

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 16, 2001

or

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

Commission file number: 000-24049

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

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

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

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

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

Yes (X) No ()

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

As of March 29, 2001 CRA had outstanding 9,107,529 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 25, 2000	FEBRUARY 16, 2001
	-----	-----
ASSETS		
Current assets:		(unaudited)
Cash and cash equivalents	\$20,305	\$14,927
Available-for-sale securities	5,758	5,293
Accounts receivable, net of allowances of \$1,321 in 2000 and \$1,126 in 2001 for doubtful accounts	18,338	19,450
Unbilled services	11,162	12,212
Refundable income taxes	419	1,424
Prepaid expenses	602	764
Deferred income taxes	636	636
	-----	-----
Total current assets	57,220	54,706
Property and equipment, net	5,942	6,404
Goodwill, net of accumulated amortization of \$1,089 in 2000 and \$1,290 in 2001	14,810	14,609
Intangible assets, net of accumulated amortization of \$337 in 2000 and \$380 in 2001	1,205	1,162
Other assets	1,103	3,155
	-----	-----
Total assets	\$80,280	\$80,036
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,978	\$ 3,849
Accrued expenses	10,113	8,512
Deferred revenue and other liabilities	105	84
Current portion of notes payable to former stockholders	177	177
	-----	-----
Total current liabilities	14,373	12,622
Notes payable to former stockholders, net of current portion	102	102
Deferred rent	1,640	1,666
Minority interest	1,827	1,704
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; 9,091,523 shares in 2000 and 9,107,529 shares in 2001 issued and outstanding	45,737	45,834
Receivable from stockholder	(4,500)	(4,500)
Deferred compensation	(112)	(84)
Retained earnings	21,362	22,775
Foreign currency translation	(149)	(83)
	-----	-----
Total stockholders' equity	62,338	63,942
	-----	-----
Total liabilities and stockholders' equity	\$80,280	\$80,036
	=====	=====

See accompanying notes.

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

	Twelve Weeks Ended	
	FEBRUARY 18, 2000	FEBRUARY 16, 2001
	(unaudited)	
Revenues	\$18,869	\$21,144
Costs of services	10,529	12,531
Gross profit	8,340	8,613
Selling, general and administrative	4,496	6,580
Income from operations	3,844	2,033
Interest income, net	305	339
Income before provision for income taxes and minority interest	4,149	2,372
Provision for income taxes	(1,714)	(1,082)
Income before minority interest	2,435	1,290
Minority interest	--	123
Net income	\$ 2,435	\$ 1,413
Net income per share:		
Basic	\$ 0.28	\$ 0.16
Diluted	\$ 0.28	\$ 0.16
Weighted average number of shares outstanding:		
Basic	8,684,338	9,104,444
Diluted	8,838,847	9,104,476

See accompanying notes.

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

	Twelve Weeks Ended	
	FEBRUARY 18, 2000	FEBRUARY 16, 2001
	(unaudited)	
OPERATING ACTIVITIES:		
Net income	\$ 2,435	\$ 1,413
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	586	738
Deferred rent	45	26
Minority interest	--	(123)
Changes in operating assets and liabilities:		
Accounts receivable	(5,115)	(1,112)
Unbilled services	917	(1,050)
Prepaid expenses and other assets	(190)	(3,219)
Accounts payable, accrued expenses, and other liabilities	(1,211)	(1,751)
Net cash used in operating activities	(2,533)	(5,078)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(436)	(962)
Sale of available-for-sale securities	935	465
Net cash provided by (used in) investing activities	499	(497)
FINANCING ACTIVITIES:		
Proceeds from loan from minority interest holder	30	--
Issuance of common stock	--	131
Costs related to issuance of common stock	(115)	--
Net cash provided by (used in) financing activities	(85)	131
Effect of exchange rate changes on cash	--	66
Net decrease in cash and cash equivalents	(2,119)	(5,378)
Cash and cash equivalents at beginning of period	20,176	20,305
Cash and cash equivalents at end of period	\$ 18,057	\$ 14,927
Supplemental cash flow information:		
Cash paid for income taxes	\$ 2,006	\$ 1,278

See accompanying notes.

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

1. DESCRIPTION OF BUSINESS

Charles River Associates Incorporated 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 16, 2001, the consolidated statements of income for the twelve weeks ended February 18, 2000 and February 16, 2001, and the consolidated statements of cash flows for the twelve-weeks ended February 18, 2000 and February 16, 2001, 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. Revenues also include expenses billed to clients, which include travel and other out-of-pocket expenses, charges for support staff and outside contractors, and other reimbursable expenses. An allowance is provided for any amounts considered uncollectible.

