier termination of this Lease shall be prorated. In no event shall any rent adjustment result in a decrease in the base rent payable hereunder.

3. SERVICES. Except as limited by Landlord's compliance with governmental request or regulation, Landlord shall provide the following services on all days during the Term excepting Sundays and legal holidays, unless otherwise stated:

(a) Air conditioning (heating or cooling as necessary for normal comfort in the Premises and as customarily provided in first-class office buildings in the City of Boston) from 8:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m. (except on legal holidays). Legal holidays, for purposes of this Lease, shall consist of those listed on Exhibit 1, attached hereto and made a part hereof, together with any hereafter established by law to be effective in Massachusetts.

Circulating air shall not be available other than by air conditioning and if Tenant shall require air conditioning (heating or cooling) during any season outside the hours and days above specified, Landlord shall furnish the same for the area or areas specified in a written request of Tenant delivered to the superintendent of the Building before 3:00 p.m. of the business day preceding the extra usage. For such service Tenant shall pay Landlord, upon receipt of bill thereof, the sum of $50.00 per hour. If more than one Tenant has requested and is furnished this service for the same hour(s), it is understood that the charge will be prorated.

The above charge will be subject to proportionate adjustments to reflect increases or decreases in labor and utility costs.

(b) Electricity as provided for in the Landlord's standard electrical service as hereinafter described. It is expressly understood that the connected electrical load of lighting fixtures in the Premises and of the incidental use equipment of the Tenant will not exceed an average of 5.5 watts per square foot of the Premises. The electricity

furnished for the incidental use equipment of Tenant under Landlord's standard electrical service will be at nominal 120 volts and no electrical circuit for the supply of Tenant's equipment will have a current capacity exceeding 15 amperes. If Tenant's requirements for electricity are in excess of those set forth in the preceding sentence, Landlord at Tenant's expense will make reasonable effort to supply such service through the then existing feeders serving the Premises, but Landlord reserves the right to require Tenant to procure electricity for such excess incidental use requirements at Tenant's expense by arrangement with Boston Edison Company or other approved local utility. Landlord shall not be liable in any way to Tenant for any failure or defect in the supply or character of electric energy furnished on the Premises by reason of any requirement, act or omission of the public utility serving the Building with electricity.

All installations of electrical fixtures, appliances and equipment other than typewriters, adding machines, lamps, dictation equipment and other office equipment of a similar nature shall be subject to Landlord's prior approval. All replacement lighting tubes, lamps, bulbs and ballasts required in any lighting fixtures constituting a part of the Premises will be furnished and installed by Landlord at Tenant's expense.

(c) City water from the regular Building outlets for drinking, lavatory and toilet purposes.

(d) Janitor services equal in scope, quality and frequency to those customarily provided by landlords in high quality buildings in Boston, the specifications in Exhibit 2 being now considered as so customary.

No persons shall be employed by Tenant to do janitor work in the Premises and no persons other than the janitors of the Building shall clean the Premises unless Landlord shall give its written consent thereto. Any person employed by Tenant with Landlord's consent to do janitor work shall, while in the Building, either inside or outside the Premises, be subject to and under the control and direction of the superintendent of the Building (but not as agent or servant of said superintendent or of Landlord).

Tenant will pay the Landlord a reasonable charge for any extra cleaning of the Premises required because of the carelessness or indifference of Tenant or because of the nature of Tenant's business and for any cleaning done at the request of Tenant for any portion of the Premises which may be used for storage, shipping room or similar purposes. If the cost to Landlord for cleaning the Premises shall be increased due to the installation in the Premises, at Tenant's request, of any materials or finish other than those which are building standard, Tenant shall pay the Landlord an amount equal to such increase in cost, provided such cost is reasonable.

(e) Window washing of all windows in the Premises both inside and out, weather permitting, at intervals to be determined by Landlord.

(f) Adequate operatorless passenger elevator service at all times and freight elevator service subject to scheduling by Landlord.

(g) Cleaning of sun shading devices, at Tenant's expense, at intervals to be determined by Landlord.

(h) Such additional services on such terms and conditions as may be mutually agreed upon by Landlord and Tenant.

Tenant agrees that Landlord shall not be liable in damages, nor in default hereunder, for stoppage of any of the elevators or for failure to furnish or delay in furnishing any service when such failure to furnish or delay in furnishing is occasioned by repairs, renewals or improvements, or in whole or part by any strike, lockout or other labor trouble, or by inability to secure electricity, gas, water, oil or other fuel at the Building in required quantity or quality after reasonable effort so to do, or by any accident or casualty whatsoever, or by the act or default of Tenant, nor shall any of the foregoing be held or pleaded as an eviction or disturbance in any manner whatsoever of Tenant's possession or give Tenant any right to terminate this Lease or give rise to any claim for set-off or any abatement of rent or of any of Tenant's obligations under this Lease. Landlord agrees to use due diligence to avoid and overcome such stoppages and failures.

All charges for services shall be due and payable at the same time as the installment of rent with which they are billed, or, if billed separately, shall be due and payable within ten days after such billing. In case Tenant shall fail to make payment for any services Landlord may, immediately after notice to Tenant, discontinue any or all of such services and such discontinuance shall not be held or pleaded as an eviction or as a disturbance in any manner whatsoever of Tenant's possession, or relieve Tenant from the payment of rent when due, or vary or change any other provision of this Lease or render Landlord liable for damages of any kind whatsoever.

All services provided by Landlord to Tenant and to the Premises shall be consistent with a first-class office building in the City of Boston.

5. USE. Tenant shall use and occupy the Premises for general office purposes including accessory lunchroom and for no other purpose. Tenant shall not use or permit upon the Premises anything that will invalidate any policies of insurance now or hereafter carried on the Building or that will increase the rate of insurance on the Premises or Building. Tenant will pay all extra insurance premiums which may be caused by the use which Tenant shall make of the Premises. Tenant will not use or permit upon the Premises anything that may be dangerous to life or limb. Tenant will not in any manner deface or injure the Building or any part thereof or overload the floors of the Premises. Tenant will not do anything or permit anything to be done upon the Premises in any way tending to create a nuisance, or tending to disturb any other tenant in the Building or the occupants of neighboring property or tending to injure the reputation of the Building. Tenant will comply with all governmental, health and police requirements and regulations respecting the Premises. Tenant will not use the Premises for lodging or sleeping purposes or for any immoral or illegal purposes. Tenant shall not conduct nor permit to be conducted on the Premises any business which is contrary to any of the laws of the United States of America or of the Commonwealth of Massachusetts or which is contrary to the ordinances of the City of Boston. Tenant shall not at any time manufacture or sell and shall not at any time permit the manufacture or sale of any spirituous, fermented, intoxicating or alcoholic liquors on the Premises. Except as ordinarily incident to the operation of Tenant's accessory lunchroom, Tenant shall not at any time sell, purchase or give away, or permit, except with Landlord's prior written approval, the sale, purchase or gift of, food in any form by or to any of Tenant's agents or employees or any other parties on the Premises.

6. COMPLETION OF PREMISES BY LANDLORD; DELIVERY OF POSSESSION TO TENANT. Landlord agrees to use due diligence to have the Premises ready for occupancy on or before June 7, 1978, provided that compliance is made with the second paragraph of Section 1(a) of Exhibit 3. Landlord agrees to seek a certificate of occupancy for the Premises consistent with the building permit for completion of Tenant Work specified in Exhibit 3 as soon as the same may be obtained from the City of Boston Building Department if such certificate is required by law or regulation. Landlord agrees to permit Tenant to occupy the Premises prior to June 7, 1978 if and when the Premises are in a condition suitable for occupancy although finish work may not be completed. Such a condition shall exist when Landlord is able to supply all basic building services such as heat, ventilation, air conditioning, electricity, water, and elevator service and substantially all partitioning, carpeting and painting is completed; provided, however, that Landlord shall notify Tenant of such condition only after taking into account the potential risks to the safety of persons to be occupying the Premises and potential delays in completion of finish work which such early occupancy might create. Such early occupancy shall be subject to all of the terms and conditions of this Lease, and the date of first occupancy shall be the commencement of the Term. In case of delays due to governmental regulation, strikes and similar labor difficulties, casualty or other causes not reasonably within Landlord's control, such date shall be extended for the period of such delays. The Premises shall be deemed ready for occupancy on that date which is the latest of:

(a) The date estimated for such readiness in a notice delivered to Tenant not less than 120 days before such date,

(b) The date estimated for such readiness in a second notice delivered to Tenant not less than 30 days before such date,

(c) The date on which the common facilities of the Building for access and service to the Premises are completed and the Premises are completed under Exhibit 3 except for so-called "punch-list" items, the completion of which will not substantially interfere with Tenant's occupancy, use or enjoyment of the Premises, and except for the balancing of the heating, ventilating and air-conditioning systems of the Building. Such completion shall be conclusively evidenced by a certificate of Landlord's and Tenant's Space Planners delivered to Tenant. Landlord agrees to use due diligence to complete all items and work excepted by this clause(c).

If the Premises are not ready for occupancy on July 7, 1978 except as a result of Tenant's failure to provide final plans as specified in Exhibit 3 and except as a result of force majeure or Tenant's request for unusual or difficult-to-obtain materials or workmanship, Landlord shall pay Tenant on August 1, 1978 as liquidated damages $1,697.60 times the number of days between July 7 and August 1 during which the Premises were not ready for occupancy and during which Tenant was not occupying the Premises.

If the Premises are not ready for occupancy on August 1, 1978 except as result of Tenant's failure to provide final plans as specified in Exhibit 3 and except as a result of Tenant's request for unusual of difficult-to-obtain materials or workmanship, Tenant, by written notice to Landlord, may terminate this Lease and if notification is so given, this Lease shall be void and neither party shall be under any obligation to the other except for the obligation of Landlord to pay invoices pursuant to Attachment A to Exhibit 3 for work performed in the Premises prior to such termination. If Tenant does not terminate this Lease on August 1, 1978 and the Premises are not ready for occupancy by October 2, 1978, Tenant may terminate this Lease on October 2, 1978 by written notice to Landlord, and if such notice is so given, this Lease shall be void and neither party shall be under any obligation to the Landlord, and if such notice is so given, this Lease shall be void and neither party shall be under any obligation to the other except for Landlord's obligation to pay the invoices specified above. If the Premises are not ready for occupancy on October 2, 1978 as a result of Landlord's failure to diligently pursue such completion, Landlord shall pay to Tenant by November 1, 1978 the audited amount of Tenant's Work specified on the plans shown on Exhibit 4 which Tenant has paid. Landlord shall not be obligated to pay such amount if the Premises are not ready as a result of force majeure, delays resulting from Tenant's failure to provide final plans as specified in Exhibit 3 or Tenant's request for unusual or difficult-to-obtain materials or workmanship.

7. CONDITION OF PREMISES. Tenant's taking possession shall be conclusive evidence as against the Tenant that the Premises were in good order and satisfactory condition when Tenant took possession except for those items specified in a notice to Landlord not later than 30 days after Tenant takes possession of the Premises. No promise of Landlord to alter, remodel or improve the Premises or the Building and no representation respecting the condition of the Premises or the Building have been made by Landlord to Tenant other than as may be contained herein in Exhibit 3.

8. ASSIGNMENT AND SUBLETTING. Tenant shall not, without the prior written consent of Landlord, (a) assign this Lease or any interest hereunder; (b) permit any assignment hereof by operation of law, (c) sublet the Premises or any part thereof, or (d) permit the use of the Premises by any parties other than Tenant, its agents and employees provided, however, that Tenant may, without the prior written consent of Landlord, assign or sublet the Premises to an affiliate as that term is defined in Rule 144 promulgated under the Securities Act of 1933 and may permit the assignment of this Lease by operation of law in connection with a merger or consolidation, but provided further, that no such assignment or subletting shall affect Tenant's continuing primary liability hereunder. With respect to any assignment or subletting proposed by Tenant, Landlord shall have the right to require that the Premises, if assignment is proposed, or that part of the Premises to be included in a subletting, be surrendered to the Landlord for the balance of the Term, as respects a proposed assignment, or for the term of the sublease, in consideration of an appropriate pro rata adjustment of, or cancellation of, the Tenant's obligations hereunder. Landlord agrees that its consent to a proposed subletting shall not be unreasonably withheld provided Tenant remains primarily liable hereunder.

9. REPAIRS. Except for reasonable wear and tear and except for damage caused by Landlord's negligence, Tenant will, at its own expense, keep the Premises in good repair and tenantable condition during the Term of this Lease, except as otherwise provided in Paragraph 20 of this Lease, and Tenant shall promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken glass (except as specified below), fixtures and appurtenances, under the supervision and with the approval of Landlord, and within any reasonable period of time specified by Landlord. If Tenant does not do so, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the reasonable cost thereof forthwith upon being billed for same. Landlord may, but shall not be required so to do, enter the Premises at all reasonable times to make such repairs, alterations, improvements and additions, including ducts and all other facilities for air conditioning services as Landlord shall desire or deem necessary to the Premises or to the Building or to any equipment located in the Building or as Landlord may be required to do by the City of Boston or by the order or decree of any court or by any other governmental authority.

Landlord agrees, at its expense, to make all repairs to the Premises resulting from faulty workmanship or defective materials which are reported in writing to Landlord during the first year of the Term, with the exception of exterior windows which Landlord agrees, at its expense, to repair or replace if structurally damaged at any time unless such damage is caused by Tenant's

negligence.

10. ALTERATIONS. Tenant shall not without the prior written consent of Landlord, make any alterations, improvements or additions to the Premises. All alterations, improvements and additions, whether temporary or permanent in character, made by Landlord or Tenant in or upon the Premises shall become Landlord's property and shall remain upon the Premises at the termination of this Lease by lapse of time or otherwise, without compensation to Tenant, excepting, however the following items of property: Tenant's movable office furniture, trade fixtures, office equipment, special lighting fixtures, and any self-contained modular office units, including partitions, installed by Tenant which may or may not be bolted to the floors and/or walls.

11. CERTAIN RIGHTS RESERVED BY LANDLORD. Landlord shall have the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, persons or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use of possession or giving rise to any claim for set-off or abatement of rent:

(a) To change the Building's name or street address.

(b) To install, affix and maintain any and all signs on the exterior and interior of the Building.

(c) To designate and approve, prior to installation, all types of window shades, blinds, drapes, awnings, window ventilators and other similar equipment, and to control all internal lighting that may be visible from the exterior of the Building.

(d) To designate, restrict and control all sources from which Tenant may obtain ice, drinking water, towels, toilet supplies, shoe shining, catering, food and beverages except as obtained in Tenant's accessory lunchroom or like or other services on the Premises, and, in general, to reserve to Landlord the exclusive right to designate, limit, restrict and control any business and any service in or to the Building and its tenants.

(e) To inspect the Premises at reasonable hours and, during the last 12 months of the Term, to show them to prospective tenants at reasonable hours and, if they are vacated, to prepare them for re-occupancy.

(f) To retain at all times, and to use in appropriate instances, keys to all doors within and into the Premises. No locks shall be changed or added without the prior written consent of Landlord. Landlord hereby consents to the installation of the MAC 540, a magnetic card security system manufactured by Rusco or some other comparable system. Tenant will provide Landlord with a reasonable number of magnetic cards permitting entry onto the Premises.

(g) To decorate and to make repairs, alterations, additions, changes or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purposes to enter upon the Premises and, during the continuance of any of said work, to temporarily close doors, entryways, public space and corridors in the Building, to interrupt or temporarily suspend Building services and facilities and to change the arrangement and location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets, or other public parts of the Building, all without abatement of rent or affecting any of Tenant's obligations hereunder, so long as the Premises are reasonably accessible.

(h) To have and retain a paramount title to the Premises free and clear of any act of Tenant purporting to burden or encumber it.

(i) To grant to anyone the exclusive right to conduct any business or render any service in or to the Building, provided such exclusive right shall not operate to exclude Tenant from the use expressly permitted herein.

(j) To approve the weight, size and location of safes and other heavy equipment and articles in and about the Premises and the Building (so as not to exceed the legal live load), and to require all such items and furniture and similar items to be moved into and out of the Building and Premises only at such times and in such manner as Landlord shall direct in writing. Movements of Tenant's property into or out of the Building and within the Building are entirely at the risk and responsibility of Tenant and Landlord reserves the right to require permits before allowing any such property to be moved into or out of the Building.

(k) To prohibit the placing of vending or dispensing machines of any kind in or about the Premises without the prior written permission of Landlord. Landlord hereby consents to the installation of six vending machines in Tenant's accessory lunchroom and Landlord shall not unreasonably withhold its consent for other locations in the Premises.

(l) To have access for Landlord and other tenants of the Building to any mail chutes located on the Premises according to the rules of the United States Post Office.

(m) To take all such reasonable measures as Landlord may deem advisable for the security of the Building and its occupants, including without limitation, the search of all persons entering or leaving the Building, the evacuation of the Building for cause, suspected cause, or for drill purposes, the temporary denial of access to the Building, and the closing of the Building after regular working hours, i.e. 8 a.m. to 6 p.m. on business days and on Saturdays, Sundays and legal holidays, subject, however, to Tenant's right to admittance when the Building is closed after regular working hours under such reasonable regulations as Landlord may prescribe from time to time which may include, by way of example but not of limitation, that persons entering or leaving the Building, whether or not during regular working hours, identify themselves to a watchman by registration or otherwise and that said persons establish their right to enter or leave Building.

Landlord may enter upon the Premises and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of an eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

12. COVENANT AGAINST LIENS. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen to be placed against the Building or the Premises or Tenant's interest under this Lease, and in case of any such lien attaching to immediately remove the same by payment or bond. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon Landlord's title or interest in the Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only.

13. WAIVER OF CLAIMS. Tenant agrees, that to the extent not expressly prohibited by law, Landlord and its officers, agents, servants, and employees shall not be liable for any damage either to persons or property sustained by Tenant or by other persons due to the Building or any part thereof or any appurtenances thereof becoming out of repair, or due to the happening of any accident in or about the Building, or due to any act or neglect of any tenant or occupant of the Building or of any other person. This provision shall apply particularly (but not exclusively) to damage caused by water, snow, frost, steam, sewage, gas, sewer gas or odors or by the bursting or leaking of pipes, faucets and plumbing fixtures, and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the causes specifically enumerated above or to some other cause of an entirely different kind. Tenant further agrees that all personal property upon the Premises shall be at the risk of Tenant only, and that Landlord shall not be liable for any damage thereto or theft thereof except that which may arise from the omission, fault, willful act, negligence or other misconduct of Landlord and its officers, agents, servants and employees.

14. INDEMNIFICATION. Tenant agrees to defend with counsel approved by Landlord, save harmless and indemnify Landlord from all claims of liability for injury, loss, accident or damage to any person or property and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without limitation, reasonable counsel fees) arising from the omission, fault, willful act, negligence or other misconduct of Tenant and persons for whose conduct Tenant is legally responsible occurring on or about the Building and the Premises, or either. In addition, Tenant agrees to defend with counsel approved by Landlord, save harmless, and indemnify Landlord from any claims of liability for injury, loss, accident or damage to any person or property, and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without limitation, reasonable counsel fees), arising from any use made or thing done or occurring on the Premises not due to the omission, fault, willful act, negligence or other misconduct of Landlord or any person for whose conduct Landlord is legally responsible.

15. NONWAIVER. No waiver of any condition expressed in the Lease shall be implied by any neglect of Landlord to enforce any remedy on account of the violation of such condition if such violation be continued or repeated subsequently, and no express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of moneys by Landlord from Tenant after the termination in any way of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, suit or judgment.

16. WAIVER OF NOTICE. Except as provided in Paragraph 17 hereof, Tenant hereby expressly waives the service of any notice of intention to terminate this Lease or to re-enter the Premises and waives the service of any demand for payment of rent or for possession and waives the service of any other notice or demand prescribed by any statute or other law.

17. LANDLORD'S REMEDIES. If any default by Tenant continues after notice of default, in case of base rent or additional rent for more than ten days, or in any other case for more than 30 days and such additional time, if any, as is reasonable necessary to cure the default if the default is of such a nature that it cannot reasonable be cured in 30 days, or if Tenant or any guarantor of any of Tenant's obligations under this Lease makes any assignment for the benefit of creditors, commits any act of bankruptcy or files a petition under any bankruptcy or insolvency law, or if such a petition filed against Tenant or such guarantor is not dismissed within 90 days, or if a receiver or similar officer becomes entitled to Tenant's leasehold hereunder and it is not returned to Tenant within 90 days, or if such leasehold is taken on execution or other process of law in any action against Tenant, then in any such case, whether or not the Term shall have begun. Landlord may immediately, or at any time while such default exists, terminate this Lease by notice to Tenant, specifying a date not less than ten days after the giving of such notice on which the Lease shall

terminate and this Lease shall come to an end on the date specified therein as fully and completely as if such date were the date herein originally fixed for the expiration of the Term, and Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

In the event that this Lease is terminated under any of the foregoing provisions, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the rental value of the Premises for said residue of the Term. In calculating the rent reserved there shall be included, in addition to the base rent and all additional rent, the value of all other considerations agreed to be paid or performed by Tenant for said residue. Tenant further covenants as an additional and cumulative obligation after any such ending to pay punctually to Landlord all the sums and perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant under the next foregoing covenant, Tenant shall be credited with any amount paid to Landlord as compensation as in this paragraph provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and may grant such concessions and free rent as Landlord in its sole judgment considers advisable or necessary to relet the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its sole judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid.

