

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended FEBRUARY 18, 2000

or

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

Commission file number: 000-24049

CHARLES RIVER ASSOCIATES INCORPORATED

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

04-2372210

(State or other jurisdiction of
incorporation or organization)

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

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

(Address of principal executive offices) (Zip Code)

617-425-3000

Registrant's telephone number, including area code

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

Yes No

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

As of March 31, 2000 CRA had outstanding 8,685,361 shares of common
stock.

CHARLES RIVER ASSOCIATES INCORPORATED
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PART I. FINANCIAL INFORMATION
 ITEM 1. Financial Statements

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

	NOVEMBER 27, 1999	FEBRUARY 18, 2000
	-----	-----
ASSETS		(unaudited)
Current assets:		
Cash and cash equivalents	\$20,176	\$18,057
Available-for-sale securities	8,684	7,749
Accounts receivable, net of allowances of \$952 in 1999 and \$1,063 in 2000 for doubtful accounts	12,719	17,834
Unbilled services	13,891	12,974
Prepaid expenses	548	732
Deferred income taxes	1,358	1,358
	-----	-----
Total current assets	57,376	58,704
Property and equipment, net	4,051	4,090
Goodwill, net of accumulated amortization of \$502 in 1999 and \$630 in 2000	10,553	10,425
Intangible assets, net of accumulated amortization of \$152 in 1999 and \$194 in 2000	1,348	1,306
Other assets	182	188
	-----	-----
Total assets	\$73,510	\$74,713
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,641	\$3,351
Accrued expenses	15,128	14,317
Deferred revenue and other liabilities	254	144
Current portion of notes payable to former stockholders	406	406
	-----	-----
Total current liabilities	19,429	18,218
Notes payable to former stockholders, net of current portion	331	331
Notes payable to minority interest	130	130
Deferred rent	1,305	1,350
Minority interest	--	--
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, no par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common Stock, no par value; 25,000,000 shares authorized; 8,683,761 shares in 1999 and 8,685,361 shares in 2000 issued and outstanding	40,189	40,066
Deferred compensation	(345)	(288)
Retained earnings	12,471	14,906
	-----	-----
Total stockholders' equity	52,315	54,684
	-----	-----
Total liabilities and stockholders' equity	\$73,510	\$74,713
	=====	=====

See accompanying notes.

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

(unaudited)

	TWELVE WEEKS ENDED	
	FEBRUARY 19, 1999	FEBRUARY 18, 2000
Revenues	\$14,413	\$18,869
Costs of services	8,683	10,529
Gross profit	5,730	8,340
General and administrative	3,086	4,496
Income from operations	2,644	3,844
Interest income, net	260	305
Income before provision for income taxes and minority interest	2,904	4,149
Provision for income taxes	(1,182)	(1,714)
Income before minority interest	1,722	2,435
Minority interest	33	--
Net income	\$ 1,755	\$ 2,435
Net income per share:		
Basic	\$ 0.21	\$ 0.28
Diluted	\$ 0.21	\$ 0.28
Weighted average number of shares outstanding:		
Basic	8,391,959	8,684,338
Diluted	8,496,371	8,838,847

See accompanying notes.

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

	Twelve Weeks Ended	
	FEBRUARY 19, 1999	FEBRUARY 18, 2000
OPERATING ACTIVITIES:		
Net income	\$ 1,755	\$ 2,435
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	447	586
Deferred rent	12	45
Minority interest	(33)	--
Changes in operating assets and liabilities:		
Accounts receivable	(1,097)	(5,115)
Unbilled services	(437)	917
Prepaid expenses and other assets	(489)	(190)
Accounts payable, accrued expenses, and other liabilities	(3,170)	(1,211)
Net cash used in operating activities	(3,012)	(2,533)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(508)	(409)
Sale of available-for-sale securities	--	935
Acquisition of businesses	(7,509)	(27)
Net cash provided by (used in) investing activities	(8,017)	499
FINANCING ACTIVITIES:		
Loan from minority interest holder	130	--
Issuance of common stock upon exercise of stock options	--	30
Costs related to issuance of common stock in prior fiscal year	--	(115)
Net cash provided by (used in) financing activities	130	(85)
Net decrease in cash and cash equivalents	(10,899)	(2,119)
Cash and cash equivalents at beginning of period	32,023	20,176
Cash and cash equivalents at end of period	\$ 21,124	\$ 18,057
Supplemental cash flow information:		
Cash paid for income taxes	\$ 1,947	\$ 2,006
Issuance of common stock for acquired business	\$ 2,315	--

See accompanying notes

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

1. DESCRIPTION OF BUSINESS

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

2. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND ESTIMATES

The consolidated balance sheet as of February 18, 2000, the consolidated statements of income for the twelve weeks ended February 19, 1999, and February 18, 2000 and the consolidated statements of cash flows for the twelve-week periods ended February 19, 1999, and February 18, 2000, are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows.