Unbilled services represent revenue recognized by CRA for services performed but not yet billed to the client.

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

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

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

6. GOODWILL

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

7. IMPAIRMENT OF LONG-LIVED ASSETS

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

8. INTANGIBLE ASSETS

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

9. PROPERTY AND EQUIPMENT

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

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

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

11. NET INCOME PER SHARE

Basic earnings per share represents net income divided by the weighted average shares of common stock outstanding during the period. Weighted average shares used in diluted earnings per share include 154,509 common stock equivalents for the twelve weeks ended February 18, 2000 and 32 common stock equivalents for the twelve weeks ended February 16, 2001 arising from stock options using the treasury stock method.

12. COMPREHENSIVE INCOME

Comprehensive income represents net income reported by CRA in the accompanying consolidated statements of income adjusted for changes in CRA's foreign currency translation account. A reconciliation is as follows (in thousands):

	Twelve Weeks Ended	
	FEBRUARY 18, 2000	FEBRUARY 16, 2001
Net income	\$2,435	\$1,413
Change in foreign currency translation	13	66
Comprehensive income	\$2,448	\$1,479

13. FOREIGN CURRENCY TRANSLATION

In accordance with SFAS No. 52, "Foreign Currency Translation," balance sheet accounts of CRA's foreign subsidiaries are translated into United States dollars at year-end exchange rates. Operating accounts are translated at average exchange rates for each year.

14. ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivative instruments to be recorded on the balance sheet at fair market value and establishes special accounting for certain types of hedges. CRA does not have any derivative instruments and does not engage in any hedging activities. CRA adopted the standard in the first quarter of fiscal 2001, and its adoption did not have any impact on CRA's consolidated financial statements.

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

FORWARD-LOOKING STATEMENTS

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

RESULTS OF OPERATIONS - TWELVE WEEKS ENDED FEBRUARY 18, 2000 COMPARED TO TWELVE WEEKS ENDED FEBRUARY 16, 2001

Revenues. Revenues increased \$2.3 million, or 12.1 percent, from \$18.9 million for the first quarter of fiscal 2000 to \$21.1 million for the first quarter of fiscal 2001. The increase in revenues was due primarily to an increase in the number of employee consultants, an increase in consulting services performed for new and existing clients during the period, and to a lesser extent, increased billing rates for our consultants. Utilization was 75 percent for the first quarter of fiscal 2000 as compared to 73 percent for the first quarter of fiscal 2001. The total number of employee consultants increased from 216 at the end of the first quarter of fiscal 2000 to 262 at the end of the first quarter of fiscal 2001. We experienced revenue increases during the first quarter of fiscal 2001 in our legal and regulatory consulting services and business consulting services and, in particular, generated significant revenue increases in our transfer pricing, chemicals, and materials and metals practice areas.

Costs of Services. Costs of services increased by \$2.0 million, or 19.0 percent, from \$10.5 million in the first quarter of fiscal 2000 to \$12.5 million in the first quarter of fiscal 2001. As a percentage of revenues, costs of services increased from 55.8 percent in the first quarter of fiscal 2000 to 59.3 percent in the first quarter of fiscal 2001. The increase as a percentage of revenues was due primarily to an increase in hiring senior staff.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by \$2.1 million, or 46.4 percent, from \$4.5 million in the first quarter of fiscal 2000 to \$6.6 million in the first quarter of fiscal 2001. As a percentage of revenues, selling, general, and administrative expenses increased from 23.8 percent in the first quarter of fiscal 2000 to 31.1 percent in the first quarter of fiscal 2001. Contributing to the increase were bonus payments to outside experts, rent for additional office space, travel related to the development of new business and amortization costs related to an acquired business.

Interest Income, Net. Net interest income increased by \$34,000, or 11.1 percent, from \$305,000 in the first quarter of fiscal 2000 to \$339,000 in the first quarter of fiscal 2001. This increase resulted primarily from interest earned by NeuCo on funds received from a minority partner in the second quarter of fiscal 2000.