In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this paragraph, Landlord may by written notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in this paragraph and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the base rent and additional rent accrued in the 12 months ended next prior to such termination (whether or not paid) plus the amount of base rent and additional rent of any kind accrued and unpaid at the time of termination and less the amount of any recovery by Landlord under the foregoing provisions of this paragraph up to the time of payment of such liquidated damages.

Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

18. SURRENDER OF POSSESSION. Upon the termination of this Lease and the Term hereby created or upon the termination of Tenant's right of possession, whether by lapse of time or at the option of Landlord as aforesaid, Tenant will at once surrender possession of the Premises to Landlord and remove all effects therefrom, and if such possession is not immediately surrendered, Landlord may forthwith re-enter the Premises and repossess itself thereof as of its former estate and remove all persons and effects therefrom, using such force as may be necessary, without being deemed guilty of any manner of trespass or forcible entry or detainer. Without limiting the generality of the foregoing, Tenant agrees to remove at the termination of the Term the items of property specifically described in the last 4 lines of Paragraph 10 of this Lease. If Tenant shall fail or refuse to remove all such property from the Premises, Tenant shall be conclusively presumed to have abandoned the same, and title thereto shall thereupon pass to Landlord without any cost either by set-off, credit allowance or otherwise, and Landlord may at its option accept the title to such property or, at Tenant's expense may: (a) remove the same or any part thereof in any manner that Landlord shall choose, and (b) store the same without incurring liability to Tenant or any other person.

19. HOLDING OVER. Tenant shall pay to Landlord double the base rent plus rent adjustments then applicable for each month or portion thereof Tenant shall retain possession of the Premises or any part thereof after the

termination of this Lease, whether by lapse of time or otherwise, and also shall pay all damages sustained by Landlord on account thereof. The provisions of this paragraph shall not operate as a waiver by Landlord of any right of re-entry hereinbefore provided.

20. FIRE OR CASUALTY. If the Premises or the Building shall be destroyed or damaged by fire or other cause and if such Premises or Building may be repaired and restored within 6 months after such damage, then Landlord shall repair and restore the same with reasonable promptness. If such damage renders the Premises untenantable in whole or in part and cannot reasonably be repaired and restored within 6 months, or if Landlord elects to demolish the Building or cease its operations, or if the Certificate of Occupancy for the Premises shall be revoked for a period in excess of 60 days as a result of damage to the exterior Building glass, then either party shall have the right to cancel and terminate this Lease as of the date of such damage upon giving notice to the other party at any time within 70 days after such damage shall have occurred. In the event any such damage renders the Premises untenantable and if this Lease shall not be cancelled and terminated by reason of such damage, then rent shall abate during the period beginning with the date of such fire or other cause and ending with the date when the Premises are again rendered tenantable by an amount bearing the same ratio to the total amount of rent for such period as the untenantable portion of the Premises bears to the entire Premises.

21. CONDEMNATION. If the whole or any part of the Premises or of the Building shall be taken or condemned by any competent authority for any public use or purpose or if any adjacent property or street shall be condemned or improved in such a manner as to require the use of any part of the Premises or of the Building, the Term, at the option of Landlord, which may be exercised notwithstanding that Landlord's entire interest has been divested, shall end upon the date when the possession of the part so taken shall be required for such use or purpose and Landlord shall be entitled to receive the entire award without any payment to Tenant, provided, however, that Tenant shall be entitled to claim, prove and receive any award for Tenant's fixtures and moving expenses. Current rent shall be apportioned as of the date of such termination.

22. EXPENSES OF ENFORCEMENT. Tenant shall pay all attorneys' fees and expenses of Landlord incurred in enforcing any of the obligations of Tenant under this Lease.

23. RIGHTS OF RECOVERY. Landlord and Tenant agree to use their best efforts to have all fire and extended coverage and material damage insurance which may be carried with respect to the Premises or to the property located in the Premises endorsed with a clause which reads substantially as follows: "This insurance shall not be invalidated should the insured waive in writing prior to a loss any or all rights of recovery against any party for loss occurring to the property described herein." Landlord and Tenant do each hereby waive all claims for recovery from the other for any loss or damage due to hazards covered by valid and collectible insurance policies to the extent of the proceeds collected under such insurance policies. However, this waiver shall be effective only when the waiver is either permitted by such insurance policy or, by the use of good faith efforts, could have been included in the applicable insurance policy at no additional expense.

24. NOTICES. All notices to be given by one party to the other under this Lease shall be in writing, mailed or delivered as follows:

(a) To Landlord: John Hancock Mutual Life Insurance
Hancock Place
Boston, Massachusetts 02117
Attention: Building Management
Services Department

or to such other person at such other address designated by notice sent to Tenant and after commencement of the Term to the address to which rent is payable.

(b) To Tenant: At the address above stated and after the commencement of the Term at the Premises or to such other address designated by notice to Landlord with a copy to James F. Monahan, Esq., Foley, Hoag & Eliot, Ten Post Office Square, Boston, Mass. 02109.

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Mailed notices shall be sent by United States certified or registered mail, postage prepaid. Such notices shall be deemed to have been given upon posting in the United States mails.

25. RULES AND REGULATIONS. Tenant agrees to observe the reservations to Landlord in Paragraph 11 hereof and agrees, for itself, its employees, agents, clients, customers, invitees and guests, to comply with the following rules and regulations and with such reasonable modifications thereof and additions thereto as Landlord may make for the Building:

(a) Any sign, lettering, picture, notice, or advertisement of Tenant installed within the Premises which is visible to the public from within the Building shall be installed at Tenant's cost and in such manner, character and style as Landlord may approve in writing, which consent Landlord shall not unreasonably withhold. No sign, lettering, picture, notice or advertisement shall be placed on any outside window or in a position to be visible from outside the Building.

(b) In advertising or other publicity, without Landlord's prior written consent, Tenant shall use neither the name of the Building, except as at the John Hancock Tower in the address of its business, nor use pictures of the Building.

(c) Tenant, its customers, invitees, licensees, and guests, shall not obstruct sidewalks, entrances, passages, courts, corridors, vestibules, halls, elevators and stairways in and about the Building. Tenant shall not place objects against glass partitions or doors or windows which would be unsightly from the Building corridor, or from the exterior of the Building, and will promptly remove same upon notice from Landlord.

(d) Tenant shall not make noises, cause disturbances, or vibrations or use or operate any electrical or electronic devices or other devices that omit sound or other waves or disturbances, or create odors, any of which may be offensive to other tenants and occupants of the Building or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception from or within the Building or elsewhere, and shall not place or install any projections, antennae, aerials or similar devices inside or outside of the Premises.

(e) Tenant shall not make any room-to-room canvass to solicit business from other tenants in the Building, and shall not exhibit, sell or offer to sell, use, rent or exchange any item or service in or from the Premises unless ordinarily embraced within the Tenant's use of the Premises specified herein.

(f) Tenant shall not waste electricity or water and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air conditioning, and shall refrain from attempting to adjust any controls other than room thermostats installed for Tenant's use. Tenant shall observe Landlord's reasonable regulations regarding the use and operation of window sun shading system and shall keep public corridor doors closed on multiple occupancy floors.

(g) Except as provided in Paragraph 11(f): door keys for doors in the Premises will be furnished at the commencement of the Term by Landlord; Tenant shall not affix additional locks on doors and shall purchase duplicate keys only from Landlord; and when Lease is terminated, Tenant shall return all keys to Landlord and will disclose to Landlord the combination of any safes, cabinets or vaults left in the Premises.

(h) Tenant assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed and secured.

(i) Peddlers, solicitors and beggars shall be reported to the superintendent of the Building or as Landlord otherwise requests.

(j) Tenant shall not install and operate machinery or any mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises without the written permission of Landlord.

(k) No person or contractor not employed by Landlord shall be used to perform window washing, cleaning, decorating, repair or other work in the Premises.

(l) Tenant shall not cook in the Building except on cooking ranges and stoves equipped with a ductless smoke hood (Dialair Series 71000 or equivalent) installed and maintained by Tenant without expense to Landlord and without violation of the provisions of the State Building Code and Boston Zoning Code from time to time in effect.

(m) In no event shall any person bring into the Building inflammables such as gasoline, kerosene, napntha and benzine, or explosives or any other article of intrinsically dangerous nature. If by reason of the failure of Tenant to comply with the provisions of this paragraph, any insurance premiums payable by Landlord for all or any part of the Building shall at any time be increased above normal insurance premiums for insurance not covering the items aforesaid, Landlord shall have the option to either terminate the Lease or to require Tenant to make immediate payment for the whole of the increased insurance premium.

(n) Tenant shall comply with all applicable federal, state and municipal laws, ordinances and regulations and building rules, and shall not directly or indirectly make any use of the Premises which may be prohibited by any thereof or which shall be dangerous to person or property or shall increase the cost of insurance or require additional insurance coverage.

(o) The work necessary to make any alteration, improvements or additions to the Premises to which the Landlord may consent pursuant to Paragraph 10 shall be done by employees of or contractors employed by Landlord or, with Landlord's consent in writing given prior to letting of contract, by contractors employed by Tenant but in each case only under written contract approved in writing by Landlord, and subject to all conditions Landlord may impose. Landlord shall not unreasonably withhold its consent required in the preceding sentence. Tenant shall promptly pay to Landlord or to Tenant's contractors, as the case may be, when due, the cost of all such work and of all decorating required by reason thereof, and upon completion, deliver to Landlord, if payment is made directly to Tenant's contractors, evidence of payment and waivers of all liens for labor, services or materials, and defend and hold Landlord harmless from all costs, damages, liens and expenses related thereto. If Tenant desires signal, communication, alarm or other utility or service connection installed or changed, the same shall be made at the expense of Tenant, with approval and under direction of Landlord. Landlord agrees to act reasonably and uniformly in its enforcement of the Rules and Regulations promulgated with respect to the Building.

26. ESTOPPEL CERTIFICATE. Tenant agrees than from time to time upon not less than ten days prior request by Landlord, Tenant, or Tenant's duly authorized representative having knowledge of the following facts, will deliver to Landlord a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, stating such modifications and that the Lease as modified is in full force and effect.); (b) the dates to which the rent and other charges have been paid; and (c) that to the best of Tenant's knowledge, Landlord is not in default under any provision of this Lease, or, if in default, the nature thereof in detail.

27. MISCELLANEOUS:

(a) All rights and remedies of Landlord under this Lease shall be cumulative and none shall exclude any other rights and remedies allowed by law.

(b) All payments becoming due under this Lease shall be considered as rent, and if unpaid when due shall bear interest at a rate per annum equal to the higher of 7% or 3% above the base rate of The First National Bank of Boston from time to time in effect.

(c) The work "Tenant" wherever used herein shall be construed to mean Tenants in all cases where there is more than one Tenant, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. In all cases where there is more than one Tenant, the obligations of Tenants hereunder shall be joint and several.

(d) Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit, not only of Landlord and of Tenant, but also of their respective heirs, legal representatives, successors and assigns, provided this clause shall not permit any assignment contrary to the provisions of Paragraph 8 hereof.

(e) All of the representations and obligations of Landlord and Tenant are contained herein and no modification, waiver or amendment of this Lease or of any of its conditions or provisions shall be binding upon either party unless in writing signed by such party or by a duly authorized agent of such party empowered by a written authority signed by such party.

(f) Submission of this instrument for examination shall not bind Landlord in any manner, and no lease or obligation on Landlord shall arise until this instrument is signed and delivered by Landlord and Tenant.

(g) No rights to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease.

(h) DELETED.

(i) Tenant shall have the right to use the fire stairs between the floors comprising the Premises as a regular means of passage between those floors subject only to Tenant's compliance with all fire safety and building codes. Landlord will arrange for those doors to be locked and only Landlord and Tenant will be given keys to those locks. Tenant may paint and otherwise decorate the fire stairs at Tenant's sole cost and expense so long as all fire safety and building codes are observed.

(j) Landlord agrees to repaint with one coat all painted surfaces in the Premises after the fourth, eighth and twelfth anniversaries of the commencement of the Term at Landlord's expense.

28. BROKERAGE. Tenant represents and warrants to Landlord that, with respect to the leasing of space in the Building, it has not directly or indirectly dealt with any broker or had attention called to the Premises or other space to let in the Building by anyone other than Meredith & Grew, Inc., 125 High Street, Boston, Massachusetts and Hunneman & Co., Inc., One Winthrop Square, Boston, Massachusetts and covenants and agrees to defend, save harmless and indemnify Landlord against any claims for a commission arising out of any dealings directly or indirectly by Tenant with any broker other than the aforesaid Meredith & Grew, Inc., and Hunneman & Co., Inc. with respect to the execution and delivery of this Lease or the leasing of space within the Building. Landlord shall pay any commission owed the aforesaid Meredith & Grew, Inc. and Hunneman & Co., Inc.

29. OPTION TO EXTEND LEASE. Tenant shall have the option to extend the Term of this Lease for an additional period of five years subject to all the terms and conditions of this Lease except that the annual base rent during the extended Term shall be the higher of the annual base rent during the initial Term or the fair rental value of the Premises during the extended Term, taking into account the then-current Rent Adjustments specified in Paragraph 2. Such option shall be exercised by giving written notice to Landlord prior to nine years after the commencement of the Term. During the 90 days prior to the ninth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value for the extended Term and Landlord shall do so within thirty days of such request. Within thirty days after Tenant's exercise of such option (if not previously designated at Tenant's request), Landlord shall designate the fair rental value of the Premises during the extended Term by written notice to Tenant and such designation shall be conclusive of such fair rental value subject only to the determination of such fair rental value by arbitration pursuant to the provisions of Paragraph 30 provided that Tenant gives written notice to Landlord demanding such arbitration within thirty days after Landlord shall have so designated the fair rental value of the Premises (or within thirty days after the exercise of the option if Landlord has previously designated the fair rental value). The exercise of this option to extend shall be a prerequisite to the inclusion in the Premises of Space D on the 42nd Floor.

30. ARBITRATION. In the event of a dispute with respect to the establishment of the fair rental value under Paragraphs 29 and 31, such dispute shall be arbitrated by three arbiters appointed as follows: Landlord and Tenant shall each appoint a fit and impartial person as arbiter. Notice of such appointment shall be given by each party to the other within fifteen days of the date upon which notice is given by Tenant to Landlord demanding arbitration and the arbiters so appointed shall appoint a fit and impartial third arbiter who shall have had ten years' experience in Boston in a calling connected with the subject matter of the arbitration, and if the arbiters fail to agree upon a third arbiter within 15 days of the date upon which the later of such notices of appointment of the

first two arbiters is given, such third arbiter shall be appointed upon request by either Landlord or Tenant by the American Arbitration Association upon ten days' notice of the institution of proceedings for such appointment given by the requesting party. Any award that shall be made in such arbitration by the arbiters or a majority of them shall be binding and shall have the same force and effect as a judgment made in a court of competent jurisdiction and both Landlord and Tenant shall have the right to apply to the Superior Court of the Commonwealth of Massachusetts in Suffolk County, or to any other court sitting in Suffolk County succeeding to the jurisdiction and functions exercised by the Superior Court of the Commonwealth of Massachusetts, for a decree, judgment or order upon said arbitration or award upon ten days' notice to the other party. Arbitration proceedings hereunder shall be conducted in Boston in accordance with the rules of the American Arbitration Association then in effect so far as consistent with the provisions of this Paragraph 30. The fees, costs and expenses of arbitration, other than fees of attorneys for the parties and of expert witnesses, shall be borne equally between the parties unless the arbiters determine that some other division shall under the circumstances be more equitable.

31. INCLUSION OF ADDITIONAL SPACE IN THE PREMISES. (a) As of the second anniversary of the commencement of the Term or such earlier date at least 120 days after notice by Tenant to Landlord and approval of Tenant's plans by Landlord, this Lease shall be deemed amended so as to include in the Premises Space A on the 44th Floor of the Building, as designated on Exhibit A-1, the designated rentable area included in the Premises shall be increased by the rentable area included in Space A (which is 8,092 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .501 percent and the Base Rent shall be increased by $85,370.60 and the rent adjustment shall be computed from the Base Year referred to in Paragraph 2. Landlord shall, on the second anniversary of the commencement of the Term, deliver possession to Tenant of Space A, free of tenants. Space A shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 except that Landlord shall pay invoices for Tenant Work done in Space A up to $57,938.72. Landlord will keep Space A unimproved and unoccupied until its inclusion in the Premises.

(b) Tenant shall have the option to add to the Premises Space B on the 42nd Floor of the Building designated on Exhibit A-2 as of the fifth anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before four years after the commencement of the Term. During the 90 days prior to the fourth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space B for purposes of this paragraph and Landlord shall so do within thirty days of such request. In the event that Tenant does exercise the option to lease Space B, then as of such fifth anniversary, this Lease shall be deemed amended so as to include Space B in the Premises, the designated rental area included in the Premises shall be increased by the rentable area included in Space B (which is 13,427 square feet). Tenant's Proportionate Share of Ownership Taxes shall be increased by .840 percent, the Base Rent shall be increased by the fair rental value of Space B at the time of the exercise of the option (taking into account the then-current Rent Adjustments specified in Paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the fifth anniversary of the commencement of the Term, deliver possession to Tenant of Space B, free of tenants. To the extent Space B has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space B has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space B (or within thirty days after exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space B pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be determined by appraisal thereunder, but otherwise such fair rental value shall be as designated by Landlord. In the event that Landlord receives a bona fide offer from a third party to lease Space B during the first fours years after the commencement of the Term, which offer it intends to accept, Landlord shall notify Tenant in writing of the offer specifying the terms of the offer. Tenant shall have 14 business days after the date of such notice to accept Space B in writing upon the terms specified in the notice. If such offer is accepted by Tenant, such acceptance shall constitute an amendment to the Lease. If Tenant declines to accept or fails to respond to such notice, Tenant shall have no further rights to lease Space B except on the fifth anniversary of the commencement of the Term as specified above, provided, however, if the third party fails to enter into a lease on the specified terms, this right of first refusal shall also apply to any subsequent third-party offer during the first four years after the commencement of the Term.

(c) Provided that Tenant shall have exercised the option to include Space B in the Premises, Tenant shall have the further option to add to the Premises Space C on the 42nd Floor of the Building designated on Exhibit A-2 as of the seventh anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before six years after the commencement of the Term. During the 90 days prior to the sixth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space C for the purposes of this paragraph and Landlord shall do so within thirty days of such request. In the event that Tenant does exercise the option to lease Space C, then as of such seventh anniversary, this Lease shall be deemed amended

so as to include Space C in the Premises, the designated rentable area included in the Premises shall be increased by the rentable area included in Space C (which is 6,714 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .420 percent, and the Base Rent shall be increased by the fair rental value of Space C at the time of the exercise of the option (taking into account current Rent Adjustments specified in paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the seventh anniversary of the commencement of the Term, deliver possession to Tenant of Space C, free of tenants. To the extent Space C has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space C has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space C (or within thirty days after exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space C pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be determined by appraisal thereunder, but otherwise such fair rental value shall be as designated by Landlord. If Tenant shall exercised the option to include Space B in the Premises, Tenant shall have the same rights of first refusal with respect to Space C as specified in the preceding paragraph from the time of exercising the option to include Space B until the sixth anniversary of the commencement of the Term.

(d) Provided that Tenant shall have exercised the option to extend the term and the option to include Space C in the Premises, Tenant shall have the further option to add to the Premises Space D on the 42nd Floor of the Building designated on Exhibit A-2 as of the tenth anniversary of the commencement of the Term by giving written notice to Landlord of the exercise of such option on or before nine years after the commencement of the Term. During the 90 days prior to the ninth anniversary of the commencement of the Term and prior to exercising this option, Tenant may request Landlord to designate the fair rental value of Space D for purposes of this paragraph and Landlord shall do so within thirty days of such request. In the event that Tenant does exercise the option to lease Space D, then as of such tenth anniversary, this Lease shall be deemed amended so as to include Space D in the Premises, the designated rentable area included in the Premises shall be increased by the rentable area included in Space D (which is 6,713 square feet), Tenant's Proportionate Share of Ownership Taxes shall be increased by .420 percent, and the Base Rent shall be increased by the fair rental value of Space D at the time of the exercise of the option (taking into account the current Rent Adjustments specified in Paragraph 2) as designated by Landlord not later than thirty days after the exercise of the option (if not previously designated at Tenant's request) and rent adjustments shall be computed from the Base Year referred to in Paragraph 2. If the foregoing option shall be so exercised, Landlord shall, on the tenth anniversary of the commencement of the Term, deliver possession to Tenant of Space D, free of tenants. To the extent Space D has been previously occupied, it shall be delivered with such partitioning, if any, as may be located there and broom-clean but otherwise "as-is" as to condition and layout. To the extent Space D has not been previously occupied, it shall be delivered broom-clean and in the condition set forth in Attachment A of Exhibit 3 (Items 1-13 only without deletions). Within thirty days after Landlord has designated the rent for Space D (or within thirty days of exercise of the option if Landlord has previously designated the fair rental value), Tenant may give notice to Landlord demanding appraisal of such fair rental value of Space D pursuant to the provisions of Paragraph 30, in which event such fair rental value shall be as determined by appraisal thereunder, but otherwise such fair rental value shall be designated by Landlord. If Tenant shall have exercised the option to include Space C in the Premises, Tenant shall have the same right of first refusal with respect to Space D as specified in the second preceding paragraph from the time of exercising the option to include Space C until the ninth anniversary of the commencement of the Term.

