CHARLES RIVER ASSOCIATES INC
Form S-3
July 15, 2003

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As filed with the Securities and Exchange Commission on July 15, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

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 Number)*

**200 Clarendon Street, T-33
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, T-33
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. **William R. Kolb, Esq.** **John D. Hancock, Esq.** **Foley Hoag LLP** **155 Seaport Boulevard** **Boston, Massachusetts 02210** **Telephone: (617) 832-1000** **Facsimile: (617) 832-7000**	**R. Cabell Morris, Jr., Esq.** **Winston & Strawn** **35 W. Wacker Drive** **Chicago, Illinois 60601** **Telephone: (312) 558-5600** **Facsimile: (312) 558-5700**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

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

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. o _____

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee
common stock, no par value	2,370,150	$30.91	$73,261,337	$5,927

(1) Includes 309,150 shares which the underwriters have the option to purchase solely to cover over-allotments, if any. See "Underwriting."

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933.

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.

The information in this prospectus is not complete and may be changed without notice. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 15, 2003

PROSPECTUS

2,061,000 Shares

Charles River Associates Incorporated

Common Stock

This is a public offering of 2,061,000 shares of common stock of Charles River Associates Incorporated. We are offering 400,000 shares, and the selling stockholders named in this prospectus are offering 1,661,000 shares. We will not receive any of the proceeds from the sales by the selling stockholders.

Our common stock is quoted on the Nasdaq National Market under the symbol "CRAI." The last reported sale price for our common stock on the Nasdaq National Market on July 14, 2003 was $30.90 per share.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to CRA	$	$
Proceeds to the selling stockholders	$	$

Of the 1,661,000 shares being offered by the selling stockholders, 93,009 shares are currently represented by options that will be exercised concurrent with the closing of this offering. In order to facilitate an orderly distribution, the underwriters have agreed to include these shares as part of this offering without charging an underwriting discount. The selling stockholders will receive proceeds equal to the public offering price for these shares. The total underwriting discount and total proceeds to the selling stockholders in the table above reflect this arrangement.

We and the selling stockholders have granted the underwriters the option to purchase, in the aggregate, up to an additional 309,150 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. Of these shares, 55,345 shares are currently represented by options held by the selling stockholders and are subject to the underwriting discount arrangement described in the previous paragraph.

William Blair & Company
Sole Book-Running Manager

Adams, Harkness & Hill, Inc.
Co-Lead Manager

Janney Montgomery Scott LLC

The date of this prospectus is , 2003

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PROSPECTUS SUMMARY

This summary highlights only some of the information in this prospectus. You should read the entire prospectus carefully, including the section entitled "Risk Factors" beginning on page 8 regarding our company and the common stock being sold in this offering. Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise their over-allotment option.

Overview

We are 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, we work with businesses, law firms, accounting firms, and governments in providing original, authoritative advice and a wide range of services around the world. We combine economic and financial analysis with expertise in litigation and regulatory support, business strategy and planning, market and demand forecasting, policy analysis, and engineering and technology strategy. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major strategy and capital investment decisions, and complex litigation, the outcomes of which often have significant implications or consequences for the parties involved. Matters such as these often require independent analysis, and as a result companies must outsource this work to outside experts. Companies rely on us because we can provide large teams of highly credentialed and experienced economic and finance experts to address complex, high-stakes matters.

We offer consulting services in two broad areas: legal and regulatory consulting, which represents approximately 65% of our services revenues, and business consulting, which represents approximately 35% of our services revenues. We provide our services primarily through our highly credentialed and experienced staff of employee consultants. As of May 16, 2003, we employed 348 consultants, including 97 employee consultants with doctorates and 113 employee consultants with other advanced degrees. Our employee consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, and engineering.

Our business is diversified across multiple dimensions, including service offerings, vertical industry coverage, areas of functional expertise, client base, and geography. Through 16 offices located around the world, we provide multiple services across ten areas of functional expertise to hundreds of clients across 12 vertical industries. We believe this diversification reduces our dependence on any particular market, industry, or geographic area.

In our legal and regulatory consulting practice, we work with law firms and businesses involved in litigation and regulatory proceedings, providing expert advice on highly technical issues, such as the competitive effects of mergers and acquisitions, antitrust issues, calculations of damages, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. This business is driven primarily by regulatory changes and high-stakes legal proceedings, which typically occur without regard to the business cycle.

In our business consulting practice, we use our expertise in economics, finance, and business analysis to offer our clients such services as strategy development, performance improvement, corporate portfolio analysis, estimation of market demand, new product pricing strategies, valuation of intellectual property and other assets, assessment of competitors' actions, and analysis of new sources of supply.