Provision for Income Taxes. The provision for income taxes decreased by \$632,000, or 36.9 percent, from \$1.7 million in the first quarter of fiscal 2000 to \$1.1 million in the first quarter of fiscal 2001. Our effective income tax rate increased from 41.3 percent in the first quarter of fiscal 2000 to 45.6 percent in the first quarter of fiscal 2001. The increase was due primarily to the conversion of NeuCo from an S corporation to a C corporation and accordingly the proportionate share of the net operating losses of NeuCo are no longer deductible by CRA. The effective tax rate increase also reflects statutory taxes payable by new foreign subsidiaries.

Minority Interest. Minority interest increased from zero in the first quarter of fiscal 2000 to \$123,000 in the first quarter of fiscal 2001, and represents the portion of NeuCo's net loss after taxes allocable to its minority owners. An additional minority interest stockholder invested in NeuCo during the second quarter of fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of February 16, 2001, we had cash and cash equivalents of \$14.9 million, available-for-sale securities of \$5.3 million, and working capital of \$42.1 million. Net cash used in operating activities for the twelve weeks ended February 16, 2001 was \$5.1 million. Cash used in operating activities resulted primarily from net income of \$1.4 million, offset by increases in accounts receivable, unbilled services and prepaid expenses of \$5.4 million, and a decrease in accounts payable and accrued expenses of \$1.8 million.

Net cash used in investing activities for the twelve weeks ended February 16, 2001 was \$497,000, consisting of \$962,000 used to purchase furniture, fixtures, leasehold improvements and computer equipment, partially offset by net sales of short-term investments of \$465,000.

Our financing activities generated cash of \$131,000 in the twelve weeks ended February 16, 2001. This increase consists of the proceeds from the sale of stock under our employee stock purchase plan.

We currently have available a \$2.0 million revolving line of credit with Fleet National Bank, which is secured by our accounts receivable. This line of credit automatically renews each year on June 30 unless terminated earlier by either Fleet National Bank or us. No borrowings were outstanding under this line of credit as of February 16, 2001.

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

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

FACTORS AFFECTING FUTURE PERFORMANCE

WE DEPEND UPON ONLY A FEW KEY EMPLOYEES TO GENERATE REVENUE

Our business consists primarily of the delivery of professional services, and accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution of our employee consultants. If we lose the services of any employee consultant or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could harm our business. We do not have any employment agreements with our employee consultants, and they can terminate their relationships with us at will and without notice. The noncompetition agreements that we have with many of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction.

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

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

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

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

CLIENTS CAN TERMINATE ENGAGEMENTS WITH US AT ANY TIME

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

WE DEPEND ON OUR ANTITRUST AND MERGERS AND ACQUISITIONS CONSULTING BUSINESS

We derived a substantial portion of our revenues from engagements in our antitrust and mergers and acquisitions practice areas. Any substantial reduction in the number or size of our engagements in these practice areas could harm our business. We derived almost all of these revenues from engagements relating to enforcement of United States antitrust laws. Changes in federal antitrust laws, changes in judicial interpretations of these laws, or less vigorous enforcement of these laws as a result of changes in political appointments or priorities or for other reasons could substantially reduce our revenues from engagements in this area. In addition, adverse 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.

WE DERIVE OUR REVENUES FROM A LIMITED NUMBER OF LARGE ENGAGEMENTS

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

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

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

WE DEPEND ON OUR OUTSIDE EXPERTS

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

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

To meet our long-term growth targets, we need to establish ongoing relationships with additional outside experts who have reputations as leading experts in their fields. We may be unable to establish

relationships with any additional outside experts. In addition, any relationship that we do establish may not help us meet our objectives or generate the revenues or earnings that we anticipate.

ACQUISITIONS MAY DISRUPT OUR OPERATIONS OR ADVERSELY AFFECT OUR RESULTS

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

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

The occurrence of any of these events could harm our business.

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

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

- the number of weeks in the quarter
- the number, scope, and timing of ongoing client engagements
- the extent to which we can reassign employee consultants efficiently from one engagement to the next

- employee hiring
- the extent of discounting or cost overruns
- severe weather conditions and other factors affecting employee productivity
- collectibility of receivables.

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

POTENTIAL CONFLICTS OF INTERESTS MAY PRECLUDE US FROM ACCEPTING SOME ENGAGEMENTS

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

MAINTAINING OUR PROFESSIONAL REPUTATION IS CRUCIAL TO OUR FUTURE SUCCESS

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

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

The market for economic and business consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and we expect to

face additional competition from new entrants into the economic and business consulting industries. In the legal and regulatory consulting market, we compete primarily with other economic consulting firms and individual academics. In the business consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. Many of our competitors have national and international reputations as well as significantly greater personnel, financial, managerial, technical and marketing resources than we do. Some of our competitors also have a significantly broader geographic presence than we do.