(e) If Tenant desires to rent space on the 42nd Floor for which no option is then available, Landlord agrees to rent to Tenant all or a portion of the space on the 42nd Floor then available in substitution for and on the same equivelant terms as an equal amount of the next available option space. At the time of exercise of the next option, the then current option space shall be made contiguous with the space already rented and, together with the amount of space already rented by Tenant on the 42nd Floor, shall equal the cumulative amount of option space then available to Tenant under the provisions of this Paragraph 31.

(f) Whenever, under this Paragraph 31, an option is exercised by Tenant for space not previously occupied, Landlord shall install Building Standard Work and Special Tenant Work in accordance with Exhibit 3. Within six months after Tenant notifies Landlord of the exercise of such an option, Tenant shall deliver final plans to Landlord as described in paragraph 1(a) of Exhibit 3. If Landlord shall be delayed in substantially completing such work so that the space is not ready for such occupancy by the respective dates listed in this paragraph as a result of causes listed in Paragraphs 2(a), 2(b) and 2(c) of Exhibit 3, then Tenant as liquidated damages shall pay to Landlord a sum equal to the product of the daily rent for the option space and the number of days of such delay. The word "Term" as used in Exhibit 3 for purposes of this paragraph shall mean the time between the date on which Landlord delivers the space to Tenant and the balance of the Term as defined in paragraph 1.

IN WITNESS WHEREOF, Landlord and Tenant have caused this instrument to be duly executed this first day of March, 1978.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
Landlord

By /s/ illegible
---

2nd Vice President
---
(Title)

CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ illegible
---
Tenant

PRESIDENT
---
(Title)

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
John Hancock Place
P. O. Box 111
Boston, Massachusetts 02117

March 1, 1978

Gerald Kraft, President
Charles River Associates, Inc.
1050 Massachusetts Avenue
Cambridge, Massachusetts 02138

Re: John Hancock Tower
TEMPORARY STORAGE SPACE AND JANITORIAL SERVICE

Dear Mr. Kraft:

Reference is made to a lease of even date between John Hancock Mutual Life Insurance Company and Charles River Associates, Inc. demising premises on the 43rd and 44th floors of the John Hancock Tower (the "Lease").

In consideration of your entering into the lease, John Hancock will make available to Charles River Associates, Inc. 4,000 square feet of storage space on the 44th floor of John Hancock Tower commencing on May 15, 1978. You shall yield up such space on the earlier of (a) 15 days after your taking occupancy of the premises demised by the Lease, or (b) 15 days after termination of the Lease.

By your signature below, you hereby acknowledge that your use of such storage space shall be at your sole risk, and that the Landlord shall not be liable for any damage or theft of items stored therein.

To prevent overloading of the storage area and damage to the Building, the Landlord shall supervise the placing of materials in the storage area and their removal therefrom. By your signature below, you hereby agree that Landlord shall not be liable for any damage either to persons or property resulting from or arising as a result of your use of the storage space.

With respect to janitorial services, this will acknowledge that the provisions of the Lease are not intended to prevent

Gerald Kraft, President
Charles River Associates, Inc.
Re: John Hancock Tower
Temporary Storage Space and
Janitorial Service

your employees and agents from performing routine cleaning during business hours.

Very truly yours,

/s/ illegible
---

AGREED:

By: /s/ illegible
---
Date: 3/1/78

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
JOHN HANCOCK PLACE
POST OFFICE BOX 111
BOSTON, MASSACHUSETTS

Department of Administrative Services
Harold F. Portle, Jr.
Director of Leasing
Building Management Services

March 1, 1978

Mr. Gerald Kraft, President
Charles River Associates, Inc.
1050 Massachusetts Avenue
Cambridge, Massachusetts 02138

Re: PARKING SPACES - JOHN HANCOCK GARAGE

Dear Mr. Kraft:

Reference is made to the Lease of even date between John Hancock Mutual Life Insurance Company and Charles River Associates, Inc. for space on the 43rd and 44th floors of the John Hancock Tower. In consideration of your execution of the Lease, we agree to provide parking spaces to you in the John Hancock Place Garage, which is situated over the Massachusetts Turnpike between Dartmouth and Clarendon Streets, as of the commencement of the Term specified in the Lease upon the following terms and conditions.

One parking space on floors 2, 3, or 4 of the Garage will be made available to Charles River Associates, Inc. for every 2,000 square feet of space leased in the John Hancock Tower.

All arrangements with respect to such parking, including the charges to be made from time to time therefor, shall be at the prevailing rates established by the operator of the Garage as they may be changed from time to time.

If pursuant to any existing or future law, regulation or other governmental action, the use of the John Hancock Place Garage is restricted for the parking of cars for the type of use contemplated by the foregoing arrangement, it is understood that John Hancock Mutual Life Insurance Company may reduce or terminate completely, the above arrangements provided such reductions are made pro rata with other tenants of the John Hancock Tower.

Mr. Gerald Kraft, President
Charles River Associates, Inc.
Re: Parking Spaces -
John Hancock Garage

The Hancock will cause the operator of the Garage to provide parking throughout the Term of the Lease in accordance with the provisions of this letter.

Kindest personal regards,

/s/ illegible
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FIRST AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a lease dated March 1, 1978 demising certain premises on the 43rd and 44th floors of the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts (the "Lease"); and

WHEREAS, Tenant has surrendered to Landlord those portions of the 44th floor of the Premises designated as A, B and C on the plan attached hereto as Exhibit A; and

WHEREAS, Landlord and Tenant desire to amend the Lease;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended as follows, and such changes are deemed to have taken effect on August 1, 1981.

1. The Premises comprise the entire 43rd floor (26,707 square feet of rentable area) and that portion of the 44th floor designated as Space "D" on the plan attached hereto as Exhibit A (2,657 square feet of rentable area).

2. The Base Rent is $309,790.20 (29,364 square feet at $10.55 per square foot).

3. Tenant's Proportionate Share of Ownership Taxes is 1.8381%.

4. Tenant may, at Tenant's election, increase the area of the Premises by adding thereto all or any portion of Space C as shown on Exhibit A attached hereto, subject to the following conditions:

   a. Tenant shall exercise such election by delivering written notice to Landlord designating the space to be added.

   b. Vacant space may be added at any time prior to August 1, 1984.

   c. Space which is occupied by Landlord or another tenant may be added on August 1, 1982; January 1, 1983; August 1, 1983 or January 1, 1984, provided such notice of election is delivered to Landlord not less than 90 days prior to the date on which it is to be delivered.

d. Tenant shall exercise its election so that the portions of Space C which are not added to the Premises are contiguous to Space B, as shown on Exhibit A.

5. Tenant may also, at Tenant's election, such election to be exercised by not less than 90 days' prior written notice to Landlord, add to the Premises 3,917 rentable square feet of space on the 42nd floor for a term to end on June 11, 1983.

6. The Base Rent shall be increased at the rate of $10.55 per annum for each square foot of rentable area included in the Premises pursuant to the provisions of the foregoing paragraphs 4 and 5, and the Tenant's Proportionate Share of Ownership Taxes shall also be appropriately adjusted.

7. Commencing August 1, 1984, the Premises shall include the entire 43rd and 44th floors together with Space B on the 42nd floor, if Tenant shall have exercised its option with respect to said Space B pursuant to paragraph 31(b) of the Lease, and the Base Rent and Rent Adjustment shall be determined as set forth in the Lease.

8. Upon delivery of Space A, B and C of the 44th floor on August 1, 1984, (a) Space B and C shall have substantially the same floor layout, partitioning and configuration as existed with respect to said Space on August 1, 1981, (b) Space A shall be delivered to Tenant in its then "as is" condition including all alterations thereto hereafter made by Landlord, and (c) Landlord shall grant to Tenant a construction allowance in the amount of $27,286 for the purpose of making such further alterations and renovations as Tenant shall deem appropriate for its intended use. Said construction allowance shall be granted as a credit toward payment of the rent due on August 1, 1984. All such alterations and renovations shall be made pursuant to plans submitted to and approved by Landlord.

Executed as a sealed instrument this 16th day of December, 1981

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Paul I. Pennie
---

CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens
---

SECOND AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981 (as so amended, the ("Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1984" in the one place it appears in Paragraph 7 and in the two places in which it appears in Paragraph 8 of the First Amendment of Lease to "August 1, 1985".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 24th day of February , 1984.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By
---

CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ illegible TREASURER
---

THIRD AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981 and by Second Amendment of Lease dated February 24, 1984 (as so amended, the ("Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1985" in the Second Amendment of Lease to "August 1, 1986".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 28th day of February, 1985.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES
INCORPORATED

By /s/ Alan R. Willens
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TREASURER

# FOURTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984 and by Third Amendment of Lease dated February 28, 1985 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1986" in the Third Amendment of Lease to "August 1, 1987".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 7th day of February, 1986.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens TREASURER
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FIFTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, and by Fourth Amendment of Lease dated February 7, 1986 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease further,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Lease is hereby amended by changing the date "August 1, 1987" in the Fourth Amendment of Lease to "June 11, 1988".

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 13th day of February, 1987.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By /s/ Lawrence W. Gaboury
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CHARLES RIVER ASSOCIATES INCORPORATED

By /s/ Alan R. Willens TREASURER
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SIXTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, and by Fifth Amendment of Lease dated February 13, 1987 (as so amended, the "Lease"); and

WHEREAS, the Term of the Lease currently expires on June 11, 1988; and

WHEREAS, Tenant has exercised its Option to Extend the Term of the Lease with respect to the 43rd floor (consisting of 26,707 rentable square feet) for an additional 5 years commencing June 12, 1988 and expiring June 11, 1993; and

WHEREAS, Landlord desires to grant Tenant an additional five year Option to Extend at the expiration of the Term, as extended above; and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the above;

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

1. The Term of the Lease is hereby extended for an additional five (5) years commencing June 12, 1988 and expiring on June 11, 1993.

2. Effective June 12, 1988, the Premises shall comprise the entire 43rd floor (26,707 square feet of rentable area), and no other portion of the John Hancock Tower.

3. The Base Rent for the period from June 12, 1988 through May 11, 1989 shall be at a rate of $520,786.50 (26,707 square feet at $19.50 per square foot). The Base Rent for the balance of the Term, as extended, for the period from May 12, 1989 through June 11, 1993 shall be at a rate of $881,331 (26,707 square feet at $33.00 per square foot).

4. Effective June 12, 1988 the Base Year for Taxes shall be fiscal year 1987 and the Base Year for Operating Utility Expenses shall be calendar year 1987.

5. Effective June 12, 1988 Tenant's Proportionate Share of Ownership Taxes shall be 1.6718.

6. Paragraph 29 of the Lease is hereby deleted in its entirety and the following Paragraph 29 is inserted in its stead:

"29. OPTION TO EXTEND LEASE. Tenant shall have the option to extend the Term of this Lease for an additional period of five years subject to all the terms and conditions of this Lease except that the annual base rent during the second extended Term (June 12, 1993 through June 11, 1998) shall be the higher of the annual base rent during the first extended Term (June 12, 1988 through June 11, 1993) or the fair rental value of the Premises during the second extended Term, taking into account the then-current Rent Adjustments specified in Paragraph 2. Such option shall be exercised by giving written notice to Landlord prior to June 11, 1992. During the 90 days prior to June 11, 1992 and prior to exercising this option, Tenant may request Landlord to designate the fair rental value for the second extended Term and Landlord shall do so within thirty days of such request. Within thirty days after Tenant's exercise of such option (if not previously designated at Tenant's request), Landlord shall designate the fair rental value of the Premises during the second extended Term by written notice to Tenant and such designation shall be conclusive of such fair rental value subject only to the determination of such fair rental value by arbitration pursuant to the provisions of Paragraph 30 provided that Tenant gives written notice to Landlord demanding such arbitration within thirty days after Landlord shall have so designated the fair rental value of the Premises (or within thirty days after the exercise of the option if Landlord has previously designated the fair rental value)."

7. Other than the Option to Extend provided for in Paragraph 6 above, Tenant shall have no other Option to Extend or Option to Add Space.

8. Any amount in the form of a commission or similar payment due Leggat McCall as a result of Tenant's exercise of its Option to Extend herein shall be the obligation of Tenant.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this 24th day of August, 1987.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
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General Director

CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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SEVENTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March l, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, by Fifth Amendment of Lease dated February 13, 1987 and by Sixth Amendment of Lease dated August 24, 1987 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the leasing of certain additional storage space described below;

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

1. Effective November 1, 1989 through and including June 11, 1993, the Premises shall also include 1,022 rentable square feet of storage space on the basement floor of the Heath Building at 285 Columbus Avenue, Boston, Massachusetts, as more particularly shown on EXHIBIT A hereto ("STORAGE SPACE"). The rent for this space will be $10,220.00 per annum ($10 per foot in equal monthly installments' of $851.67) for the entire term paid in advance on or before the first day of each month. There will be no increases for Operating Expenses or Ownership Taxes.

2. The Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Tenant will accept the space in "as-is" condition. Tenant shall use the Storage Space only for storage associated with the use of the Premises. A fire, casualty or condemnation with respect to the Storage Space shall not affect Tenant's obligations with respect to the Premises.

3. Tenant will have access to the Storage Space on not more than 24 hours notice and when possible on demand.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this ___ day of January, 1990.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By:
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CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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EIGHTH AMENDMENT OF LEASE

WHEREAS, JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY ("Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED ("Tenant") entered into a Lease dated March 1, 1978, demising certain premises in the John Hancock Tower, 200 Clarendon Street, Boston, Massachusetts, and certain premises in the Heath Building, 285 Columbus Avenue, Boston, Massachusetts, which Lease was amended by First Amendment of Lease dated December 16, 1981, by Second Amendment of Lease dated February 24, 1984, by Third Amendment of Lease dated February 28, 1985, by Fourth Amendment of Lease dated February 7, 1986, by Fifth Amendment of Lease dated February 13, 1987, by Sixth Amendment of Lease dated August 24, 1987 and by Seventh Amendment of Lease dated January 21, 1990 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the leasing of certain substitute storage space in the Heath Building and additional storage space in the John Hancock Tower more particularly described below;

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

A. HEATH BUILDING

1. Effective December 31, 1991 through and including June 11, 1993, the portion of the Premises consisting of 1,022 rentable square feet of storage space on the basement floor of the Heath Building, (as more particularly shown on EXHIBIT A to the Seventh Amendment to Lease) shall be deleted from the Lease, and 1,390 rentable square feet of storage space on the eighth floor of the Heath Building, as more particularly shown on EXHIBIT A-1 hereto ("Heath Storage Space"), shall be substituted in its place. The rent for the Heath Storage Space will be $13,899.96 per annum ($10.00 per square foot in equal monthly installments of $1,158.33) for the entire term paid in advance on or before the first day of each month. There will be no increase for Operating Expenses or Ownership Taxes with respect to the Heath Storage Space.

2. The Heath Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Landlord shall, on or before December 31, 1991 perform certain improvements to the Storage Space necessary to demise the Premises (i.e. caging with standard lock) ("Landlord's Work"). Tenant shall reimburse Landlord for one-half of the actual cost of performing Landlord's Work, which reimbursement shall be due and payable within ten (10) days of receipt of Landlord's statement specifying such costs. Otherwise, said Space is being demised to Tenant in "as-is" condition. Tenant shall use the Heath Storage Space only for storage associated with the use of the Premises. A fire, casualty or condemnation with respect to the Heath Storage Space shall not affect Tenant's obligations with respect to the remainder of the Premises.

3. Tenant will have access to the Heath Storage Space on not more than 24 hours notice and when possible on demand.

B. TOWER

4. Effective December 16, 1991 through and including June 15, 1992, the Premises shall also include 1,966 rentable square feet of storage space located on the 44th floor of the John Hancock Tower, as more particularly shown on Exhibit A-2 hereto ("Tower Storage Space"). The rent for the Tower Storage Space shall be $35,388 per annum ($18.00 per square foot in equal monthly installments of $2,949.00) for the entire term paid in advance on or before the first day of each month. There shall be no increases for Operating Expenses or Ownership Taxes with respect to the Tower Storage Space. Notwithstanding the foregoing, if Tenant uses the Tower Storage Space for purposes other than storage space, then the rent due for the Tower Storage Space shall automatically increase to the per square foot rent due and payable with respect to the remainder of the Premises, and Tenant's proportionate share of Operating Expenses and Ownership Taxes shall increase proportionately to reflect the inclusion of the Tower Storage Space.

5. On or before December 16, 1991, Landlord shall, at its expense, install an entrance door with a standard lock; otherwise, said space is being delivered to Tenant in "as-is" condition.

Except as hereinabove amended, the Lease shall remain in full force and effect.

Executed as a sealed instrument this day of December, 1991.

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By:
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CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ illegible
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Treasurer

Charles River Associates
John Hancock Tower
Boston, Massachusetts

NINTH AMENDMENT OF LEASE

THIS NINTH AMENDMENT TO LEASE, made and entered into as of this 2nd day of September, 1992, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

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

WHEREAS, the parties hereto are mutually desirous of amending and extending the Lease as hereinafter provided.

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

1. INITIAL LEASE TERM EXTENDED.

Landlord and Tenant acknowledge that as currently provided in the Lease the Term commenced on June 12, 1978 and terminates on June 11, 1993 (the "Initial Term") and the Premises comprise (i) the entire 43rd floor of the Building (comprising 26,707 rentable square feet) (the "Initial Premises") plus (ii) 1,390 rentable square feet of storage space on the eighth floor of the Heath Building (the "Heath Storage Space") and (iii) 1,966 rentable square feet of

storage space on the 44th floor of the Building (the "Hancock Storage Space") all as more particularly described in the Lease. Landlord and Tenant hereby agree that the Initial Term shall terminate on and, if necessary, be extended to the Extended Term Commencement Date (as hereinafter defined in Paragraph 7(E) of this Ninth Amendment). Tenant's occupancy of the Initial Premises, the Heath Storage Space and the Tower Storage Space during the balance of the Initial Term shall be on the same terms and conditions as currently contained in the Lease, except as expressly modified by Paragraphs 2 and 3 of this Ninth Amendment and shall terminate upon the Extended Term Commencement Date; provided, however, Tenant's occupancy of the Hancock Storage Space shall terminate upon the occupancy by Tenant of the Temporary Space (as hereinafter defined in Paragraph 3).

2. BASE RENT DURING INITIAL TERM.

Effective as of June 12, 1992 and continuing for the balance of the Initial Term, Base Rent for the Initial Premises shall be payable at a rate of $881,331 per year (26,707 rentable square feet at $33.00 per square foot) except that for the period from January 1, 1993 through February 12, 1993, the Base Rent for the Initial Premises shall be payable at a reduced rate of $614,261 per year (26,707 rentable square feet at $23.00 per square foot); provided, however, in the event the Extended Term Commencement Date does not occur on or before February 12, 1993 and the delay is due to causes reasonably within the control of the Landlord, the period during which the Base Rent shall be payable at the foregoing reduced rate shall be extended beyond February 12, 1993 for the period of such delay.

3. TEMPORARY SPACE DURING INITIAL TERM.

Effective as of June 12, 1992, Landlord hereby leases to Tenant and Tenant hereby agrees to lease, approximately 6,400 rentable square feet of space on the 44th floor of the Building as shown on EXHIBIT 1, attached hereto and made a part hereof, (the "Temporary Space"), for the balance of the Initial Term on the same terms and conditions as contained in the Lease, except that Tenant shall have no obligation to pay Base Rent or to pay any Rent Adjustment (as provided in Section 2 of the Lease) for the Temporary Space during the Initial Term. Landlord shall deliver the Temporary Space in "AS IS" condition after receipt of written notice from Tenant. Tenant shall perform all work necessary in order to equip and furnish the Temporary Space for Tenant's use for

general office purposes in accordance with plans approved by Landlord and in a first-class, good and workmanlike manner. Landlord shall have no obligation to construct any improvements to the Temporary Space or to contribute to the cost of any improvements to the Temporary Space; provided, however, Landlord shall provide an egress door from the Temporary Space vestibule into the common area of the 44th floor in compliance with all applicable law. Upon the termination of the Initial Term, or earlier termination of this Lease, Tenant will surrender possession of the Temporary Space to Landlord broom clean, free of all of Tenant's property and in the same condition as it was as of the commencement of Tenant's occupancy, reasonable wear and tear excepted.