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

3. FISCAL YEAR

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

4. REVENUE RECOGNITION

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

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

5. CASH EQUIVALENTS AND AVAILABLE-FOR-SALE SECURITIES

Cash equivalents consist principally of money market funds, commercial paper, bankers' acceptances, and certificates of deposit with maturities when purchased of 90 days or less. Available-for-sale securities consist of commercial paper and certificates of deposit with maturities when purchased of more than 90 days but less than one year, whose cost approximates fair market value.

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

6. GOODWILL

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

7. IMPAIRMENT OF LONG-LIVED ASSETS

The Company periodically reviews the carrying value of its long-lived assets (primarily property and equipment and goodwill) to assess the recoverability of these assets; any impairments would be recognized in operating results if a permanent diminution in value were to occur. As part of this assessment, the Company reviews the expected future net operating cash flows from its acquired businesses.

8. INTANGIBLE ASSETS

Intangible assets consist principally of costs allocated to non-compete agreements and are amortized over the related terms of the agreements (7-10 years).

9. PROPERTY AND EQUIPMENT

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

10. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its subsidiaries, and NeuCo, Inc., a corporation founded by the Company and an affiliate of Commonwealth Energy Systems in June 1997. The Company has a 65.25% interest in NeuCo, Inc. The portion of the results of operations of NeuCo, Inc., allocable to its minority owners is shown as "minority interest" in the Company's statement of income, and that amount, along with the capital contributions to NeuCo, Inc. of its minority interest owners, is shown as "minority interest" on the Company's balance sheet. All significant intercompany accounts have been eliminated.

11. NET INCOME PER SHARE

Basic earnings per share represents net income divided by the weighted average shares of common stock outstanding during the period. Weighted average shares used in diluted earnings per share for the first quarter of fiscal 2000 include 154,508 common stock equivalents arising from stock options using the treasury stock method.

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

12. STOCKHOLDERS' EQUITY

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

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

13. ACCOUNTING PRONOUNCEMENTS

In fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which did 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 Company adopted the SOP in the first quarter of fiscal 2000 and wrote off approximately \$32,000 of unamortized organization costs. This amount was not deemed material enough to present as a cumulative change in accounting principal.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivatives to be recorded on the balance sheet at fair market value and establishes special accounting for certain types of hedges. The Company does not engage in any derivative instruments and hedging activities. The Statement is effective for fiscal years beginning after June 15, 2001, however, earlier adoption is allowed.

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

FORWARD-LOOKING STATEMENTS

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

RESULTS OF OPERATIONS - TWELVE WEEKS ENDED FEBRUARY 19, 1999 COMPARED TO TWELVE WEEKS ENDED FEBRUARY 18, 2000

Revenues. Revenues increased by \$4.5 million, or 30.9%, from \$14.4 million for the first quarter of fiscal 1999 to \$18.9 million for the first quarter of fiscal 2000. The increase in revenues was due primarily to an increase in the number of employee consultants, an increase in consulting services performed for new and existing clients during the period, and, to a lesser extent, increased billing rates of CRA's consultants. The total number of employee consultants increased from 155 for the first quarter of fiscal 1999 to 216 for the first quarter of fiscal 2000, of which 10 were an acquisition in the second quarter of fiscal 1999. CRA experienced revenue increases during the first quarter of fiscal 2000 in both its legal and regulatory consulting services and business consulting services, and in particular generated significant revenue increases in its finance, auctions, and transportation practice areas, as well as from NeuCo, Inc.

Costs of Services. Costs of services increased by \$1.8 million, or 21.3%, from \$8.7 million in the first quarter of fiscal 1999 to \$10.5 million in the first quarter of fiscal 2000. As a percentage of revenues, costs of services decreased from 60.2% in the first quarter of fiscal 1999 to 55.8% in the first quarter of fiscal 2000. The decrease as a percentage of revenue was due primarily to a relative decrease in bonuses paid to employee consultants who source business to CRA. NeuCo's costs of services has decreased as well as a percentage of revenues, thus contributing to the overall decrease in costs of services as a percentage of revenues.

General and Administrative. General and administrative expenses increased by \$1.4 million, or 45.7%, from \$3.1 million in the first quarter of fiscal 1999 to \$4.5 million in the first quarter of fiscal 2000. As a percentage of revenues, general and administrative expenses increased from 21.4% in the first quarter of fiscal 1999 to 23.8% in the first quarter of fiscal 2000. The increase in general and administrative expenses resulted from bonus payments to outside experts, increased rents due to internal growth, and amortization costs related to acquired businesses.