Our analytical expertise in advanced economic and financial methods is complemented by our in-depth expertise in specific industries, including aerospace and defense, chemicals, electric power and other energy industries, financial services, healthcare, materials and manufacturing, media, oil and gas, pharmaceuticals, sports, telecommunications, and transportation.

We have completed thousands of engagements for clients around the world, including domestic and foreign corporations; federal, state, and local government agencies; governments of foreign countries; public and private utilities; and national and international trade associations. Our client base is diverse, with our top ten clients in fiscal 2002 accounting for approximately 25% of our revenues and no single client accounting for more than 5% of our revenues.

Since our initial public offering in April 1998, we have experienced significant growth. Our revenues have grown from $44.8 million in fiscal 1997 to $130.7 million in fiscal 2002, an increase of approximately 192%, or a compound annual growth rate of 24% per year. Since our initial public offering, we have increased the number of our offices from three to 16, including seven international offices. We have increased the number of our consultants from 120 to 348 at the end of our second fiscal quarter in 2003, and those with doctorates or other advanced degrees from 73 to 210. We have also increased our practice areas and expanded our vertical industry coverage. We have accomplished this growth through a combination of internal expansion and six acquisitions.

Businesses are operating in an increasingly competitive and complex environment. Companies must constantly gather, analyze, and use available information to enhance their business strategies and operational efficiencies. As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models 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 anticompetitive 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 in complex and high-stakes litigation. As the need for complex economic and financial analysis becomes more widespread, we believe that companies and governments are turning to outside consultants for access to the specialized expertise, experience, and prestige that are not available to them internally.

Competitive Strengths

Our competitive strengths include:

Strong Reputation for High-Quality Consulting; High Level of Repeat Business. For more than 37 years, we have been a leader in providing sophisticated economic analysis and original, authoritative advice to clients involved in complex litigation and regulatory proceedings. As a result, we believe we have established a strong reputation among leading law firms and business clients as a preferred source of expertise in economics, finance, business, and strategy consulting, as evidenced by our high level of repeat business and significant referrals from existing clients.

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior consultants. Of our 348 employee consultants as of May 16, 2003, 224 were either vice presidents, principals, associate principals, or senior associates, nearly all of whom have a doctorate or other advanced degree. Many of these senior employee consultants are nationally or internationally recognized as experts in their respective fields.

Global Presence. We deliver our services through a global network of 16 coordinated offices, including nine domestic and seven international offices. Our international offices are in Brussels, Dubai, London, Melbourne, Mexico City, Toronto, and Wellington, New Zealand. We believe our global presence provides us with a competitive advantage to address complex issues that span countries and continents.

Established Corporate Culture. Our success has resulted in part from our established corporate culture. We believe we attract consultants because of our more than 37-year history, our strong reputation, the credentials, experience, and reputation of our employee consultants, the opportunity to work on an array of matters with a broad group of renowned outside experts, and our collegial atmosphere. We believe our corporate culture has also contributed to our ability to integrate acquisitions successfully.

Access to Leading Academic and Industry Experts. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of renowned outside experts. Depending on client needs, we use outside experts for their specialized expertise, assistance in conceptual problem-solving, and expert witness testimony. Outside experts also generate business for us and provide us access to other leading academic and industry experts. By establishing affiliations with prestigious outside experts, we further enhance our reputation as a leading source of sophisticated economic and financial analysis.

Demonstrated Success with Acquisitions. Since fiscal 1998, we have made six acquisitions. These acquisitions have contributed to our growth in revenues, number of consultants, geographic presence, vertical industry coverage, and areas of functional expertise. In each case, we have been able to integrate these acquisitions into our culture and retain the key consultants.

Growth Strategy

Our growth strategy is to:

Attract and Retain High Quality Consultants. Since our employee consultants are our most important asset, our ability to attract and retain highly credentialed and experienced consultants both to work on engagements and to generate new business is crucial to our success.

Leverage Investments in Areas of Functional Expertise, Vertical Industry Coverage, and Geographic Presence. Since 1998, we have made significant investments in the expansion of our business, including acquisitions, the addition of areas of functional expertise and vertical industry coverage, and the opening of several offices. We have significantly increased our global presence with the addition of seven international offices. In recent quarters, we have begun to see the benefits of this expansion as we have grown revenues without making commensurate increases in staff and general and administrative expenses, leading to improved operating margins. We intend to continue to leverage the investments in expertise and infrastructure we have made in recent years.

Continue to Build Brand Equity and Increase Marketing Activities. Although we have historically relied primarily on our reputation and client referrals for new business, we have expanded marketing activities such as attendance at selected conferences, seminars, and public speaking engagements in order to attract new clients and increase our exposure.