4. RELOCATION OF PREMISES TO 32ND AND 33RD FLOORS DURING EXTENDED TERM.

A. LEASE OF 32ND AND 33RD FLOORS. Commencing on the Extended Term Commencement Date and continuing for the duration of the Extended Term (as hereinafter defined), Landlord hereby leases to Tenant and Tenant hereby agrees to lease 10,553 rentable square feet of space on the 32nd floor and 25,939 rentable square feet of space on the 33rd floor (i.e. the entire 33rd floor) of the Building as shown on EXHIBIT 2 and EXHIBIT 3, respectively, attached hereto and made a part hereof, on the same terms and conditions as contained in the Lease, as modified by this Ninth Amendment, unless sooner terminated as provided in the Lease. The foregoing space on the 32nd and 33rd floors of the Building is referred to collectively as the "Extended Premises". During the Extended Term, the term "Premises" as used in the Lease shall mean and include the Extended Premises, as the same may be expanded as hereinafter provided in Paragraph 10 of this Ninth Amendment, but shall exclude the Initial Premises and the Temporary Premises.

B. EXTENDED TERM. The Lease shall be and hereby is extended for an additional term of fifteen (15) years, commencing on the Extended Term Commencement Date (the "Extended Term") on the same terms and conditions as contained in the Lease, as modified by this Ninth Amendment. Landlord and Tenant hereby acknowledge that Tenant shall lease the entire Extended Premises during the entire Extended Term.

C. BASE RENT DURING EXTENDED TERM. Commencing on the Extended Term Commencement Date and continuing for the Extended Term, Tenant shall pay to Landlord annual Base Rent for the Extended Premises as follows:

| YEARS | RENT PER RENTABLE SQUARE FOOT |
|---|---|
| 1 - 5 | $23.00 per rentable square foot; and |
| 6 - 15 | $27.50 per rentable square foot |

With respect to the Extended Premises, the annual Base Rent as provided above shall be payable as follows:

(i) From the Extended Term Commencement Date through the fifth anniversary thereof, $839,316.00 for each year in equal monthly installments of $69,943.00; and

(ii) From the fifth anniversary of the Extended Term Commencement Date through the fifteenth anniversary thereof, $1,003,530.00 for each year in equal monthly installments of $83,627.50.

(iii) Notwithstanding the foregoing, no annual Base Rent shall be payable for the first eighteen (18) months of the Extended Term.

5. RENT ADJUSTMENT

Section 2 of the Lease captioned "RENT ADJUSTMENT" is amended as follows:

a. by adding at the end of the first paragraph of subsection (a) of Section 2 the following:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, the Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes (as defined in the first paragraph of subsection (a)) shall be the fiscal year 1993, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes during the Extended Term from and after July 1, 1993."

b. subsection (a) of Section 2 is also amended by adding the following at the end of the second paragraph thereof:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, Tenant's Proportionate Share of Ownership Taxes for any fiscal year shall be 2.2843%, the percentage resulting from dividing the number of square feet of rentable area included in the Extended Premises (which will then be 36,492 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet). Tenant's Proportionate Share of Ownership Taxes shall be increased accordingly in the event Tenant exercises any of its options for expansion space as provided in Paragraph 10 of this Ninth Amendment."

c. by adding at the end of subsection (b) of Section 2 the following:

"Commencing on the Extended Term Commencement Date and for the duration of the Extended Term, as the same may be extended, the Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses (as defined in the first paragraph of subsection (b) shall be the calendar year 1993, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses during the Extended Term from and after January 1, 1994."

6. SERVICES

Section 3 of the Lease captioned "SERVICES" is amended by adding the following at the end of said section:

"During the Extended Term, in addition to the Services required by Section 3 of the Lease, Landlord shall provide the following additional services to Tenant, without additional charge to Tenant:

a. Thermostats shall be set at no more than 74(degree) Fahrenheit when cooling is required and no less than 71(degree) Fahrenheit, or less, if requested by Tenant, when heating is required; it being acknowledged by Tenant that solar exposure of certain portions of the Extended Premises may require the use of blinds to reduce interior temperatures.

b. In connection with the completion of the Work, Landlord shall provide and install new thermostats in the Extended Premises. Perimeter zones shall be controlled at one per bay or one per every two bays as mutually determined by Landlord and Tenant. Building corners shall be subzoned such that each exposure shall have its own zone of control. Subzoned areas shall be individually controlled. Installation of the new thermostats shall be based on the new layouts, new DDC system hardware and new building control systems which Landlord will install in the Building no later than three (3) years from the Extended Term Commencement Date. These new systems shall be made available to Tenant as soon as Building-wide installation of the central elements to the new control systems are completed.

c. Excepting for exterior conditions of extreme cold or extreme heat and humidity, outside air to the floor at interior and exterior zones shall be sufficient to provide the lesser of 20 CFM to each occupant or 0.2 CFM per square foot generally in any particular area of control.

d. In connection with the completion of the Extended Premises by Landlord pursuant to Paragraph 7 of this Ninth Amendment:

(i) a minimum of 5 tons of condenser water shall be provided to the Extended Premises on a 24 hour basis;

(ii) electrical capacity shall be provided to the Extended Premises at 6.5 watts per square foot with the future potential for 8.5 watts per square foot;

(iii) adequate telephone and data/communications riser capacity shall be provided; and

(iv) doors and stair towers off freight lobby and similarly located space at the north end of the Building shall be modified by Landlord to allow for economical multi-tenant use.

Notwithstanding anything to the contrary contained in Section 3(b) of the Lease, Landlord acknowledges that the annual Base Rent for the Extended Premises specified in Paragraph 4 of this Ninth Amendment includes all normal electricity charges for lighting and electrical outlets attributable to the Extended Premises.

7. COMPLETION OF EXTENDED PREMISES BY LANDLORD

A. GENERAL. This Paragraph 7 of the Ninth Amendment sets forth the mutual agreement between Landlord and Tenant as to the production of plans and specifications for and the performance of the leasehold improvements, including without limitation the improvements required to satisfy the provisions of Section 3(d) of the Lease as added by Paragraph 6 of this Ninth Amendment, to be performed in preparing the Extended Premises for Tenant's occupancy (the "Work"). Except as expressly provided herein, Tenant shall accept the Extended Premises "AS IS" as to condition and layout.

B. PLANS.

(i) On or before September 14, 1992, Tenant shall submit to Landlord for Landlord's approval preliminary plans for the Work prepared by a licensed architect or engineer, which plans shall include any drawings and specifications necessary to permit Landlord to price the Work on a preliminary basis. Landlord shall review such plans as submitted within ten (10) business days after the receipt thereof and shall notify Tenant if Landlord approves or disapproves such plans. If Landlord disapproves such plans, Landlord shall specify in writing the reasons for its disapproval of any aspect of such plans. Within five (5) business days of receipt of Landlord's written disapproval, Tenant shall prepare any revisions to such plans which may be necessary as a result of Landlord's disapproval and resubmit such revised plan to Landlord for approval, which approval shall not be unreasonably withheld or delayed. Simultaneously therewith within said ten (10) business day period, Landlord will furnish to Tenant a preliminary cost estimate for all costs and expenses necessary to complete the Work contemplated by the preliminary plans. Landlord shall have no obligation to Tenant with respect to the preliminary cost estimate and shall not be bound in any manner as a result of providing the preliminary cost estimate to Tenant. Thereafter, on or before October 14, 1992, Tenant shall submit to Landlord for Landlord's approval final plans for the Work (stamped by a licensed architect or engineer), which plans shall include all necessary drawings, specifications and documents required for (a) purchase and installation of demountable partitions, (b) carpet selection and layout, (c) architectural layout, finish schedules and like, (d) electrical power distribution, (e) "above ceiling" engineering plans to be prepared as provided in Paragraph 7(B)(ii) below, (f) the plans for all public areas

on the 32nd and 33rd floors to be prepared as provided in Paragraph 7(B)(ii) and any other plans necessary to permit Landlord to price (on a final basis) and to perform the Work. Landlord shall review such final plans as submitted within five (5) business days after the receipt thereof and in all other respects, the procedure for obtaining Landlord's approval of the final plans shall be identical to the procedure, described hereinabove, with respect to obtaining Landlord's approval of the preliminary plans. At such time as the final plans have been approved by Landlord, Landlord and Tenant shall initial such plans. The final plans and specifications initialed by Landlord and Tenant shall be used by Landlord to obtain the Tenant's Cost Quotation (as provided in Paragraph 7(c)(ii) below) and shall be referred to herein as the "Plans". Landlord shall not be deemed unreasonable for withholding approval of any improvements, alterations or additions which (i) do not comply with all applicable laws, ordinances, codes, rules and regulations, (ii) adversely affect any structural, mechanical, plumbing, HVAC, electrical or exterior elements of the Building, or (iii) will require unusual expense to readapt the Extended Premises to normal office use on termination of the Lease or (iv) will increase the cost of construction or of insurance or taxes on the Building or the Extended Premises, unless Tenant agrees in writing to pay all such costs. Approval of the plans shall create no responsibility or liability on Landlord for the accuracy or completeness of such plans, their design sufficiency or compliance with applicable statutes, ordinances or regulations.

(ii) Tenant shall employ an engineer approved by Landlord to prepare any "above ceiling" plans and specifications necessary for completion of the Work, which "above ceiling" plans will set forth any and all HVAC, sprinkler, lighting and plumbing systems. The plans for all public areas, including elevator core area on the 32nd and 33rd floors shall be prepared by Tenant's architect and shall comply with all applicable laws and lawful ordinances, codes, regulations and orders of governmental authority, including without limitation applicable disability access regulations. Any reasonable costs or expenses incurred or paid by Tenant in connection with the preparation of such plans and specifications and all reasonable costs or expenses incurred or paid by Landlord in connection with the review of such plans and specifications shall be a cost of the Work and included in Tenant's Cost Quotation (defined below).

C. TENANT ALLOWANCE; TENANT'S COST QUOTATION.

(i) Landlord will provide Tenant with a tenant improvement allowance for design of the Plans and construction of the Work pursuant to the Plans in the aggregate amount of $44.68 per rentable square foot ($1,630,462.56 based on 36,492 rentable square feet) (the "Tenant Allowance"). The Tenant Allowance shall be paid by Landlord toward the cost of completion of the Work in accordance with the Plans.

The Tenant Allowance shall not include the following costs which shall be paid by Landlord as part of the Work within the Extended Premises:

(a) Landlord shall deliver floors clean and with under floor duct system empty;

(b) Landlord shall provide additional ceiling tiles, at cost, as needed to match existing ceiling tiles;

(c) Landlord shall clean and relamp existing ceiling lighting fixtures as needed;

(d) Landlord shall perform the work and provide the services described in Section 3(d) of the Lease; and

(e) Landlord shall cause the elevator core area and the building standard bathrooms on the 32nd and 33rd floors to comply with the requirements of applicable public access regulations for handicapped or disabled persons.

(ii) Within twenty (20) business days of the approval of the Plans, Landlord shall obtain bids from at least three (3) general contractors selected by Landlord for the performance of the Work, and Landlord will furnish to Tenant a cost quotation from each of the three (3) general contractors for all costs and expenses necessary for completion of the Work pursuant to the Plans, together with Landlord's designation of the cost quotation which Landlord considers to be the best available cost quotation for the completion of the Work (herein "Tenant's Cost Quotation"). Landlord cannot and does not guarantee the accuracy of any cost quotation, including without limitation the Tenant's Cost Quotation. Unless Tenant disapproves the Tenant's Cost Quotation within five (5) business days, Tenant's Cost Quotation shall be deemed accepted and agreed to by Tenant. If within the applicable five (5) business day period,

Landlord receives Tenant's written disapproval of the Tenant's Cost Quotation, then Tenant shall meet with Landlord and the contractor(s) (if necessary) within three (3) business days thereafter to revise Tenant's Cost Quotation. The procedure shall be followed until Tenant's Cost Quotation is approved by Landlord and Tenant in writing.

If the approved Tenant Cost Quotation is equal to or less than the Tenant Allowance, Tenant shall provide Landlord with a signed work order authorizing commencement of the Work in accordance with the Plans and the final Tenant Cost Quotation (see EXHIBIT 4 attached hereto). If the approved Tenant's Cost Quotation is greater than the Tenant Allowance, then, after the Tenant Allowance has been duly disbursed, Landlord shall provide a statement, in reasonable detail, to Tenant by notice to Tenant, not more often than monthly as of the Work proceeds, setting forth the total of all costs incurred by Landlord in excess of the sum of the Tenant Allowance and all Construction Payments (as hereinafter defined) made by Tenant and received by Landlord, and Tenant shall pay such excess to Landlord within ten (10) business days after the giving of such notice. (All such payments made by Tenant to Landlord are referred to herein as "Construction Payments".)

(iii) Landlord and Tenant shall cooperate and use diligent efforts to assure that the Plans and Tenant's Cost Quotation are approved in final form on or before November 12, 1992.

(iv) Upon delivery of Tenant's work order, Landlord shall perform the Work and use reasonable efforts to have the Extended Premises ready for occupancy by February 12, 1993 (herein the "Scheduled Commencement Date"). (The designation of February 12, 1993 as the Scheduled Commencement Date is based upon the assumption that the Plans and the Tenant's Cost Quotation are approved on or before November 12, 1992 as provided hereinabove.) All Work shall be performed by Landlord's designated contractor(s) in accordance with the Plans and Tenant's Cost Quotation. Landlord shall have no obligation to Tenant for defects in design, workmanship or materials, but shall use reasonable efforts to enforce the contractor's obligations thereon and, at Tenant's option, shall assign all warranties received by Landlord with respect to the Work. Any changes to the Plans or Tenant's Cost Quotation may be made only upon written request by Tenant

approved in writing by Landlord, such approval not to be unreasonably withheld or delayed, or as may be required by any governmental agency, in each instance evidenced by a written change order describing the change.

D. COMPLETION OF THE WORK. The Work shall be deemed substantially completed on the date on which Landlord delivers to Tenant either (i) an occupancy permit (permanent or temporary) from the governmental agency responsible for issuing same, provided, however, if such occupancy permit is a temporary one, Landlord shall use reasonable efforts to proceed with and complete all work necessary to satisfy the conditions thereunder and obtain a permanent occupancy permit or (ii) a certification from Landlord's representative, as set forth in Paragraph 7(G) hereof, stating that the Extended Premises are substantially complete and ready for legal occupancy in accordance with the Plans except for so-called "Punch List" items, the completion of which will not substantially interfere with Tenant's ability to occupy, use and enjoy the Extended Premises. Landlord will use due diligence to complete the so-called "Punch List" items. Landlord shall provide Tenant as much notice as circumstances reasonably allow of the date when Landlord expects the Extended Premises to be substantially completed, based upon the progress of the Work.

E. EXTENDED TERM COMMENCEMENT DATE. The "Extended Term Commencement Date" shall be the earliest of (a) the date Tenant takes possession of the Extended Premises and commences business operations thereof, (b) the date the Extended Premises are substantially completed pursuant to Paragraph 7(D) above (provided, however, that such date shall not be earlier than the Scheduled Commencement Date), or (c) the date such substantial completion would have occurred but for delays caused by Tenant or its representatives, agents or employees ("Tenant Delays"), including, without limitation, delays caused by (i) failure to furnish plans or other information in accordance with Paragraph 7(B) above; (ii) Tenant's request for any special, long lead time materials or installations as part of the Work; (iii) Tenant's changes in any drawings, plans or specification; (iv) any changes initiated by reason of Tenant's disapproval of cost proposals or resulting in the preparation of revised cost proposals; (v) field changes to construction work requested or required by Tenant; (vi) the delivery, installation or completion of any Tenant finish work performed by Tenant's employees or agents; or (vii) any other act or omission of Tenant. Immediately after the Extended Term Commencement Date has been determined, the

Extended Term Commencement Date, the expiration date of the Extended Term, the Exercise Date and the Option Term Commencement Date (as defined and determined in accordance with Section 29 of the Lease, as added by Paragraph 9 hereof) and the applicable Expansion Commencement Dates (as defined and determined in accordance with Section 31A of the Lease, as added by Paragraph 10 hereof) shall be confirmed by Landlord and Tenant in writing.

If for any reason Landlord cannot deliver possession of the Extended Premises to Tenant on the Scheduled Commencement Date, or perform any other covenant contained in this Paragraph 7 of this Ninth Amendment, the Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall such failure affect the obligations of Tenant hereunder; provided that if the Extended Premises are not substantially completed pursuant to Paragraph 7(D) on or before February 12, 1994 (which date shall be extended by one day for each day of Tenant Delay) (the "Outside Completion Date"), Tenant may not later than ten (10) days after the Outside Completion Date, give Landlord notice of its intent to terminate this Lease if the Extended Premises are not substantially completed within the next thirty (30) days, and, if said substantial completion does not occur within such period, then Tenant may terminate this Lease by notice to Landlord not later than ten (10) days after the expiration of such thirty-day period. The foregoing right of termination shall be Tenant's sole remedy in the event said substantial completion does not occur. Tenant's failure to give notice within each of the ten-day periods specified above shall be deemed a waiver of Tenant's right to terminate the Lease. If Tenant terminates this Lease under the foregoing provisions, the Initial Term of this Lease shall be extended for a period of six (6) months beyond the Outside Completion Date and shall terminate on the date which is six months beyond the Outside Completion Date.

F. FINAL COST. Within sixty (60) days after the Extended Term Commencement Date, Landlord shall furnish to Tenant a detailed statement outlining the final costs incurred or paid by Landlord in connection with completion of the Work (herein the "Final Cost") and the final amount of the Tenant's Cost Quotation, as adjusted for additional costs required by change orders in the Work requested or agreed to by Tenant (the "Adjusted Tenant's Cost"). If the Final Cost is less than the Tenant Allowance, and provided Tenant is in full occupancy of the Extended Premises and is not in default of its obligations under the Lease, beyond the expiration of

any applicable grace period, Landlord shall pay to Tenant the difference between the Final Cost and the Adjusted Tenant's Cost (the "Difference"), or a portion thereof as herein provided, within twenty (20) days after delivery of the detailed statement as follows:

(a) Landlord shall pay to Tenant one hundred percent (100%) of the Difference up to the amount, if any, by which the Tenant Allowance exceeds the Adjusted Tenant Cost; and

(b) after payment of any amount due under subsection (a) above, Landlord shall pay to Tenant fifty percent (50%) of the remaining balance, if any, of the Difference and Landlord shall be entitled to retain fifty percent (50%) of the remaining balance of the Difference.

If the Final Cost is greater than the sum of the Tenant Allowance and any Construction Payment paid to Landlord, then Tenant shall immediately pay the difference to Landlord within twenty (20) days of Landlord's written demand therefor.

G. GENERAL.

(i) Tenant approval, authorization, consent or other required action under this Paragraph 7 shall mean such action taken or authorized by Alan R. Willens. Landlord shall have the right to rely on such approval, authorization, consent or other action, until Tenant advises Landlord in writing that some other person has such authority. Landlord approval, authorization, consent or other required action shall mean such action taken or authorized by Lawrence W. Gaboury under this Paragraph 7. Tenant shall have the right to rely on such approval, authorization, consent or other action, until Landlord advises Tenant in writing that some other person has such authority.

(ii) Any failure by Tenant to pay any amounts due under this Paragraph 7 shall have the same effect under the Lease as a failure to pay Base Rent. Any such failure shall constitute an event of default under the Lease, entitling Landlord to all of its remedies under the Lease, at law and in equity.

8. ALTERATIONS

Section 10 of the Lease entitled "ALTERATIONS" is amended as follows:

(a) by adding after the first sentence of said Section 10 of the Lease, the following new sentence:

"Notwithstanding anything contained in this Section 10 to the contrary, so long as Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, at any time during the Extended Term, Tenant shall have the right (a) to install, at Tenant's expense, within the space above the ceiling tiles (and below the ceiling) electrical and/or data/communications wiring within the Extended Premises, provided that such installation shall not interfere with or in any manner adversely affect Landlord's installations within said space and (b) to install, at Tenant's expense, a ceiling system and lighting fixtures within the Extended Premises, provided that prior to performing either of the.foregoing alterations Tenant shall have submitted plans for such alterations to Landlord at least fifteen (15) business days prior to the commencement of construction and shall have obtained Landlord's prior written approval thereof, which, shall not be unreasonably withheld or delayed, and, provided, further that so long as Tenant's plans for the installation of ceiling and lighting systems are substantially similar to the systems presently installed as of the date of this Ninth Amendment on the 32nd and 33rd floors of the Building, Landlord shall not withhold its approval."

(b) by adding at the end of Section 10 of the Lease the following new Section 10A:

"10A INTERNAL STAIRCASE

During the Extended Term of the Lease, provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, Tenant shall have the right to construct an internal staircase for the exclusive use and enjoyment of Tenant, which staircase may connect those portions of the 32nd and 33rd floors occupied by Tenant; provided that the construction of such internal staircase shall be performed by Tenant in compliance with the requirements of Section 10B of the Lease.

At any time commencing six (6) months prior to the expiration of the Extended Term of the Lease or at any time after a default by Tenant under the Lease (which remains uncured beyond any applicable grace period), upon demand from Landlord, Tenant shall pay to Landlord as additional rent, the costs estimated by Landlord to cap the internal staircase constructed by Tenant and to restore the 32nd and 33rd floors to their condition prior to the installation of the internal staircase."