OUR ENGAGEMENTS MAY RESULT IN PROFESSIONAL LIABILITY

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

WE ARE INVOLVED IN LITIGATION WITH A COMPETITOR, WHICH MAY HARM OUR FINANCIAL POSITION, RESULTS OF OPERATIONS AND OUR ABILITY TO DO BUSINESS

As a result of litigation we instituted against PA Consulting, it is possible that we will have to pay substantial damages or restrict the way we do business and that we will lose valuable business opportunities. Any of these outcomes could harm our financial position, results of operations and our ability to do business. We hired a number of former employees of PA Consulting and, with them, sought a declaratory judgment regarding our respective rights and responsibilities regarding the solicitation of PA Consulting's employees and clients and the provision of services to those clients. PA Consulting has asserted counterclaims alleging that we induced some of these employees to breach agreements not to engage in these activities, as well as agreements not to reveal confidential information to us. Although we deny these allegations, the outcome of litigation is unpredictable and may not be favorable to us. Moreover, litigation is expensive and time-consuming and may distract our management, which could also seriously harm our business.

THE PRICE OF OUR COMMON STOCK MAY BE VOLATILE

Our stock price has been volatile. From February 16, 2000 to February 16, 2001, the trading price of our common stock ranged from \$31.313 to \$8.844. Many factors may cause the market price of our common stock to fluctuate significantly, including the following:

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

In addition, the stock market has recently experienced extreme price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, stockholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

OUR CHARTER AND BY-LAWS AND MASSACHUSETTS LAW MAY DETER TAKEOVERS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As of February 16, 2001, we were exposed to market risks, which primarily include changes in U.S. interest rates.

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

PART II. OTHER INFORMATION:

ITEM 1. LEGAL PROCEEDINGS

On February 14, 2001, we and eight of our employees filed a complaint in the Superior Court of Suffolk County, Massachusetts against our competitor, PA Consulting Group, Inc., and its parent, PA Holdings Limited. We and our employee co-plaintiffs are seeking declaratory judgments regarding our respective rights and responsibilities and the rights and responsibilities of the defendants. Our employee co-plaintiffs are former employees of PA Consulting Group. Generally, we and our employee co-plaintiffs have asked the court to determine whether and to what extent we and they have the right to solicit and hire the employees of the defendants, solicit the clients of the defendants and provide services to the clients of the defendants.

On March 7, 2001, the defendants answered our complaint and, with two affiliates, filed counterclaims against us and five of our employee co-plaintiffs. The defendants allege that these individuals entered agreements with them and breached the agreements by soliciting their employees and clients, providing services to their clients and disclosing confidential information to us. The defendants also allege that we induced these breaches and thereby interfered with their contractual relations, engaged in unfair and deceptive trade practices, misappropriated confidential information, and conspired against them. They seek to recover compensatory damages of not less than \$15 million, as well as fees, costs and multiple damages under Massachusetts law. We and our employee co-plaintiffs deny these allegations.

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

On January 12, 2001, CRA held a special meeting of stockholders. Matters voted on and the results of those votes are set forth below:

1. Stockholders of CRA approved the amendment to CRA's 1998 Incentive and Nonqualified Stock Option Plan to increase the number of shares of common stock that CRA may issue under the plan from 970,000 to 1,870,000.

The votes cast on this amendment to CRA's 1998 Incentive and Nonqualified Stock Option Plan were:

For	Against
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5,230,471	2,521,080

There were 103,703 abstentions and 357,296 broker non-votes on this proposal.

2. Stockholders of CRA approved the amendment to CRA's 1998 Incentive and Nonqualified Stock Option Plan to facilitate the granting of options to CRA's employees in the United Kingdom.

The votes cast on this amendment to CRA's 1998 Incentive and Nonqualified Stock Option Plan were:

For	Against
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6,023,812	2,082,535

There were 106,203 abstentions on this proposal.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

CRA did not file any reports on Form 8-K during the quarter ended February 16, 2001.

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 2, 2001

By: /s/ James C. Burrows

James C. Burrows
President and Chief Executive Officer

Date: April 2, 2001

By: /s/ Laurel E. Morrison

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