Interest Income, Net. Net interest income increased from \$260,000 in first quarter of fiscal 1999 to \$305,000 in the first quarter of fiscal 1999. This increase was due primarily to interest earned from the investment of the proceeds of CRA's public offerings.

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

(CONTINUED)

Provision for Income Taxes. Provision for income taxes increased from \$1.2 million in the first quarter of fiscal 1999 to \$1.7 million in the first quarter of fiscal 2000. The Company's effective tax rate increased slightly from 40.7% in the first quarter of fiscal 1999 to 41.3% in the first quarter of fiscal 2000.

Minority Interest. In June 1997, CRA established and purchased a controlling interest in NeuCo, Inc., which provides applications consulting services and a family of neural network software solutions and complementary applications for fossil-fired electric utilities. Minority interest in the loss of NeuCo decreased from \$33,000 in the first quarter of fiscal 1999 to zero in the first quarter of fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of February 18, 2000, CRA had cash and cash equivalents of \$18.1 million, marketable securities of \$7.7 million, and working capital of \$40.5 million. Net cash used in operating activities for the twelve weeks ended February 18, 2000 was \$2.5 million, consisting primarily of net income of \$2.4 million offset by an increase in accounts receivable of \$5.1 million.

Cash generated by investing activities amounted to \$499,000 resulting primarily from the sale of short-term investments, which was offset in part, by the purchase of property and equipment during the first quarter of fiscal 2000 for \$409,000.

CRA's financing activities used cash of \$85,000 in the twelve weeks ended February 18, 2000. The use of cash consists primarily of costs related to CRA's sale of stock in a public offering in the prior fiscal year.

CRA presently has available a \$2.0 million revolving line of credit with BankBoston Corporation, which is secured by CRA's accounts receivable. This line of credit automatically renews each year on June 30, unless earlier terminated by either CRA or BankBoston. No borrowings were outstanding under this line of credit as of February 18, 2000.

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

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

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

(CONTINUED)

YEAR 2000 COMPLIANCE

The following information constitutes a "Year 2000 Readiness Disclosure" under the Year 2000 Information and Readiness Disclosure Act.

Many computer systems and software products were not originally designed to recognize dates after December 31, 1999. This "Year 2000" problem could result in system failures or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. To date, CRA is not aware that Year 2000 issues have affected its business.

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

(CONTINUED)

RISK FACTORS

Statements in this section and elsewhere in this quarterly report that are not purely historical, such as statements regarding our expectations, beliefs, intentions, plans, and strategies regarding the future, are forward-looking statements. These statements are only predictions, and they involve risks, uncertainties, and assumptions that could cause our actual results to differ materially from the results we express in the forward-looking statements. This section includes important factors that could cause or contribute to these differences. We cannot guarantee the results expressed in any forward-looking statement. We have based all forward-looking statements on information available to us on the date of this quarterly report, and we have no obligation to update any forward-looking statement.

WE DEPEND UPON ONLY A FEW KEY EMPLOYEES TO GENERATE REVENUE

Our business consists primarily of the delivery of professional services, and accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution of our employee consultants. If we lose the services of any employee consultant or if our employee consultants fail to generate business or otherwise fail to perform effectively, that could have a material adverse effect on our business, financial condition, and results of operations.

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

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

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

Any failure on our part to manage growth successfully could have a material adverse effect on our business, financial condition, and results of operations. We have been experiencing significant growth in our revenues and employee base as a result of both internal growth and acquisitions. This growth creates new and increased management, consulting, and training responsibilities for our employee consultants. This growth also increases the demands on our internal systems, procedures, and controls, and on our managerial, administrative, financial, marketing, and other resources. We depend heavily upon the managerial, operational, and administrative skills of our officers, particularly James C. Burrows, our President and Chief Executive Officer, to manage this growth. New responsibilities and demands may adversely affect the overall quality of our work. No member of our management team has experience in

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

(CONTINUED)

managing a public company other than CRA. We have also recently opened offices in new geographic locations and may open additional offices in the future. Opening new offices may entail substantial start-up and maintenance costs.

WE DEPEND ON OUR OUTSIDE EXPERTS

We depend on our existing relationships with our exclusive outside experts. Six of our exclusive outside experts in each of fiscal 1998 and fiscal 1999 generated engagements that accounted for approximately 19 percent and 31 percent of our revenues in those years. We believe that these outside experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract consultants in part because we could offer the services of these outside experts. Most of these outside experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities whose policies prohibit accepting specified engagements, the pursuit of other interests, and retirement.