(c) by adding at the end of Section 10 of the Lease the following new Section 10B:

"10B TENANT CONSTRUCTION

Tenant shall not make any alterations, improvements or additions to the Extended Premises, as the same may be expanded, except in accordance with plans and specifications first approved by Landlord. Tenant shall submit to Landlord all plans and specifications for Tenant's construction of any alterations, improvements or additions to any space Tenant leases pursuant to the terms of the Lease for Landlord's prior written approval thereof, which, shall not be unreasonably withheld or delayed. Landlord shall review such plans and specifications as submitted within fifteen (15) business days after the receipt thereof and shall notify Tenant if Landlord approves or disapproves such plans and specifications. If Landlord disapproves such plans, Landlord shall specify the reasons for its disapproval of any aspect of such plans. Tenant shall prepare any revisions to such plans and specifications which may be necessary as a result of Landlord's disapproval and complete and revise the same so that the plans are satisfactory to, and have been approved by, Landlord within seven (7) business days after Landlord's request for revisions of the same. Landlord and Tenant shall initial the plans and specifications after the same have been submitted by Tenant and approved by Landlord. Tenant agrees that Tenant's construction shall be built in accordance with such final plans and specifications and agrees to cause its architect to certify from time to time that such final plans and specifications meet all federal, state and local governmental requirements, including, without limitation, all applicable zoning laws, building codes, environmental codes, rules, ordinances or regulations, and any applicable laws and regulations regarding accommodations for disabled persons. Landlord shall not be deemed unreasonable for withholding approval of any alterations or additions which (i) do not comply with all applicable laws, ordinances, codes, rules and regulations, (ii) adversely affect any structural,

mechanical, plumbing, HVAC, electrical or exterior elements of the Building, (iii) will require unusual expense to readapt the Extended Premises to normal office use on termination of the Lease or (iv) will increase the cost of construction or of insurance or taxes on the Building or the Extended Premises, unless Tenant agrees in writing to pay all such costs. Tenant shall provide Landlord with a full set of as-built plans for the Extended Premises as so improved upon completion of such improvements.

All construction work in the Extended Premises shall be done by union contractors and laborers, subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed, in a good and workmanlike manner and in compliance with the Lease, as amended, all applicable laws and lawful ordinances, codes, regulations and orders of governmental authority and insurers of the Building or the Extended Premises. Before Tenant begins any work, it shall: secure all licenses and permits necessary therefor; deliver to Landlord a statement of the names of all its contractors and subcontractors and the estimated cost of all labor and material to be furnished by them; if the estimated cost of the work exceeds $250,000.00 and if requested by Landlord, deliver to Landlord a payment and performance bond to secure the performance of the work; and cause each contractor to carry worker's compensation insurance in statutory amounts covering all contractor's and subcontractor's employees and comprehensive public liability insurance with such limits as Landlord may reasonably require and to deliver to Landlord certificates of all such insurance. Tenant agrees to pay promptly when due, and to defend and indemnify Landlord from and against the entire cost of any work done on the Extended Premises by Tenant, its agents, employees or independent contractors, and not to cause or permit any liens for labor or materials performed or furnished in connection therewith to attach to the Extended Premises or the Building and immediately to discharge any such liens which may attach."

9. OPTION TO EXTEND LEASE

Section 29 of the Lease entitled "OPTION TO EXTEND LEASE" is deleted in its entirety and the following substituted therefor:

"29. OPTION TO EXTEND EXTENDED TERM

Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any

applicable grace period, either at the time Tenant exercises the extension option described below or on the commencement date of the Option Term (as defined below), and provided no more than twenty-five (25%) percent of the Extended Premises shall be subject to subleases, either at the time Tenant exercises the extension option described below or on the commencement date of the Option Term, and provided Tenant shall not have assigned this Lease, Tenant shall have the right and option to extend the Extended Term hereof for one (1) additional period of five (5) years (such five-year period to be referred to hereinafter as the "Option Term"), provided that Tenant shall give written notice to Landlord of the exercise thereof not later than twelve (12) months prior to the expiration of the Extended Term of this Lease (the "Exercise Date"). Tenant's notice of extension shall be accompanied by then current financial statements of Tenant, audited (if audited statements have been recently prepared on behalf of Tenant) or otherwise certified as being true and correct by the chief financial officer of Tenant. If any such financial statements or other statements prepared in respect of Tenant's financial condition shall disclose, in Landlord's reasonable judgment, that Tenant does not have sufficient creditworthiness, net worth, or financial ability to perform the obligations under this Lease on the part of Tenant to be performed during the Option Term, at any time within fifteen (15) business days after Landlord's receipt of such financial statements, Landlord shall have the right to terminate this Lease upon notice to Tenant which termination shall be effective upon the expiration of the Extended Term of this Lease, and Tenant's option of extension shall be deemed to be void and without effect. The foregoing right of Landlord to terminate this Lease shall not be construed as waiving any default of Tenant which then exists or which might arise prior to the expiration of the term of this Lease.

If said option is duly exercised as aforesaid, the Extended Term of this Lease with respect to the Extended Premises shall be automatically extended for said Option Term commencing on the date immediately following the expiration of the original Extended Term (the "Option Term Commencement Date") upon all the same terms and conditions contained in the Lease except that Base Rent shall be determined as hereinafter provided. In the event that the aforesaid option to extend is duly exercised, all references contained in this Lease to the Extended Term hereof, whether by number of years or number of months, shall be construed to refer to the original Extended Term hereof as extended by the exercise of the aforesaid option, whether or not specific reference

thereto is made in this Ninth Amendment. In exercising its option hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise its options to extend on or before the Exercise Date specified above shall constitute a waiver by Tenant of all rights under such option.

Base Rent during the Option Term shall be equal to the then Fair Rental Value for the Extended Premises (as defined and determined below).

For purposes of this Section 29 of the Lease, "Fair Rental Value" shall mean the annual fair rental for the Extended Premises that would be agreed upon between a landlord and a tenant executing a lease in a comparable building of comparable age for comparable square footage located in Boston for a comparable term in light of all of the other business terms of the Lease, assuming the following:

(a) the landlord and tenant are well informed and well advised and each is acting in what it considers its own best interests;

(b) the rental shall reflect the condition of the Extended Premises and all residual value of any improvements to the Extended Premises;

(c) the method by which square footage is measured is similar to the method used to measure the Extended Premises; and

(d) the creditworthiness of the tenant is similar to the creditworthiness of Tenant at the time the option to extend the Lease is exercised.

For purposes of this Section 29, the determination of the Fair Rental Value specified above shall include consideration of all adjustments, if any, for Ownership Taxes and Operating Expenses attributable to the Extended Premises. Effective as of the Option Term Commencement Date and for the duration of the Option Term, the base year for determining Tenant's Proportionate Share of Ownership Taxes shall be the most recent complete fiscal year ending immediately prior to the Option Term Commencement Date and the base year for determining Tenant's rent adjustment for Operating Expenses shall be the most recent complete calendar year ending immediately prior to the Option Term Commencement Date. For example, if the Option Term Commencement Date occurs on

February 13, 2008, the base year for determining Tenant's Proportionate Share of Ownership Taxes will be fiscal year 2007 (i.e., June 1, 2006 through July 31, 2007) and the base year for determining Tenant's rent adjustment for Operating Expenses will be calendar year 2007.

During the ninety (90) days prior to the Exercise Date, Tenant may request Landlord to designate the fair rental value for the Option Term. Within thirty (30) days after such request, Landlord shall give written notice to Tenant of the aforesaid annual fair rental value of the Extended Premises for each of the years in the Option Term. The amount so designated by Landlord shall be the annual Base Rent for the Option Term unless, within thirty (30) days after Landlord shall have given such notice, Tenant shall give notice to Landlord demanding arbitration of such fair rental value, in which event such fair rental value shall be determined by arbitration pursuant to the provisions of Section 30 of this Lease."

10. OPTIONS TO EXPAND

Section 31 of the Lease entitled "INCLUSION OF ADDITIONAL SPACE IN THE PREMISES" is deleted in its entirety and the following substituted therefor:

"31. TENANT'S OPTIONS TO EXPAND

A. EXPANSION BLOCK OPTIONS. Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, either at the time Tenant exercises the expansion options described below or on the commencement date of the Lease with respect to such expansion premises, Tenant shall have the following options to expand the Extended Premises. For purposes of this Lease, an "Expansion Block" shall mean the five areas located on the 32nd floor of the Building, shown and numbered on the plan attached hereto as EXHIBIT 5, as follows:

Expansion Block 1, containing 1,998 rentable square feet;

Expansion Block 2, containing 2,604 rentable square feet;

Expansion Block 3, containing 3,613 rentable square feet;

Expansion Block 4, containing 3,497 rentable square feet;

Expansion Block 5, containing 4,075 rentable square feet;

In the event that one or more of the aforesaid options to expand is duly exercised, all references contained in this Lease to the Extended Premises hereof shall be construed to refer to the original Extended Premises hereof as expanded by the exercise of the aforesaid option(s), whether or not specific reference thereto is made in this Ninth Amendment. In exercising its options hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise any of its options to expand on or before the date specified below shall constitute a waiver by Tenant of all rights under such option. At each time Tenant leases expansion premises pursuant to the provisions of this Section 31(A), Tenant's Proportionate Share of Ownership Taxes shall be increased as provided in Paragraph 5 of the Ninth Amendment and Tenant's obligations to pay adjustments for Operating Expenses shall be adjusted as provided in Section 2(b) of the Lease and the base year for determining Tenant's Proportionate Share of Ownership Taxes shall be fiscal year 1993 and for determining Tenant's rent adjustment for Operating Expenses shall be calendar year 1993 as provided in Paragraph 5 of the Ninth Amendment.

(i) TENANT'S FIRST OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "First Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "First Expansion Premises") commencing on the first day of that month which is eighteen (18) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "First Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the First Expansion Commencement Date shall occur on July 1, 1994. Tenant will give Landlord written notice of Tenant's election to exercise the First Option, which notice shall designate the First Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the First Expansion Commencement Date. The First Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be

determined as hereinafter provided. Upon the commencement of the Lease for the First Expansion Premises, the First Expansion Premises shall automatically become a part of the Extended Premises.

(ii) TENANT'S SECOND OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Second Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Second Expansion Premises") commencing on the first day of that month which is thirty-six (36) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Second Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Second Expansion Commencement Date shall occur on January 1, 1996. Tenant will give Landlord written notice of Tenant's election to exercise the Second Option, which notice shall designate the Second Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Second Expansion Commencement Date. The Second Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Second Expansion Premises, the Second Expansion Premises shall automatically become a part of the Extended Premises.

(iii) TENANT'S THIRD OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Third Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Third Expansion Premises") commencing on the first day of that month which is fifty-four (54) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Third Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Third Expansion Commencement Date shall occur on July 1, 1997. Tenant will give Landlord written notice of Tenant's election to exercise the Third Option, which notice shall designate the Third Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Third Expansion

Commencement Date. The Third Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Third Expansion Premises, the Third Expansion Premises shall automatically become a part of the Extended Premises.

(iv) TENANT'S FOURTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Fourth Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Fourth Expansion Premises") commencing on the first day of that month which is seventy-two (72) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Fourth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Fourth Expansion Commencement Date shall occur on January 1, 1999. Tenant will give Landlord written notice of Tenant's election to exercise the Fourth Option, which notice shall designate the Fourth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Fourth Expansion Commencement Date. The Fourth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Fourth Expansion Premises, the Fourth Expansion Premises shall automatically become a part of the Extended Premises.

(v) TENANT'S FIFTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Fifth Option") to lease either one or two Expansion Blocks located on the 32nd floor of the Building, provided that each Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Fifth Expansion Premises") commencing on the first day of that month which is ninety (90) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Fifth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Fifth Expansion Commencement Date shall occur on July 1, 2000. Tenant will give Landlord written notice of Tenant's election to exercise the Fifth

Option, which notice shall designate the Fifth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Fifth Expansion Commencement Date. The Fifth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Fifth Expansion Premises, the Fifth Expansion Premises shall automatically become a part of the Extended Premises.

(vi) TENANT'S SIXTH OPTION. Subject to the limitations set forth in subsection (vii) of this Section 31(A), Tenant shall have the option (the "Sixth Option") to lease one Expansion Block located on the 32nd floor of the Building, provided that the Expansion Block shall be contiguous to the Extended Premises, as the same may be expanded hereunder, (the "Sixth Expansion Premises") commencing on the first day of that month which is one hundred and eight (108) months after the Extended Term Commencement Date (including any partial month in which the Extended Term Commencement Date occurs) (the "Sixth Expansion Commencement Date"). For example, if the Extended Term Commencement Date occurs on February 12, 1993, the Sixth Expansion Commencement Date shall occur on January 1, 2002. Tenant will give Landlord written notice of Tenant's election to exercise the Sixth Option, which notice shall designate the Sixth Expansion Premises, at least twelve (12) months, but not more than fourteen (14) months, prior to the Sixth Expansion Commencement Date. The Sixth Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that the Base Rent shall be determined as hereinafter provided. Upon the commencement of the lease for the Sixth Expansion Premises, the Sixth Expansion Premises shall automatically become a part of the Extended Premises.

(vii) LIMITATIONS ON EXPANSION BLOCK OPTIONS.

(a) Notwithstanding anything contained in this Section 31(A) to the contrary, Tenant shall be entitled to exercise its options under this Section 31(A) only in strict numerical order of ascendancy, commencing with Expansion Block 1 and continuing in sequence thereafter with Expansion Blocks 2, 3, 4 and 5.

(b) Notwithstanding anything contained in this Section 31(A) to the contrary, Tenant shall be entitled to exercise its options under this Section 31(A) only up to

the Maximum Option Premises; such that once Tenant has exercised its options under this Section 31(A) to expand the Extended Premises to include the Maximum Option Premises, Tenant shall have no further option rights to expand the Extended Premises under this Section 31(A). For purposes of this Lease, the "Maximum Option Premises" shall be an aggregate maximum of five (5) Expansion Blocks, subject to reduction as provided hereinafter. Tenant's election not to exercise any one (1) of the options set forth in subsections (i) through (vi) of this Section 31(A) shall not affect the Maximum Option Premises or the right of Tenant to exercise any subsequent option(s); thereafter, however, each time Tenant does not exercise a subsequent option at the times provided above, the Maximum Expansion Premises shall be reduced in strict numerical order of descent by one Expansion Block for each subsequent option which Tenant fails to exercise, commencing with the elimination of Expansion Block 5 and continuing in sequence thereafter with Expansion Blocks 4, 3, 2 and 1. For example, if Tenant fails to exercise the First Option, the Maximum Expansion Premises shall remain five (5) Expansion Blocks; thereafter, however, if Tenant does not exercise the Second Option, the Maximum Expansion Premises shall be reduced to four (4) Expansion Blocks, eliminating Expansion Block 5.

(viii) BASE RENT FOR EXPANSION PREMISES. Base Rent for each Expansion Premises during the Extended Term (but not including the Option Term) shall be equal to ninety percent (90%) of the then Fair Rental Value for the applicable Expansion Premises as determined pursuant to Section 31D below. Base Rent for all Expansion Premises, which shall be included within the Extended Premises, during the Option Term shall be determined in accordance with the provisions of Paragraph 9 of the Ninth Amendment.

(ix) EXPANSION TERMS COTERMINOUS WITH TERM FOR ORIGINAL EXTENDED PREMISES. In the event Tenant elects to exercise any expansion options as set forth in subsections (i) through (vi) of this Section 31(A), Landlord and Tenant agree to execute a written confirmation of such exercise and to document all changes to the Lease, as amended, resulting from the exercise of such option(s). The parties hereby acknowledge that the termination of the term of any such expansion premises shall be co-terminus with the term for the original Extended Premises.

B. ADDITIONAL EXPANSION OPTION. Provided Tenant is not in default of its obligations under the Lease, beyond the expiration of any applicable grace period, either at the time Tenant exercises the option described below or on the commencement date of the Lease with respect to the Additional Expansion Space (as defined below), and provided that Tenant has exercised its option to extend the Extended Term as provided in Paragraph 9 of the Ninth Amendment, and provided Tenant has exercised its options under Section 31(A) hereof so as to expand the Extended Premises to include an aggregate of not less than five (5) Expansion Blocks, and provided Tenant has not assigned this Lease or sublet all or any portion of the Extended Premises, as so expanded, Tenant shall have the additional option (the "Additional Option") to lease during the Option Term either the entire 31st floor of the Building (containing approximately 26,316 rentable square feet of space) or the entire 34th floor of the Building (consisting of approximately 26,375 rentable square feet of space), as designated by Landlord, (the "Additional Expansion Premises") commencing on the Option Term Commencement Date. If Tenant elects to exercise the Additional Option, simultaneously with the giving of Tenant's Notice to extend the Extended Term, Tenant will give Landlord written notice of Tenant's election to exercise the Additional Option at least twelve (12) months, but not more than fourteen (14) months, prior to the Option Term Commencement Date. During the ninety (90) days prior to the exercise date of the Additional Option, Tenant may request Landlord to designate the Additional Expansion Premises. Within thirty (30) days after such request, Landlord shall give written notice to Tenant designating the location of the Additional Expansion Premises (i.e. either the 31st floor or the 34th floor of the Building). If Tenant fails to request Landlord for such designation prior to Tenant's exercise of the Additional Option, within thirty (30) days after receipt of Tenant's notice of exercise, Landlord shall give written notice to Tenant so designating the location of the Additional Expansion Premises. The Additional Expansion Premises will be leased to Tenant upon the same terms and conditions as contained in the Lease, except that Base Rent for the Additional Expansion Premises, which shall be included with the Extended Premises, shall be determined in accordance with the provisions of Paragraph 9 of the Ninth Amendment. Upon the commencement of the term of the Lease for the Additional Expansion Premises, the Additional Expansion Premises shall automatically become a part of the Extended Premises.

In the event that the Additional Option is duly exercised, Landlord and Tenant agree to enter into an amendment to this Lease to confirm such exercise and to document all changes to the Lease, as amended, resulting from the exercise of such option and all references contained in this Lease to the Extended Premises shall be construed to refer to the original Extended Premises, as expanded pursuant to Section 31(A) hereof, as further expanded by the exercise of the aforesaid Additional Option, whether or not specific reference thereto is made in the Ninth Amendment. In exercising its option hereunder, Tenant acknowledges that time is of the essence. Failure of Tenant to exercise the Additional Option on or before the date specified above shall constitute a waiver by Tenant of all rights under such option. At such time as Tenant leases the Additional Expansion Premises pursuant to the provisions of this Section 31(B), Tenant's Proportionate Share of Ownership Taxes shall be increased as provided in Paragraph 5 of the Ninth Amendment and Tenant's obligations to pay rent adjustments for Operating Expenses shall be adjusted as provided in Section 2(b) of the Lease.

C. DELIVERY OF EXPANSION PREMISES; CONSTRUCTION OF IMPROVEMENTS. Landlord shall deliver each expansion premises, whether pursuant to Section 31(A) or 31(B), in "AS-IS" condition on the applicable commencement date, vacant, broom-clean and free and clear of all leases and occupancies; except that prior to the delivery of each expansion premises, Landlord, at Landlord's expense, shall remove all telephone and electrical outlets, hauserman partitions, including wood doors, all carpets and with underfloor duct systems empty. Tenant shall perform all work necessary in order to equip and furnish each such expansion premises for Tenant's use in accordance with plans approved by Landlord and in a first class, good and workmanlike manner. All construction performed by Tenant shall be in accordance with the requirements of Section 10B of the Lease. Landlord shall have no obligation to construct any improvements for any expansion premises or to contribute to the cost of any improvements for any such expansion premises.

D. DETERMINATION OF FAIR RENTAL VALUE. For purposes of Section 31(A) of the Lease, "Fair Rental Value" shall mean the annual fair rental for the applicable expansion premises that would be agreed upon between a landlord and a tenant executing a lease in a comparable

building of comparable age for comparable square footage located in Boston for a comparable term in light of all the other business terms of the Lease, assuming the following:

(i) the landlord and tenant are well informed and well advised and each is acting in what it considers its own best interests;

(ii) the rental rate shall take into consideration the condition of the expansion premises and all residual value of any improvements to the expansion premises;

(iii) the method by which square footage is measured is similar to the measure used in the Lease;

(iv) the creditworthiness of the tenant is similar to the creditworthiness of Tenant at the time the option to extend the Lease is exercised; and

(v) unless Landlord and Tenant mutually agree upon an acceptable tenant allowance prior to the commencement of arbitration to determine Fair Rental Value, (in which event, the provisions of this Section 31(D)(v) shall not apply), the rental rate shall take into consideration that Tenant elected to receive a reduction in annual base rent in an amount equal to the value of the building standard tenant leasehold improvement allowance that would have been otherwise available to the Tenant in an amount then being offered by Landlord to other tenants in the Building or as otherwise being offered by landlords in comparable buildings of comparable age for comparable square footage in Boston for a comparable term.

During the ninety (90) days prior to the applicable exercise date for each of Tenant's expansion options, Tenant may request Landlord to designate the fair rental value for the applicable expansion premises. Within thirty (30) days after such request, Landlord shall give written notice to Tenant designating the aforesaid annual fair rental value of the applicable expansion premises for each of the years in the original Extended Term (but not including the Option Term). The amount so designated by Landlord shall be the annual Base Rent for the applicable expansion premises during the original Extended Term unless, within thirty (30) days after Landlord shall have given such notice, Tenant shall give notice to Landlord demanding arbitration of such fair rental value, in which event such fair rental value shall be determined by arbitration pursuant to the provisions of Section 30 of the Lease."

11. STORAGE SPACE

Commencing on the Extended Term Commencement Date and continuing for the duration of the Extended Term, Landlord hereby leases to Tenant and Tenant hereby agrees to lease 1,390 rentable square feet of storage space (the "Heath Storage Space") on the eighth floor of the Heath Building as shown on EXHIBIT 6 attached hereto and made a part hereof, on the same terms and conditions as contained in the Lease (as modified by this Ninth Amendment), unless sooner terminated as provided in the Lease. The Heath Storage Space will receive lighting, heating and air conditioning to the extent afforded by the facilities in the space on the date hereof which is agreed to be minimal. Said Space is being demised to Tenant in "AS-IS' condition. Tenant shall use the Heath Storage Space only for storage associated with the use of the Extended Premises. Tenant shall be responsible for securing such space to Tenant's satisfaction. Tenant's use of the Heath Storage Space shall be at Tenant's sole risk and Landlord shall not be liable for any damage or theft of items stored therein nor shall Landlord have any liability to Tenant for failure to adequately secure the Heath Storage Space. A fire, casualty or condemnation with respect to the Heath Storage Space shall not affect Tenant's obligations with respect to the Extended Premises.

Tenant will have access to the Heath Storage Space on not more than 24 hours notice and when possible on demand.

The term of the lease for the Heath Storage Space shall run concurrently with the Term of the Lease for the Extended Premises. During the original Extended Term, Tenant shall pay rent in advance on or before the first day of each month in the amount of (i) $13,899.96 per annum ($10.00 per square foot in equal monthly installments of $1,158.33) during lease years one through five of the Extended Term and (ii) $18,070.00 per annum ($13.00 per square foot in equal monthly installments of $1,505.83) during lease years six through fifteen of the Extended Term. There will be no increase for Operating Expenses or Ownership Taxes with respect to the Heath Storage Space.

Tenant shall have the option to extend the lease for the Heath Storage Space to run concurrently with the option to extend the Lease for the Extended Premises as provided in Paragraph 9 of this Ninth Amendment. The rent for such

option period shall be the fair market of the Heath Storage Space, determined in a manner similar to that prescribed for Fair Rental Value in Paragraph 9 of this Ninth Amendment.

Landlord shall use reasonable efforts, but shall have no obligation under the Lease, to provide additional storage space to Tenant in amounts that are proportional to the amounts of space leased by Tenant at such time as Tenant exercises each of Tenant's expansion options as provided in Paragraph 10 of this Ninth Amendment. Landlord reserves the right to relocate the Heath Storage Space, and any additional storage space which Landlord may provide to Tenant hereunder to other storage space located within either the Building, the Health Building or the 200 Berkeley Street Building. In the event Landlord elects to relocate any such storage space, Landlord shall give Tenant at least thirty (30) days prior written notice thereof and Landlord, at Landlord's expense, shall be responsible to build a cage, with standard lock, around the relocated storage space and to relocate all of Tenant's stored property to the relocated storage space; provided Tenant may, not later than ten (10) days after receipt of Landlord's written notice, terminate the lease of all such storage space which is subject to Landlord's relocation notice. This right of termination shall be Tenant's sole remedy in the event Landlord elects to relocate any such storage space. Tenant's failure to give notice within the ten-day period specified above shall be deemed a waiver of Tenant's right to terminate the relocation of such storage space. Tenant shall lease any additional storage space or any relocated storage space from Landlord on the same terms and conditions as provided for the Heath Storage Space in this Paragraph 11.

12. PARKING

Landlord hereby agrees to make available to Tenant throughout the Extended Term of the Lease, and any extensions thereof, one (1) parking permit for the John Hancock Place 100 Clarendon Street, Boston (the "Hancock Garage") Garage, per 1,500 square feet of rentable square feet of the Extended Premises in the Building (or 24 parking spaces based upon 36,492 rentable square feet for the original Extended Premises). Tenant shall pay rent, in advance on the first day of each and every calendar month for each parking permit held by Tenant, at the prevailing market rate which Landlord or the operator of the Hancock Garage establishes, as the

same may be changed from time to time. In the event Tenant occupies any expansion premises in the Building during the Extended Term, or any extensions thereof, Landlord will lease to Tenant one (1) additional parking permit per 1,500 square feet of rentable square feet of such expansion premises.

If pursuant to any existing or future law, regulation or other governmental action, the use of the Hancock Garage is restricted for the parking of cars for the type of use contemplated by this Paragraph 12, Tenant agrees that Landlord may reduce or terminate completely the above parking arrangements provided such reductions are made pro rata with other tenants of the Building.

Notwithstanding anything to the contrary contained herein, all parking permits provided to Tenant pursuant to the terms of this Paragraph 12 shall be used solely by the officers, employees or agents of Tenant or any permitted assignees or sublessees of Tenant as provided herein. Tenant shall not sublease, assign or otherwise transfer its rights in any parking permit it receives from Landlord to any third party including, without limitation, any other tenant in the Building.

13. SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

In the event Landlord shall mortgage or otherwise encumber the Building, this Lease shall automatically be subject and subordinate at all times in lien and priority to any ground lease, mortgage or deed of trust (collectively a "Mortgage") which covers the Building, and to all renewals, modifications, consolidations and extensions thereof provided that the holder of any such Mortgage acknowledges that Tenant's quiet enjoyment hereunder shall not be disturbed nor shall its rights under the Lease be terminated during the term of the Lease, unless Tenant fails to perform its obligations under the Lease. Upon written request of Landlord or the holder of a Mortgage, Tenant shall, within twenty (20) days of such request, deliver a recordable instrument or other documents in the form customarily requested by the holder of such Mortgage, subordinating Tenant's rights under the Lease to the lien of the Mortgage, provided that such holder of a Mortgage acknowledges that Tenant's quiet enjoyment hereunder shall not be disturbed nor shall its rights under the Lease be terminated during the term of the Lease, unless Tenant fails to perform its obligations under the Lease. Landlord shall have the right to subordinate any Mortgage to the Lease.

14. INSURANCE

Landlord shall insure the Building against damage by fire and standard extended coverage perils, and shall carry public liability insurance, all in such reasonable amounts with such reasonable deductible as would be carried by a prudent owner of an office building of similar age and design in the vicinity of the Building. Landlord may carry any other forms of insurance as it or any holder of a Mortgage may deem advisable. Tenant shall have no right to any proceeds from such policies. Landlord shall not be obligated to carry insurance on any of Tenant's property, nor shall Landlord be obligated to repair or replace any of Tenant's property.

Tenant shall maintain a policy or policies of comprehensive general liability insurance with the premiums thereon fully paid in advance, issued by and binding upon an insurance company authorized to transact business in the Commonwealth of Massachusetts and of good financial standing, said insurance to afford minimum protection of not less than $5,000,000.00 in respect to personal injury or death in respect of any one occurrence and of not less than $2,000,000.00 for property damage in any one occurrence; provided, however, that Tenant shall carry such greater limits of coverage as Landlord may reasonably request from time to time if such limits are customarily carried by office tenants in first-class office buildings in Boston, Massachusetts.

Notwithstanding anything to the contrary contained herein, Tenant acknowledges and agrees that, for so long as John Hancock Mutual Life Insurance Company owns the Building, John Hancock Mutual Life Insurance Company shall not be required to maintain any insurance pursuant to the provisions of this Paragraph 14.

Notwithstanding anything to the contrary contained herein (particularly in Section 23 of the Lease), Landlord and Tenant each hereby waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on account of loss by or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is of a nature which is to be insured against under this Lease or which is, in fact, insured against under any insurance policy that either may have in force at the time of the loss or damage. Each party shall notify its insurers

that the foregoing waiver is contained in the Lease. Landlord and Tenant shall cause each insurance policy obtained by each of them to provide that the insurer waives all right of recovery by way of subrogation against either Landlord or Tenant in connection with any loss or damage covered by such policy. In the event John Hancock Mutual Life Insurance Company does not maintain insurance with an independent insurance company but self-insures as provided in the preceding paragraph, John Hancock Mutual Life Insurance shall waive any claim against Tenant to the extent any independent insurance company would have so waived such claim pursuant to the provisions of this paragraph.

15. ENVIRONMENTAL COMPLIANCE

Tenant shall not cause or permit any hazardous or toxic wastes, hazardous or toxic substances or hazardous or toxic materials (collectively, "Hazardous Materials") to be used, generated, stored or disposed of on, under or about or transported to or from, the Extended Premises (collectively, "Hazardous Materials Activities") without first receiving Landlord's written consent, which may be withheld for any reason and revoked at any time. If Landlord consents to any such Hazardous Materials Activities, Tenant shall conduct them in strict compliance (at Tenant's expense) with all applicable Regulations, as hereinafter defined, and using all necessary and appropriate precautions. Landlord shall not be liable to Tenant for any loss, cost, expense, claims, damage or liability arising out of any Hazardous Material Activities by Tenant, Tenant's employees, agents, contractors, licensees, customers or invitees, whether or not consented to by Landlord. Tenant shall indemnify, defend with counsel acceptable to Landlord, and hold Landlord harmless from and against any and all loss, costs, expenses, claims, damages or liabilities arising out of Tenant's Hazardous Materials Activities. For purposes hereof, Hazardous Materials shall include but not be limited to substances defined as "hazardous substances", "toxic substances", or "hazardous wastes" in the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the federal Hazardous Materials Transportation Act, as amended; and the federal Resource Conservation and Recovery Act, as amended ("RCRA"); those substances defined as "hazardous wastes" in the Massachusetts Hazardous Waste Facility Siting Act, as amended (Massachusetts General Laws Chapter 21D); those substances defined as "hazardous materials" or "oil" in Massachusetts General Laws Chapter 21E, as amended; and as such substances are defined in any regulations adopted and publications promulgated pursuant to said laws (collectively,

"Regulations"). Prior to using, storing or maintaining any Hazardous Materials on or about the Extended Premises, Tenant shall provide Landlord with a list of the types and quantities thereof, and shall update such list as necessary for continued accuracy. Tenant shall also provide Landlord with a copy of any Hazardous Materials inventory statement required by any applicable Regulations, and any update filed in accordance with any applicable Regulations. If Tenant's activities violate or create a risk of violation of any Regulations, Tenant shall cease such activities immediately upon notice from Landlord. Tenant shall immediately notify Landlord both by telephone and in writing of any spill or unauthorized discharge of Hazardous Materials or of any condition constituting an "imminent hazard" under any Regulations. Landlord, Landlord's representatives and employees may enter the Extended Premises at any reasonable time during the term of the Lease to inspect Tenant's compliance herewith, and may disclose any violation of any Regulations to any governmental agency with jurisdiction. Nothing herein contained shall prohibit Tenant from using, storing, generating or disposing of customary quantities of cleaning fluid and office supplies which may constitute Hazardous Materials but which are customarily present in premises devoted to office use, provided that such use is in compliance with all Regulations and shall be subject to all of the other provisions of this Paragraph 15 of the Ninth Amendment.

16. LEASE MEMORANDUM

Landlord and Tenant shall, concurrently with the execution of this Ninth Amendment, enter into a Memorandum of Lease for the purpose of recording the same and thereby giving notice to third parties of Tenant's interest under the Lease, as amended, which Memorandum of Lease shall be recorded promptly after execution of such Ninth Amendment.

17. ADDITIONAL AMENDMENTS TO THE LEASE

Section 27(i) and Section 27(j) of the Lease are deleted in their entirety.

18. FURNISHING OF FINANCIAL CERTIFICATES

Within ten (10) business days of Landlord's written request, but no more often than one time per year except as otherwise provided below, the Tenant named herein and any permitted assignee or sublessee of the Lease, as amended, shall promptly furnish from time to time to Landlord or any existing or proposed mortgagee or purchaser of the Building and/or the Property, a certificate stating, if true, that the net worth of such entity (expressed in a dollar amount) is, as of the date of such certificate, in excess of the total lease payments left to be paid under the Lease, including any extensions thereof, or, if such net worth is less than the total lease payments, the approximate amount of such difference.

Notwithstanding the one time per year limitation provided above, Landlord shall also be permitted to request Tenant, and any permitted assignee or sublessee, to provide such a certificate upon each of the following events:

a. Tenant exercises an option to extend the term of the Lease as provided in Paragraph 9 of this Ninth Amendment;

b. Landlord plans to sell or refinance the Building, provided that such certificate is obtained in connection with the closing of such sale or refinancing.

Any certificate provided in accordance with the terms of this Paragraph 18 shall be certified as being true and correct by the chief financial officer of the Tenant named herein or of any proposed or permitted assignee or sublessee of all or any portion of the Premises.

EXCEPT AS HEREIN EXPRESSLY MODIFIED all of the terms and conditions of the Lease shall be and remain in full force and effect, provided, however, if and to the extent that any of the provisions of this Ninth Amendment conflict with or are otherwise inconsistent with any of the provisions of the Lease, the provisions of this Ninth Amendment shall prevail.

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

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Title: Second Vice President

TENANT:
CHARLES RIVER ASSOCIATES
INCORPORATED

By: /s/ Allan R. Willens
---
Title: Exec. V.P.
Allan R. Willens

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
Building Management and Construction
John Hancock Place
Post Office Box 111
Boston, Massachusetts 02117

DENNIS W. KALETA
Director

[logo]

July 7, 1993

David L. Loeser
Vice President
Charles River Associates, Inc.
John Hancock Tower
Boston, MA 02117

Re: Lease dated March 1, 1978 (as amended) between John Hancock Mutual Life Insurance Company, "Landlord" and Charles River Associates, Inc., "Tenant" for space located in the John Hancock Tower (herein the "Lease")

Dear David:

Pursuant to Section 7E - EXTENDED TERM COMMENCEMENT DATE of the Ninth Amendment of Lease dated September 2, 1992, Landlord and Tenant hereby ratify and confirm the following dates. All defined terms herein shall have the same meaning and definitions as provided for in the lease, and all references to specific paragraphs shall refer to the paragraphs of the Ninth Amendment.

1. Pursuant to Paragraph 7E, the Extended Term Commencement Date is April 26, 1993.

2. Pursuant to Paragraph 4B, the Extended Term expires on April 25, 2008.

3. Pursuant to Section 29 of Paragraph 9, the Exercise date of the Option Term shall be April 25, 2007, the Option Term Commencement Date shall be April 26, 2008 and the Expiration Date of the Option Term shall be April 25, 2013.

4. Pursuant to Section 31.A.(i) of Paragraph 10, the First Expansion Commencement Date is September 1, 1994 and Tenant must give Landlord written notice of Tenant's election to exercise the First Option no earlier than July 1, 1993 and no later than September 1, 1993.

5. Pursuant to Section 31.A.(ii) of Paragraph 10, the Second Expansion Commencement Date is March 1, 1996 and Tenant must give Landlord written notice of Tenant's election to exercise the Second Option no earlier than January l, 1995 and no later than March 1, 1995.

6. Pursuant to Section 31.A.(iii) of Paragraph 10, the Third Expansion Commencement Date is September 1, 1997 and Tenant must give Landlord written notice of Tenant's election to exercise the Third Option no earlier than July 1, 1995 and no later than September 1, 1996.

7. Pursuant to Section 31.A.(iv) of Paragraph 10, the Fourth Expansion Commencement Date is March 1, 1999, and Tenant must give Landlord written notice of Tenant's election to exercise the Fourth Option no earlier than January 1, 1998 and no later than March 1, 1998.

8. Pursuant to Section 31.A.(v) of Paragraph 10, the Fifth Expansion Commencement Date is September 1, 2000 and Tenant must give Landlord written notice of Tenant's election to exercise the Fifth Option no earlier than July 1, 1999 and no later than September 1, 1999.

9. Pursuant to Section 31.A.(vi) of Paragraph 10, the Sixth Expansion Commencement Date is March 1, 2002 and Tenant must give Landlord written notice of Tenant's election to exercise the Sixth Option no earlier than January 1, 2001 and no later than March 1, 2001.

10. Pursuant to Section 31.B. of Paragraph 10, Tenant must give Landlord written notice of Tenant's election to exercise the Additional Option no earlier than February 25, 2007 and no later than April 25, 2007, and such notice must be given simultaneously with the giving of Tenant's notice to extend the Term pursuant to Section 29 of Paragraph 9.

11. Time remains of the essence.

Please acknowledge your agreement with the above-referenced dates by executing the duplicate copy of this letter and returning same directly to me. Thank you for your assistance.

Very truly yours,

/s/ Dennis W. Kaleta

ACKNOWLEDGED AND AGREED TO:
CHARLES RIVER ASSOCIATES, INC.

By: /s/ David L. Loeser
---

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

# TENTH AMENDMENT OF LEASE

THIS TENTH AMENDMENT OF LEASE, made and entered into a of this 24th day of August, 1995, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

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

WHEREAS, pursuant to a letter dated February 27, 1995 Tenant exercised its Second Option to Lease Expansion Block 1 located on the 32nd floor containing 1,998 rentable square feet, and more particularly designated as "Expansion Block 1" on SCHEDULE 1 attached hereto and incorporated by reference ("Expansion Block 1"), commencing March 1 1996, all pursuant to Section 31(A)(ii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 1; and

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

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

1. INCLUSION OF EXPANSION BLOCK 1. Effective as of March 1, 1996, the Lease shall be amended so as to include in the Premises, Expansion Block 1 as designated on SCHEDULE 1. The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 1 (1,998 rentable square feet).

2. EXPANSION BLOCK 1 BASE RENT. Effective March 1, 1996 and continuing through February 28, 1998, the Base Rent for Expansion Block 1 shall be at an annual rate of $53,946.00 (1,998 rentable square feet at $27.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $4,495.50. From March 1, 1998 and continuing through February 28, 2004, the Base Rent for Expansion Block 1 shall be at an annual rate of $59,940.00 (1,998 rentable square feet at $30.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $4,995.00. From March 1, 2004 and continuing through April 25, 2008 (i.e., the expiration of the Extended Term), the Base Rent for Expansion Block 1 shall be $60,939.00 (1,998 rentable square feet at $30.50 per square foot), payable by Tenant to Landlord in equal monthly installments of $5,078.25. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.

3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 1 shall be calendar year 1996, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 1 from and after January 1, 1997. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 shall be the fiscal year 1997, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 from and after July 1, 1997. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 1 for any fiscal year shall be .1251%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 1 (1,998 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).

3. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 1, at Tenant's sole

expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 1 or in the lobby/reception area on the 32nd floor in the aggregate amount of $69,930.00 ($35.00 per rentable square foot)(the "Tenant Allowance"). During construction of the improvements in Expansion Block 1 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 1 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion. Block 1 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 1 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

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

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

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Lawrence W. Gaboury
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ David L. Loeser
---
Title: Vice President and Treasurer

Charles River Associates Incorporated
John Hancock Tower
Boston, Massachusetts

ELEVENTH AMENDMENT OF LEASE

THIS ELEVENTH AMENDMENT OF LEASE, made and entered into as of this 25 day of November, 1996, by and between JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (hereinafter referred to as "Landlord") and CHARLES RIVER ASSOCIATES INCORPORATED (hereinafter referred to as "Tenant").

WITNESSETH: THAT

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

WHEREAS, pursuant to a letter dated August 16, 1996 Tenant exercised its Third Option to Lease Expansion Block 2 located on the 32nd floor containing 2,604 rentable square feet, and more particularly designated as "Expansion Block 2" on EXHIBIT "5" attached hereto and incorporated by reference ("Expansion Block 2"), commencing February 1, 1997, all pursuant to Section 31(A)(iii) of the Lease; and

WHEREAS, Landlord and Tenant have agreed upon the terms and conditions with respect to the inclusion of Expansion Block 2; and

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

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

1. INCLUSION OF EXPANSION BLOCK 2. Effective as of February 1, 1997, the Lease shall be amended so as to include in the Premises, Expansion Block 2 as designated on EXHIBIT "5". The designated rentable area included in the Premises shall be increased by the rentable area of Expansion Block 2 (2,604 rentable square feet).

2. EXPANSION BLOCK 2 BASE RENT. Providing Tenant is not in default beyond any applicable grace period, Tenant shall not be obligated to pay Base Rent for Expansion Block 2 during the months of February and March of 1997. Effective April 1, 1997 and continuing through April 25, 2008 (i.e., the expiration of the Extended Term), the Base Rent for Expansion Block 2 shall be $80,724.00 (2,604 rentable square feet at $31.00 per square foot), payable by Tenant to Landlord in equal monthly installments of $6,727.00. Tenant's Proportionate Share of Ownership Taxes, Operating Expenses and Utility expenses shall be as set forth in Section 3 herein.

3. OPERATING EXPENSES/OWNERSHIP TAXES. The Base Year for purposes of calculating the Tenant's rent adjustment for Operating Expenses for Expansion Block 2 shall be calendar year 1996, such that Tenant shall commence payment of Tenant's rent adjustment for Operating Expenses for Expansion Block 2 from and after April 1, 1997. The Base Year for purposes of calculating Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 shall be the fiscal year 1997, such that Tenant shall commence payment of Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 from and after July 1, 1997. Tenant's Proportionate Share of Ownership Taxes for Expansion Block 2 for any fiscal year shall be .163%, the percentage resulting from dividing the number of square feet of rentable area included in Expansion Block 2 (2,604 square feet) by the number of square feet of rentable area in the Building (which is 1,597,533 square feet).