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

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

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

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

- the number of weeks in the quarter
- the number, scope, and timing of ongoing client engagements
- the extent to which we can reassign employee consultants efficiently from one engagement to the next
- employee hiring
- the extent of discounting or cost overruns
- severe weather conditions and other factors affecting employee productivity.

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

(CONTINUED)

Because we generate almost all of our revenues from consulting services that we provide on an hourly-fee basis, our revenues in any period are directly related to the number of our employee consultants, their billing rates, and the number of billable hours they work in that period. We have a limited ability to increase any of these factors in the short term. Accordingly, if we underutilize our consultants during one part of a fiscal period, we may be unable to compensate by augmenting revenues during another part of that period. In addition, we may be unable to fully utilize the additional consultants that we intend to hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, if our revenues fail to meet our projections in any quarter, that could have a disproportionate adverse effect on our net income. For these reasons, we believe historical results of operations should not be relied upon as an indication of our future performance.

ACQUISITIONS MAY DISRUPT OUR OPERATIONS OR ADVERSELY AFFECT OUR RESULTS

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

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

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

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

(CONTINUED)

MAINTAINING OUR PROFESSIONAL REPUTATION IS CRUCIAL TO OUR FUTURE SUCCESS

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

WE DEPEND ON OUR ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

We derived a substantial portion of our revenues from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number of our engagements in these practice areas could have a material adverse effect on our business, financial condition, and results of operations. We derived almost all of these revenues from engagements relating to enforcement of United States antitrust laws. Changes in federal antitrust laws, changes in judicial interpretations of these laws, or less vigorous enforcement of these laws as a result of changes in political appointments or priorities, or for other reasons, could substantially reduce our revenues from engagements in this area. In addition, adverse change in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could also adversely affect engagements in which we assist clients in proceedings before the Department of Justice and the Federal Trade Commission.

OUR REVENUES COME FROM A LIMITED NUMBER OF LARGE ENGAGEMENTS

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

CLIENTS CAN TERMINATE ENGAGEMENTS WITH US AT ANY TIME

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

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

(CONTINUED)

POTENTIAL CONFLICTS OF INTERESTS MAY PRECLUDE US FROM ACCEPTING SOME ENGAGEMENTS

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

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

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

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

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

OUR ENGAGEMENTS MAY RESULT IN PROFESSIONAL LIABILITY

Our services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of our engagements involve matters that could have a severe impact on the client's

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

(CONTINUED)

business, cause the client to lose significant amounts of money, or prevent the client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently or otherwise breached our obligations to the client could expose us to significant liabilities and tarnish our reputation. These outcomes could have a material adverse effect on our business, financial condition, and results of operations.

THE PRICE OF OUR COMMON STOCK MAY BE VOLATILE

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

- variations in our quarterly results of operations
- the hiring or departure of key personnel or outside experts
- changes in our professional reputation
- the introduction of new services by us or our competitors
- acquisitions or strategic alliances involving us or our competitors
- changes in accounting principles
- changes in the legal and regulatory environment affecting clients
- changes in estimates of our performance or recommendations by securities analysts
- future sales of shares of common stock in the public market
- market conditions in the industry and the economy as a whole.

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, stockholders often institute securities class action litigation. Any such litigation against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources. Any of these events could have a material adverse effect on our business, financial condition, and results of operations.

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27.1 Financial Data Schedule

(b) Reports on Form 8-K

Charles River Associates Incorporated did not file any Reports on Form 8-K during the quarter ended February 18, 2000.

SIGNATURES

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

Charles River Associates Incorporated

Date: April 3, 1999

BY: /s/ James C. Burrows

James C. Burrows
President and Chief Executive Officer

Date: April 3, 1999

BY: /s/ Laurel E. Morrison

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

3-MOS		
	NOV-25-2000	
	NOV-28-1999	
	FEB-18-2000	
	1	25,806
		0
	18,897	
	(1,063)	
		0
	58,704	9,251
	(5,161)	
	74,713	
18,218		0
	0	
		0
	40,066	
74,713	(288)	
		0
	18,869	0
	10,529	
	4,496	
		0
	0	
	4,149	
	1,714	
2,435		
	0	
	0	
		0
	2,435	
	0.28	
	0.28	

INCLUDES SHORT-TERM INVESTMENT OF \$7,749
 EXCLUDES ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$1,063
 EXCLUDES INTEREST INCOME OF \$305
 NET INCOME BEFORE MINORITY INTEREST IS \$2,435 AND MINORITY INTEREST IS \$0