3. TENANT ALLOWANCE. Tenant shall be responsible to design and construct all improvements within Expansion Block 2, at Tenant's sole expense, which design and construction shall be conducted in accordance with the provisions of Section 10B of the Lease. Landlord will provide Tenant with a tenant improvement allowance for construction of improvements in Expansion Block 2 in the aggregate amount of $70,308.00 ($27.00 per rentable square foot) (the "Tenant Allowance"). During construction of the improvements in Expansion Block 2 (but no more often than once per month), Tenant shall submit a bill or bills to Landlord for reimbursement of the actual costs incurred by Tenant to date to produce plans, construct improvements, purchase furniture, fixtures or equipment or pay moving expenses. Tenant shall attach to such bill or bills all relevant and available invoices and other evidence of the completion of work as Landlord may require in its reasonable discretion. Within fifteen (15) business days of its receipt of such bill or bills from Tenant, provided Tenant is

not in default hereunder, Landlord shall reimburse Tenant for all reasonably verifiable costs incurred by Tenant in constructing the improvements to Expansion Block 2 up to the maximum Tenant Allowance. In the event that Tenant completes construction of the improvements to Expansion Block 2 and the actual costs to complete such improvements are less than the Tenant Allowance, the Base Rent due and payable by Tenant to Landlord for Expansion Block 2 shall be reduced on a dollar for dollar basis until such Tenant Allowance is expended in full.

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

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

LANDLORD:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Lawrence W. Gaboury
---
Lawrence W. Gaboury
Vice President

TENANT:

CHARLES RIVER ASSOCIATES,
INCORPORATED

By: /s/ Laurel E. Morrison
---
Title: Controller

EXHIBIT 10.8

# CONSULTING AGREEMENT

This is an agreement under which _____ (hereinafter "Consultant") will provide certain services to Charles River Associates Incorporated, or its successors (hereinafter "CRA" or "the Company"), and CRA will compensate Consultant for these services. This agreement will be effective as of December 1, 1997 and will continue in effect through December 1, 2000. This agreement will automatically renew for successive three-year terms unless either party provides the other party notice no later than six months before the end of the contract term of his intent to renegotiate or terminate the contract.

Nothing in this agreement will prevent Consultant from pursuing Consultant's full academic, teaching, research and other responsibilities, from taking on consulting assignments for which Consultant does not require support and are not in conflict with CRA, or from billing clients directly for Consultant's consulting services. It is understood and agreed that Consultant's relationship to CRA is that of an independent contractor and neither this agreement nor the services to be rendered hereunder shall create any employer-employee relationship between the parties. Each party agrees to keep the other informed of business or consulting opportunities within the professional purview of the other, and Consultant agrees not to take on consulting assignments which, in the reasonable opinion of CRA management, would create a conflict or the appearance of conflict for CRA.

During the term of this agreement, Consultant agrees to be affiliated exclusively with CRA with respect to commercial consulting activities requiring support, to look to CRA exclusively with respect to such support, and to represent himself as being affiliated exclusively with CRA with respect to such activities. Consultant authorizes CRA to use his name as being exclusively affiliated with it, and Consultant will not permit his name to be used by consulting

firms (other than Consultant) as being affiliated with them in any way. CRA will undertake to provide Consultant with a high level of professional support on any consulting assignments in which CRA is involved. Consultant will refer consulting opportunities in which he cannot be involved personally to CRA, and will assist CRA in its business development and client relations activities.

In addition to the business development and client referral services described above, Consultant agrees to advise CRA management in defining and developing its consulting practice and other businesses and in assisting in a broad range of activities, including, but not limited to, strategy development, staff recruiting, training and development. To compensate Consultant for these activities, the Company will pay Consultant a bonus. The total bonus will include, and may exceed, a minimum amount based on net collected CRA revenue (NCCR) with respect to CRA work sourced by Consultant. Net collected CRA revenue means amounts billed by and collected by CRA, excluding amounts billed by Consultant or other consultants and reimbursable expenses. Reimbursable expenses are defined to include travel, library, data and computer charges, telephone calls and faxes, postage and courier services, and other miscellaneous out of pocket expenses.

The minimum amount for CRA revenue sourced primarily by Consultant will be _____ percent of NCCR. In the case of work sourced jointly by Consultant and CRA and/or other exclusive CRA consultants, the minimum amount will be reduced proportionately according to the relative contributions of Consultant, CRA, and the other consultants. Decisions for specific projects with respect to relative contributions to sourcing of Consultant, CRA, and other consultants will be made by the Company after discussion between the Company's chief executive officer (CEO) and Consultant; such determinations will be made in accordance with prior practices for determining bonus awards for Consultant.

Bonus payments will be made quarterly, based on collected billings. In cases where not all the billings accrued on a project are collected, or in which the work is performed at rates below CRA's current standard commercial billing rates, CRA and Consultant will jointly determine, in good faith, whether an adjustment in Consultant's minimum amount is appropriate. No bonus will be payable on work performed, directly or indirectly, for government entities, or where such bonus awards would be in violation of applicable law or regulations.

In the event of the termination of this contract or death or disability of Consultant, bonus payments due on projects in process will continue and will be paid to Consultant or Consultant's estate and CRA will continue to provide project support.

The parties intend to treat each other fairly in the interpretation of this Agreement. However, if CRA and Consultant cannot reach agreement about amounts due under this agreement or about any other of its terms, both parties agree to use mediation and, if necessary, binding arbitration as a means of resolving such disputes. If any provision of this agreement is unenforceable, the other provisions of this agreement will remain in force. Any waiver given by either party on any one occasion will be effective only in that instance and will not be interpreted as a waiver of that portion of the agreement on any other occasion.

This agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this agreement. This agreement may be amended or modified only by a written instrument executed by both parties. This agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation or partnership with which or into which CRA may be merged or which may succeed to its assets or business, provided,

however, that the obligations of Consultant hereunder are personal and shall not be assigned by him or it. This agreement will be interpreted in accordance with the laws of the Commonwealth of Massachusetts.

CHARLES RIVER ASSOCIATES INCORPORATED

By:

Exhibit 10.10

CHARLES RIVER ASSOCIATES INCORPORATED

Common Stock
without par value

Selling Stockholder's Irrevocable Power of Attorney

James C. Burrows
Laurel E. Morrison
c/o Charles River Associates Incorporated
200 Clarendon Street
Boston, Massachusetts 02116

Dear Sir and Madam:

The undersigned, _____, understands that it is contemplated that the undersigned, along with Charles River Associates Incorporated (the "Company") and other stockholders of the Company (the undersigned and such other stockholders being hereinafter referred to as the "Selling Stockholders"), will sell shares of the Company's common stock, without par value (the "Common Stock"), to certain underwriters (the "Underwriters") for whom NationsBanc Montgomery Securities LLC and William Blair & Company, L.L.C. are acting as representatives (the "Representatives"), and that the Underwriters propose to offer such shares to the public in an initial public offering (the "Offering"). The undersigned also understands that, in connection with the Offering, the Company has filed a Registration Statement on Form S-1 (the "Registration Statement") to register the shares to be offered under the Securities Act of 1933, as amended (the "Act"), and hereby acknowledges receipt of a copy of the Registration Statement and a preliminary copy of the Underwriting Agreement (as hereinafter defined) filed as a part thereof. The undersigned understands that the preliminary copy of the Underwriting Agreement is subject to revision by the Company, the Representatives and the Attorneys-in-Fact (as hereinafter defined) before its execution and that the Registration Statement is also subject to revision before it is declared effective by the Securities and Exchange Commission and is subject to amendment thereafter.

The shares of Common Stock which the undersigned intends to sell to the Underwriters are described in paragraph 1(b) hereof. Simultaneously with the execution and delivery of this Power of Attorney, the undersigned is delivering to you, or is causing to be delivered to you, (i) certificates for shares of Common Stock (each a "Certificate"), representing in the aggregate not less than _____ shares of Common Stock (giving effect to the Company's 52-to-1 stock split), and fully executed and signature-guaranteed stock powers relating thereto (the "Stock Powers") and (ii) two executed copies of Form W-9 (Request for Taxpayer Identification Number and Certification). The undersigned authorizes you to deposit the Certificates and Stock Powers with Boston EquiServe, L.P. or another person as custodian (the "Custodian"), pursuant to a custody agreement in substantially the form attached as EXHIBIT A hereto (the "Custody Agreement").

In consideration of the completion of the registration under the Act of the Common Stock to be sold in the Offering, the execution and delivery of the Underwriting Agreement, the execution and delivery by the other Selling Stockholders of a counterpart of this Power of Attorney (or a substantially similar Power of Attorney), the interest of the Underwriters in this transaction prior to the execution and delivery of the Underwriting Agreement, the rights and obligations of the Underwriters under the Underwriting Agreement after its execution and delivery, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of and subject to the interests of the Company, the Selling Stockholders, and the Underwriters in the matters referred to above, the undersigned hereby executes and delivers this Power of Attorney to the addressees hereof, intending to be legally bound, for the following uses and purposes:

1. The undersigned hereby irrevocably makes, constitutes and appoints James C. Burrows and Laurel E. Morrison (such persons being hereinafter referred to as the "Attorneys-in-Fact"), and each of them acting singly, with full power of substitution to each and to each substitute so appointed, the true and lawful attorneys-in-fact of the undersigned, with full power and authority, in the name of and on behalf of the undersigned:

(a) To receive the Certificates, the Stock Powers and the other documents referred to herein and delivered herewith, to enter into the Custody Agreement substantially in the form of EXHIBIT A hereto, and to deposit with the Custodian pursuant thereto the Certificates and the Stock Powers;

(b) To sell and deliver to the Underwriters up to _____ shares of Common Stock (giving effect to the Company's 52-to-1 stock split), represented by the Certificates deposited by you on behalf of the undersigned with the Custodian as aforesaid, at such purchase price per share to be paid by the Underwriters as the Company in its sole discretion shall determine and agree to with the Underwriters pursuant to the Underwriting Agreement; provided, however, that such purchase price shall be the same purchase price per share to be paid by the Underwriters to the other Selling Stockholders, that such purchase price shall be not less than the initial public offering price of the Common Stock to be sold by the Company in the Offering, less the underwriting discount;

(c) For the purpose of effecting such sale, to negotiate, execute and deliver on behalf of the undersigned an underwriting agreement (the "Underwriting Agreement") among the Company, the Selling Stockholders (acting by the Attorneys-in-Fact) and the Underwriters (acting by the Representatives) substantially in the form transmitted herewith, with such additions thereto, deletions therefrom and changes therein as the Attorneys-in-Fact, or any one of them acting singly, in their sole discretion, shall determine to be necessary or appropriate, which Underwriting Agreement shall contain, among other things, a provision for certain representations and warranties by the Selling Stockholders and a provision that the undersigned, together with the Company and the other Selling Stockholders, will indemnify the Underwriters against certain liabilities, including liabilities under the Act;

(d) To endorse, transfer and deliver certificates for shares of Common Stock to or on the order of the Underwriters or to their nominee or nominees, pursuant to the Underwriting

Agreement, and to give such orders and instructions to the Custodian as the Attorneys-in-Fact may in their sole discretion determine to be necessary or appropriate, with respect to (i) the transfer on the books of the Company of the shares of Common Stock to be sold by the undersigned in order to effect such sale (including the names in which new certificates for such shares are to be issued and the denominations thereof), (ii) the delivery to or for the account of the Underwriters of the certificates for such shares of Common Stock against receipt by the Custodian of the purchase price to be paid therefor, (iii) the payment from the proceeds of any sale of the Common Stock to be sold by the undersigned of any transfer taxes, stamp duties, or other similar taxes due on account of such sale, (iv) the remittance to the undersigned of the balance of the proceeds of any sale of the Common Stock to be sold by the undersigned, (v) the return to the undersigned of certificates representing the shares of Common Stock deposited with the Custodian which were not sold by the undersigned to the Underwriters, and (vi) such other matters as may be necessary or appropriate to effect the intent and purposes of the foregoing;

(e) To retain legal counsel (who may also be counsel to the Company or to any other Selling Stockholder) in connection with any and all matters referred to herein;

(f) To instruct the Custodian as to the number of shares of Common Stock to be sold by the undersigned on the First Closing Date and the Second Closing Date (each as hereinafter defined);

(g) To incur any necessary or appropriate expense in connection with the sale of the Common Stock by the undersigned to the Underwriters;

(h) To approve on behalf of the undersigned any amendments or supplements to the Registration Statement or the Prospectus (as hereinafter defined);

(i) To endorse (in blank or otherwise) on behalf of the undersigned, if necessary, the certificate or certificates representing securities of the Company deposited with the Custodian or a stock power or powers attached or to be attached to the certificate or certificates;

(j) To reduce the number of shares of Common Stock to be included on behalf of the undersigned in the offering of Firm Common Shares (as defined in the Underwriting Agreement) to be made on behalf of Selling Stockholders on the first closing date referred to in the Underwriting Agreement (the "First Closing Date") and in the offering of Optional Common Shares (as defined in the Underwriting Agreement) to be made on behalf of Selling Stockholders on the second closing date referred to in the Underwriting Agreement (the "Second Closing Date"), each such reduction to be made as the Attorneys-in-Fact, or any one of them acting singly, in their sole discretion, shall deem necessary or appropriate in view of market conditions or for any other reason, and to amend the Underwriting Agreement accordingly;

(k) to negotiate, execute and deliver on behalf of the undersigned one or more agreements with (A) the Company, (B) the Sellers or Welch & Forbes, in its capacity as agent for the Sellers (the "Sellers' Agent"), under the Seller/Purchaser Security Agreement dated as of March 2, 1995 by and among certain of the Selling Stockholders and certain other persons named on

Schedule A and Schedule B thereto, as amended to date, and/or (C) Boston Private Bank & Trust Company, a Massachusetts Trust Company (the "Bank"), pursuant to which agreements the shares of Common Stock held by the undersigned and intended to be sold pursuant to the Underwriting Agreement (including any shares that may be subject to an over-allotment option granted to the Underwriters) shall be released from any and all liens, pledges, security interests and other encumbrances, if any, held by the Company, the Sellers, the Sellers' Agent and/or the Bank in exchange for such advance payments of amounts owed, if any, by the undersigned to the Company, the Sellers, the Sellers' Agent and/or the Bank with respect to such shares, and for such other agreements or undertakings, as the Company, the Sellers, the Sellers' Agent and/or the Bank may require or as the Attorneys-in-Fact may otherwise consider necessary or appropriate in connection with the sale of such shares of Common Stock;

(l) To make, execute, acknowledge and deliver all such other agreements, contracts, orders, receipts, notices, requests, instructions, certificates, letters and other writings, including, without limitation, communications to the Securities and Exchange Commission, the Nasdaq Stock Market, Inc., and the National Association of Securities Dealers, Inc., a request that the Registration Statement be made effective, amendments to the Underwriting Agreement and communications under the Underwriting Agreement, and in general to do all things and to take all actions which the Attorneys-in-Fact in their sole discretion may consider necessary or appropriate in connection with or to carry out the aforesaid sale of shares of Common Stock to the Underwriters, as fully as the undersigned could do if the undersigned were present and acting.

2. This Power of Attorney and all power and authority conferred hereby are coupled with an interest, shall be irrevocable and shall not be terminated or otherwise affected by any act or deed of the undersigned (or by any other person, firm or corporation, including the Company, the Selling Stockholders, the Custodian and the Underwriters) or by operation of law, whether by the death, disability or incapacity of the undersigned or by the occurrence of any other event or events including, without limiting the foregoing, the termination of any trust or estate for which the undersigned is acting as a fiduciary, and if after the execution hereof the undersigned shall die, become disabled or become incapacitated, or any other event or events shall occur before the completion of the transactions contemplated by the Underwriting Agreement and this Power of Attorney, the Attorneys-in-Fact are nevertheless authorized and directed to complete all such transactions as if such death, disability, incapacity or other event or events had not occurred and regardless of notice thereof.

3. Each of the Attorneys-in-Fact shall have full power to make and substitute any attorney-in-fact in his or her place and stead, and the undersigned hereby ratifies and confirms all that the Attorneys-in-Fact or substitute or substitutes shall do by virtue of these presents. All actions hereunder may be taken by any one of the persons named herein as Attorney-in-Fact or his or her substitute. In the event of the death, disability or incapacity of any Attorney-in-Fact, the remaining Attorneys-in-Fact shall appoint a substitute therefor. The term "Attorneys-in-Fact" as used herein shall include their respective substitutes. The Attorneys-in-Fact are empowered to determine in their sole discretion the time or times when, and the purposes for and the manner in which, any power herein conferred upon them shall be exercised, and to exercise any such power.

4. The undersigned hereby represents, warrants and agrees that:

(a) The undersigned, having full right, power and authority to do so, has duly executed and delivered this Power of Attorney, appointing the Attorneys-in-Fact as attorneys-in-fact for the undersigned with full and irrevocable authority to execute and deliver the Custody Agreement and the Underwriting Agreement and otherwise to act as specified in this Power of Attorney on behalf of the undersigned in connection with the transactions contemplated herein and therein;

(b) The undersigned owns of record the shares of Common Stock represented by the Certificates delivered herewith and at the First Closing Date and at the Second Closing Date, as the case may be, the undersigned will have good and valid title to the shares of Common Stock to be sold by the undersigned pursuant to the Underwriting Agreement on such date, free and clear of all liens, encumbrances, community property rights, restrictions, security interests, equitable interests, defects and claims whatsoever, with full right, power and authority to sell, assign, transfer and deliver the same; the Certificates delivered on behalf of the undersigned to the Custodian in connection with the sale thereof as contemplated in the Underwriting Agreement are genuine and the undersigned has no knowledge of any fact which would impair the validity of the Certificates; upon the delivery of and payment for the shares of Common Stock of the Company being sold by the undersigned as contemplated by the Underwriting Agreement, the several Underwriters will receive good and valid title to the shares of Common Stock to be purchased from the undersigned free and clear of all liens, encumbrances, community property rights, restrictions, security interests, equitable interests, defects and claims whatsoever, including any liability for estate or inheritance taxes, or any liability to or claims of any creditor, devisee, legatee or beneficiary of the undersigned; and, at the time of the First Closing Date and Second Closing Date, all such shares will be duly authorized and validly issued, fully paid and nonassessable;

(c) The undersigned has, and on the First Closing Date and the Second Closing Date will have, full right, power and authority to execute and deliver this Power of Attorney, the Custody Agreement and the Underwriting Agreement and to perform all the terms and provisions hereof and thereof to be performed by the undersigned; no approval, consent, order, authorization, designation, declaration, or filing by or with any regulatory body, administrative or other governmental body or any other person or entity, other than those obtained or made, is necessary, or will on the First Closing Date or the Second Closing Date be necessary, in connection with the execution and delivery of this Power of Attorney, the Custody Agreement and the Underwriting Agreement by the undersigned, the sale and delivery to the Underwriters of the Common Stock to be sold by the undersigned under the Underwriting Agreement and the consummation by the undersigned of the transactions contemplated herein and therein; this Power of Attorney, when executed by the undersigned and delivered and made effective in accordance with its terms, will be a valid and binding agreement of the undersigned and will be enforceable against the undersigned in accordance with the terms hereof; and each of the Custody Agreement and the Underwriting Agreement, when executed by the Attorneys-in-Fact and delivered and made effective in accordance with its terms, will be a valid and binding agreement of the undersigned;

(d) The execution and delivery of this Power of Attorney by the undersigned and of the Custody Agreement and the Underwriting Agreement on behalf of the undersigned, the

consummation by the undersigned of the transactions contemplated hereby and thereby and compliance with the terms and provisions hereof and thereof will not result in a lien, charge or encumbrance upon any of the shares of Common Stock to be sold by the undersigned pursuant to the terms of the Underwriting Agreement or conflict with, or result in a breach of any of the terms, provisions or conditions of, or constitute a default under, any will, mortgage, deed of trust, trust, indenture, agreement, understanding, franchise, license, permit or other instrument or document to which the undersigned is a party or by which the undersigned is, or the shares of Common Stock to be sold by the undersigned pursuant to the terms of the Underwriting Agreement are, bound, or any statute or any judgment, decree, order, rule or regulation of any court or other governmental body applicable to the undersigned or to such Common Stock;

(e) All information furnished to the Company by or on behalf of the undersigned with respect to the undersigned for use in connection with the preparation of the Registration Statement, any Preliminary Prospectus (as hereinafter defined) and the Prospectus (as hereinafter defined), including all information contained in any "Directors', Officers' and 5% Stockholders' Questionnaire," "Questionnaire for Selling Stockholders," "NASD Questionnaire for Officers, Directors and All Shareholders," or other questionnaire (together, the "Questionnaires") furnished to the Company by the undersigned, is true, complete and correct in all material respects and does not omit any material fact necessary to make such information not misleading. The undersigned has carefully reviewed the Registration Statement and will carefully review each amendment thereto upon receipt thereof from the Company and will promptly advise you if:

(i) the name or address, if set forth, of the undersigned is not properly set forth in each preliminary prospectus contained in the Registration Statement (each, a "Preliminary Prospectus") and the prospectus contained in the Registration Statement at the time it becomes effective (the "Prospectus");

(ii) (A) except as set forth in each Preliminary Prospectus, either the undersigned or any associate* of the undersigned has an interest adverse to the Company in any pending legal proceedings; (B) either the undersigned or any associate* of the undersigned is a party to any contract with the Company, except a contract which has been disclosed and the material terms of which have been fully and accurately described in each Preliminary Prospectus; and (C) except as set forth in each Preliminary Prospectus, either the undersigned or any partner or associate* of the undersigned has a material relationship* with the Company or any of its officers or directors;

(iii) the undersigned knows of any reason why the undersigned cannot represent that (A) the Registration Statement does not and will not contain any untrue statement of a material fact and does not and will not omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) each Preliminary Prospectus and the Prospectus and any supplements thereto do not and will not contain any untrue statement of a material fact and do not and will not omit to state any

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*See EXHIBIT B attached hereto for certain definitions.

material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that these representations and warranties do not apply to statements or omissions in the Registration Statement or the Prospectus or any amendments or supplements thereto or any Preliminary Prospectus based upon information furnished to the Company in writing by any Underwriter; provided, that the undersigned shall have no liability hereunder except to the extent that any alleged untrue statement of a material fact in the Registration Statement or Prospectus or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading relates specifically to the undersigned; and

(iv) except as indicated in each Preliminary Prospectus, the undersigned knows of any arrangements made or to be made by any person, or of any transaction already effected, (A) to limit or restrict the sale of shares of the Company's Common Stock during the period of the public distribution, (B) to stabilize the market for the Common Stock of the Company, (C) for withholding commissions, or (D) otherwise to hold the Underwriters or anyone else responsible for the distribution of its participation;

(f) In connection with the public offering and distribution of Common Stock contemplated in the Underwriting Agreement, the undersigned has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock;

(g) In connection with the public offering and distribution of Common Stock contemplated in the Underwriting Agreement, (A) the undersigned has not bid for or purchased and during the restricted period (as defined in Regulation M* promulgated by the Securities and Exchange Commission) applicable to the distribution will not bid for or purchase, directly or indirectly, for any account which the undersigned controls or in which the undersigned has a beneficial** interest, any Common Stock which is the subject of such distribution, or any other Common Stock of the Company, or any right to purchase Common Stock of the Company, and has not attempted and will not attempt, directly or indirectly, to induce any person to bid for or purchase any such Common Stock or right until after the termination of such restricted period; and (B) the undersigned has complied with and will comply with the provisions of the Act and the rules and regulations thereunder and the provisions of Regulation M promulgated by the Securities and Exchange Commission;

(h) The undersigned will promptly notify the Company in writing of (A) the occurrence of any event which causes any of the representations, warranties and agreements of the undersigned contained herein, in the Underwriting Agreement, in the Custody Agreement or in the Questionnaires not to be true and correct and in full force and effect on the effective date of the Registration Statement, on the First Closing Date or on the Second Closing Date or (B) any material adverse information with regard to the current or prospective operations of the Company of which

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*See EXHIBIT C attached hereto for certain information relating to Regulation M.

*See EXHIBIT B attached hereto for certain definitions.

the undersigned learns after the date hereof and which is not disclosed in the Registration Statement or the most recent amendment thereto received by the undersigned;

(i) Except as indicated in the Questionnaires or in the space below the signature of the undersigned, neither the undersigned, nor to the best knowledge of the undersigned, any associate* of the undersigned, is affiliated with any person or firm directly or indirectly engaged in the securities business, whether as a broker or dealer, as an employee acting in any capacity including that of an officer or registered representative, as a director or partner, or as an equity investor or debt investor, other than debt arising as a result of trading activities. (The undersigned need not include or disclose investments in publicly held corporations which in turn have investments in firms in the securities business if the undersigned's investment in the publicly held corporation is of the same class of security as is publicly held and does not exceed five percent of such class);

(j) The undersigned has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Common Stock other than a Preliminary Prospectus and the Prospectus, or other material permitted by the Act;

(k) Except as indicated in the space below the signature of the undersigned, the undersigned has not prepared, and has no knowledge of, (A) any engineering, management or similar report or memorandum relating to broad aspects of the business, operations or products of the Company which has been prepared since January 1, 1995, or (B) any report or memorandum which has been prepared for external use in connection with the proposed Offering. (If exceptions are indicated below, state the actual or proposed use and distribution of such report or memorandum, the class or classes of persons who have received or will receive the report or memorandum, and the number of copies distributed to each such class.); and

(l) The undersigned will notify the Company immediately of any changes in the foregoing information which should be made as a result of developments occurring after the date hereof and prior to or contemporaneously with the Second Closing Date. You and the Company may consider that there has not been any such development unless advised to the contrary.

5. (a) Certificates representing not less than _____ shares of Common Stock of the Company (giving effect to the Company's 52-to-1 stock split) are enclosed herewith together with the other items set forth in the second paragraph hereof.

(b) The number of shares of Common Stock beneficially* owned by the undersigned as of February 20, 1998 is correctly set forth under the heading "Principal and Selling Stockholders" in the Registration Statement of the Company dated February 26, 1998.

(c) Except as set forth in the space below the signature of the undersigned or under the heading "Principal and Selling Stockholders" in the Registration Statement of the

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*See EXHIBIT B attached hereto for certain definitions.

Company dated February 26, 1998, the undersigned does not beneficially* own any shares of Common Stock of the Company which are not also owned of record.

(d) Except as set forth in the space below the signature of the undersigned or under the heading "Principal and Selling Stockholders" in the Registration Statement of the Company dated February 26, 1998, the undersigned is not acting in a fiduciary capacity or as a nominee in selling shares in the Offering.

6. Notwithstanding the foregoing, this Power of Attorney shall be revoked and shall terminate automatically in the event that the Underwriting Agreement shall not have been fully executed and delivered on or before July 31, 1998. No such revocation shall affect the authorization or validity of any lawful act done or performed by the Attorneys-in-Fact pursuant hereto on or before such date.

7. Each of the Attorneys-in-Fact may act and rely upon any instrument or other writing believed by him or her to be genuine and to be signed or presented or caused to be sent by the proper person. The undersigned hereby agrees to indemnify and hold harmless the Attorneys-in-Fact, jointly and severally, from any and all loss, claim, damage, liability or expense which they, or any of them, may sustain or incur as a result of any action taken in good faith hereunder.

8. In consideration of the inclusion in the Offering of the Common Stock to be sold by the undersigned on the terms set forth herein, (A) the undersigned hereby waives any rights to which the undersigned might otherwise be entitled, under any agreement with the Company or otherwise, to require that any shares of capital stock of the Company held by the undersigned be included in the Offering, (B) if the undersigned has not paid the full purchase price of any of the shares of Common Stock to be sold by the undersigned pursuant to the Underwriting Agreement (including any shares that may be subject to an over-allotment option granted to the Underwriters), the undersigned hereby promises and agrees to pay, on or before the effective date of the Registration Statement, the full purchase price of all such shares of Common Stock, to obtain the release of any and all liens, pledges, security interests and other encumbrances, if any, on such shares of Common Stock, and to execute and deliver all such agreements, instruments and other documents, and to take such actions, as the Company shall deem necessary or appropriate to obtain all such releases, (C) the undersigned hereby agrees that the Company shall apply the entire amount of any dividends declared after December 31, 1997 that are payable to the undersigned toward the satisfaction of any amounts payable now or hereafter by the undersigned (i) to the Company pursuant to one or more stock purchase agreements by and between the Company and the undersigned, (ii) if the undersigned is a party to the Stock Purchase Agreement dated as of March 2, 1995 by and among certain of the Selling Stockholders and the other persons named on SCHEDULE A and SCHEDULE B thereto, to the Sellers pursuant to such Stock Purchase Agreement, and (iii) to the Bank pursuant to any loans made by the Bank to the undersigned in connection with the purchase of shares of Common Stock of the Company.

9. The undersigned represents and warrants to, and agrees with, the other Selling Stockholders, the Company, the Attorneys-in-Fact and the Underwriters, that (a) the undersigned has carefully reviewed the preliminary copy of the Underwriting Agreement transmitted herewith,

including the representations, warranties, covenants and agreements to be made by the undersigned as a Selling Stockholder contained therein (including the agreement that the undersigned will indemnify the Underwriters against certain liabilities under the Act); (b) such representations and warranties are true and correct on and as of the date hereof and will be true and correct at the time of the execution of the Underwriting Agreement and at the time or times of the sale by the undersigned of the shares of Common Stock to the Underwriters pursuant to the Underwriting Agreement; (c) such covenants and agreements will be valid, binding and enforceable against the undersigned in accordance with their respective terms at the time of the execution of the Underwriting Agreement and at the time or times of the sale by the undersigned of the shares of Common Stock to the Underwriters pursuant to the Underwriting Agreement, except as rights to indemnity or contribution may be limited by federal or state securities laws, and except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and subject to general principles of equity; and (d) except as indicated in the Questionnaires or in the space below the signature of the undersigned, the undersigned is not a member, five percent or controlling stockholder, or director of any member firm of the National Association of Securities Dealers, Inc. or any similar organization and does not have any material interest in or relationship with any member firm of any such organization.

10. The undersigned acknowledges that the representations, warranties, covenants and agreements made or undertaken by the undersigned herein are in addition to, and not in limitation of, the representations, warranties, covenants and agreements made or undertaken on the part of the undersigned in the Underwriting Agreement as the same may be executed and delivered.

11. The undersigned acknowledges that the Company, the Attorneys-in-Fact, the Underwriters, counsel to the Company, counsel to the Selling Stockholders, and counsel to the Underwriters will be relying, directly or indirectly, on the representations and warranties contained herein, and the undersigned agrees that each of such persons shall be entitled to rely thereon.

12. If any provision of this Power of Attorney is found to be unenforceable as applied in any particular case or circumstance in any applicable jurisdiction because it conflicts with any constitution, statute or rule of public policy, or for any other reason, such finding shall not render any other provision of this Power of Attorney unenforceable to any extent whatsoever.

13. This Power of Attorney is executed under seal and shall be binding upon the undersigned and the legal representatives, successors and assigns of the undersigned. This Power of Attorney shall be governed by, and construed and enforced in accordance with, the laws of The Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the date set forth below.

Dated: , 1998.

Very truly yours,

Stockholder

By:
---
Signature*

*YOU MUST SIGN YOUR NAME EXACTLY AS IT APPEARS ON YOUR STOCK CERTIFICATE

Subscribed and sworn to before me this day of
-----
1998.
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Notary Public

My commission expires:
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EXCEPTIONS TO ANY OF THE ABOVE:

Exhibit A

CHARLES RIVER ASSOCIATES INCORPORATED

Common Stock
without par value

Custody Agreement for Selling Stockholders

Boston EquiServe, L.P.
150 Royall Street
Canton, Massachusetts 02021
Attention: Ms. Carole McHugh

Ladies and Gentlemen:

There are delivered to you as custodian herewith certificates (the "Certificates") for shares of Common Stock, without par value (the "Common Stock"), of Charles River Associates Incorporated (the "Company"), representing in the aggregate the numbers of shares of Common Stock set forth in Column (B) of SCHEDULE 1 attached hereto. Each Certificate is in negotiable form, with fully executed stock powers therefor bearing signatures guaranteed by a national bank or trust company or by a member firm of the New York Stock Exchange or the American Stock Exchange. The Certificates are to be held by you as custodian for the account of the selling stockholders named in Column (A) of such SCHEDULE 1 (the "Selling Stockholders") and are to be disposed of by you in accordance with this Custody Agreement.

Each of the undersigned has been appointed attorney-in-fact ("Attorney-in-Fact") by each of the Selling Stockholders pursuant to an irrevocable power of attorney (the "Power of Attorney") to act individually or collectively on behalf of each of the Selling Stockholders in connection with the sale of the shares of Common Stock delivered herewith, and for that purpose to negotiate, execute and deliver an underwriting agreement (the "Underwriting Agreement") among the Company, the Selling Stockholders and NationsBanc Montgomery Securities LLC and William Blair & Company, L.L.C. as the representatives (the "Representatives") of certain underwriters (the "Underwriters"), relating to the offering of shares of Common Stock to the public.

You are authorized and directed to hold the Certificates in your custody and (i) on or immediately prior to the First Closing Date as specified in the Underwriting Agreement, and on or immediately prior to the Second Closing Date as specified in the Underwriting Agreement, to cause up to the number of shares of the Common Stock which are to be sold by each of the Selling Stockholders on such date pursuant to the Underwriting Agreement to be transferred on the books of the Company into such names as any Attorney-in-Fact shall have instructed you, and to cause to be issued, against surrender of the Certificates representing such shares, new certificates for such shares registered in such names and in such denominations as any Attorney-in-Fact shall have instructed you and, upon the instructions of any Attorney-in-Fact, to deliver such new certificates

for the Common Stock to the Representatives for the accounts of the several Underwriters pursuant to the Underwriting Agreement, against payment for such shares in such amount as any Attorney-in-Fact shall certify to you, and to give receipt for such payment and to deposit the same to your account as custodian and (ii) when instructed in writing by any Attorney-in-Fact to do so, you are to remit to each of the Selling Stockholders, respectively, the amounts received by you as payment for the shares of the Common Stock being sold by each such Selling Stockholder. An Attorney-in-Fact will notify you in writing at least two full days prior to the First Closing Date and two full days prior to the Second Closing Date, as set forth in the Underwriting Agreement, of the names and denominations of the new certificates to be issued pursuant to clause (i) of this paragraph.

If the Underwriting Agreement shall not be entered into on behalf of the Selling Stockholders on or before July 31, 1998 or shall be terminated pursuant to the provisions thereof, then, unless you receive instructions to the contrary from an Attorney-in-Fact, on or after that date you are to return to the undersigned the Certificates deposited with you, together with any stock powers delivered therewith.

Under the terms of the Powers of Attorney executed by the Selling Stockholders, the authority granted and conferred therein is subject to and in consideration of the interests of the Company, the Underwriters and the other Selling Stockholders who may become parties to the Underwriting Agreement. Accordingly, the authority granted hereunder and thereunder is an agency coupled with an interest and is irrevocable and not subject to termination by any act of any Selling Stockholder, by operation of law or the occurrence of any other event (other than the failure of the Underwriting Agreement to be fully executed and delivered on or before July 31, 1998). The Power of Attorney shall not be terminated by any act of a signatory or by operation of law, and if after the execution thereof a Selling Stockholder shall die, become disabled or incapacitated, be dissolved, liquidated, merged or consolidated, or if any other event shall occur, before the completion of the transactions contemplated by the Underwriting Agreement and the Power of Attorney, each of the undersigned is nevertheless authorized and directed to complete all the contemplated transactions as if such death, disability, incapacity, dissolution, liquidation, merger, consolidation, or other event or events had not occurred and regardless of notice thereof. Accordingly, the Certificates deposited with you, this Custody Agreement and your authority hereunder are subject to such interest, and this Custody Agreement and your authority hereunder are similarly irrevocable by the undersigned or any Selling Stockholder and shall not be subject to termination in any such event. Notwithstanding the death, disability, incapacity, dissolution, liquidation, merger or consolidation of any Selling Stockholder or any other event or events, you are nevertheless authorized and directed to deal with the Certificates deposited hereunder in accordance with the terms and conditions hereof, as if such death, disability, incapacity, dissolution, liquidation, merger, consolidation or other event or events had not occurred, regardless of whether or not you shall have received notice of such event.

Until payment of the purchase price for the shares of the Common Stock sold by each of the Selling Stockholders pursuant to the Underwriting Agreement has been made to you by or for the account of the Underwriters, such Selling Stockholder shall remain the owner of such shares and shall have the right to vote the shares represented by the Certificates deposited with you and to receive all dividends and distributions thereon.

You shall be entitled to act and rely upon any statement, request, notice or instruction respecting this Custody Agreement given to you by any of the undersigned, not only as to the authorization, validity and effectiveness thereof, but also as to the truth and acceptability of any information therein contained; provided, however, that any statement or notice to you with respect to the First Closing Date and the Second Closing Date under the Underwriting Agreement or with respect to the noneffectiveness or termination of the Underwriting Agreement, or advice that the Underwriting Agreement has not been executed and delivered, shall have been confirmed in writing to you by the Representatives.

It is understood that your duties shall be determined only with reference to this Custody Agreement, that you are not charged with knowledge of any other document or agreement, and that you assume no responsibility or liability to any person other than to deal with the Certificates deposited with you and the proceeds from the sale of the Common Stock represented by such Certificates in accordance with the provisions hereof. You make no representations with respect to and shall have no responsibility for the Registration Statement (as defined in the Underwriting Agreement) or the Prospectus therein nor, except as herein expressly provided, for any aspect of the offering of the Common Stock, and you shall not be liable for any error of judgment or for any act done or omitted or for any mistake of fact or law except for your own negligence or bad faith. Each of the Selling Stockholders shall indemnify you for, and hold you harmless against, any loss, claim, damage, liability or expense incurred by you which arises out of or in connection with your acting as custodian under this Custody Agreement, including the cost and expense of defending against any claim of liability therefor, and which is not due to your own negligence or bad faith, and to reimburse you for all your expenses reasonably incurred in connection with any litigation or proceeding including, without limitation, counsel fees and court costs, arising by reason of your position as custodian under this Custody Agreement, or actions taken pursuant hereto. The Selling Stockholders agree that you may consult with counsel of your own choice (who may be counsel for the Company) and you shall have full and complete authorization and protection for any action taken or suffered by you hereunder in good faith and in accordance with the opinion of such counsel.

You shall have the right at any time to resign from your duties hereunder by giving written notice of your resignation to the Attorneys-in-Fact, at the address set forth below the signatures of the Attorneys-in-Fact, or at such other address as any Attorney-in-Fact shall hereafter designate in writing, at least 10 business days prior to the date specified for such resignation to take effect; and upon the effective date of such resignation, all property then held by you hereunder shall be delivered by you to a successor custodian or as any Attorney-in-Fact shall otherwise designate in writing.

It is understood that you may execute any of your powers or responsibilities hereunder and exercise any rights hereunder either directly or by or through your agents. Nothing in this Custody Agreement shall be deemed to impose upon you any duty to qualify to do business or to act as a fiduciary or otherwise in any jurisdiction other than the Commonwealth of Massachusetts. You shall not be responsible for and shall not be under a duty to examine into or pass upon the validity, binding effect, execution or sufficiency of this Custody Agreement or of any agreement amending or supplementing this Custody Agreement.

This Custody Agreement is executed under seal and shall be binding upon the parties hereto and their successors and assigns. This Custody Agreement shall be governed by, and construed and enforced in accordance with, the laws of The Commonwealth of Massachusetts without regard to its principles of conflicts of laws.

Please acknowledge your acceptance of this letter as custodian and receipt of the Certificates and stock powers deposited herewith by returning to the undersigned an enclosed copy of this letter with the attached Acknowledgment and Receipt completed and executed.

Dated: , 1998
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Very truly yours,

Attorneys-in-Fact for the Selling Stockholders:

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James C. Burrows

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Laurel E. Morrison

Address for the Attorneys-in-Fact:

c/o Charles River Associates Incorporated
200 Clarendon Street
Boston, MA 02116

## Acknowledgment and Receipt of Certificates

Boston EquiServe, L.P. hereby accepts the duties of custodian under the foregoing Custody Agreement and acknowledges receipt of the Certificates referred to therein and listed in Schedule 1 attached thereto, and the stock powers relating thereto.

Boston EquiServe, L.P.,
as Custodian

By:
---
Its:

Exhibit 23.1

Consent of Ernst & Young LLP, Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated February 25, 1998, in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-46941) and related Prospectus of Charles River Associates Incorporated for the registration of 2,516,200 shares of its common stock.

/s/ Ernst & Young LLP

Boston, Massachusetts
April 2, 1998

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U.S. DOLLARS

| | |
|---|---|
| 3-MOS | |
| NOV-29-1997 | |
| NOV-30-1997 | |
| FEB-20-1998 | |
| 1 | |
| 6,988 | |
| 0 | |
| 12,869 | |
| 430 | |
| 0 | |
| 20,333 | |
| 2,897 | |
| 3,089 | |
| 23,828 | |
| 10,775 | |
| 0 | |
| 0 | |
| 0 | |
| 1,977 | |
| 8,545 | |
| 23,828 | |
| 11,137 | |
| 11,137 | |
| 6,486 | |
| 9,240 | |
| 0 | |
| 0 | |
| 0 | |
| 1,943 | |
| 120 | |
| 0 | |
| 0 | |
| 0 | |
| 0 | |
| 1,875 | |
| .29 | |
| .29 | |

Net income before minority interest is $1,823 and
minority interest of $52 for net income of $1,875.
Net of allowance for doubtful accounts of $430.
Net of accumulated depreciation and amortization
of $3,089.
Fiscal year is on the last Saturday in November
each year.
Retained earnings of $9,645 and notes receivable
from stockholders of (1,100).