Establish Relationships with Additional Outside Experts. We intend to develop additional relationships with leading academic and industry experts. Outside experts help us serve our clients better, provide us with new sources of business, and expand our network of academic affiliations.

Pursue Strategic Acquisitions. We intend to continue to expand our operations through the acquisition of complementary businesses. Given the highly fragmented nature of the consulting industry, we believe that there are numerous opportunities to acquire small consulting firms.

Other Information

Our majority-owned software subsidiary, NeuCo, develops and markets a family of neural network software tools and complementary application consulting services that are currently focused on

electricity generation by utilities. In fiscal 2002 and the twenty-four weeks ended May 16, 2003, NeuCo's revenues accounted for approximately 3% of our revenues.

Our principal executive offices are located at 200 Clarendon Street, T-33, Boston, Massachusetts 02116, and our telephone number is (617) 425-3700.

The Offering

Common stock offered:

By CRA	400,000 shares
By the selling stockholders	1,661,000 shares
Total	2,061,000 shares
Common stock to be outstanding after the offering	9,807,579 shares
Use of proceeds	We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital and possible acquisitions. We will not receive any proceeds from the shares sold by the selling stockholders.
Nasdaq National Market symbol	CRAI

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of July 7, 2003 and also reflects our issuance of 93,009 shares of common stock upon the exercise of options by the selling stockholders concurrent with the closing of this offering. This number excludes:

- options outstanding on July 7, 2003 to purchase 1,878,853 shares of common stock, excluding options to purchase 93,009 shares of common stock that will be exercised concurrent with the closing of this offering;
- options to purchase an additional 497,005 shares of common stock that may be granted under our stock option plan after July 7, 2003;
- additional options that may be authorized under a provision of our stock option plan that automatically increases the number of shares available for issuance under the plan on an annual basis by the lesser of 400,000 shares or 4% of the number of shares of common stock outstanding at the end of each fiscal year; and
- 211,777 shares of common stock issuable under our employee stock purchase plan after July 7, 2003.

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Summary Consolidated Financial Data

You should read the following summary consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes in this prospectus. The consolidated statement of operations data include the results of operations attributable to the following acquisitions of certain assets and liabilities from the respective dates of acquisition:

- The Tilden Group (December 15, 1998);
- FinEcon (February 25, 1999);
- the consulting business of Dr. Gordon C. Rausser (October 18, 2000);
- certain assets from PA Consulting Group, Inc. (July 18, 2001);

the North American operations of the Chemicals and Energy Vertical practice, or the CEV business, of the former Arthur D. Little, Inc. (Arthur D. Little, Inc. is now known as Dehon, Inc.) (April 29, 2002); and

the U.K. operations of the CEV business (May 10, 2002).

Each of these acquisitions was accounted for under purchase accounting.

The adjusted consolidated balance sheet data as of May 16, 2003 reflect the sale of the 400,000 shares of common stock we are offering at an assumed public offering price of $30.90 per share (based on the last reported sale price on July 14, 2003), after deducting the estimated underwriting discount and estimated offering expenses payable by us, and our issuance of 93,009 shares of common stock upon the exercise of options by the selling stockholders concurrent with the closing of this offering for an aggregate exercise price of approximately $1.2 million.

	Fiscal year ended					Twenty-four weeks ended	
	Nov. 28, 1998	**Nov. 27, 1999**	**Nov. 25, 2000**	**Nov. 24, 2001**	**Nov. 30, 2002**	**May 10, 2002**	**May 16, 2003**
	(52 weeks)	**(52 weeks)**	**(52 weeks)**	**(52 weeks)**	**(53 weeks)**		
	(in thousands, except per share data)						
Consolidated statement of operations data:							
Revenues	$ 52,971	$ 73,970	$ 82,547	$ 109,804	$ 130,690	$ 52,218	$ 75,030
Costs of services	31,695	42,320	46,439	65,590	80,659	31,943	46,959
Gross profit	21,276	31,650	36,108	44,214	50,031	20,275	28,071
Income from operations	9,342	14,202	13,393	12,658	13,431	5,215	8,461
Net income(1)	$ 6,365	$ 9,030	$ 8,839	$ 7,439	$ 8,436	$ 3,567	$ 5,029
Net income per share:							
Basic	$ 0.84	$ 1.07	$ 1.01	$ 0.82	$ 0.93	$ 0.39	$ 0.56
Diluted	$ 0.84	$ 1.05	$ 1.01	$ 0.81	$ 0.91	$ 0.38	$ 0.54
Weighted average number of shares outstanding:							
Basic	7,570	8,477	8,728	9,107	9,047	9,046	9,015
Diluted	7,620	8,571	8,774	9,218	9,283	9,301	9,260

(1) From fiscal 1988 to April 1998, we were taxed under subchapter S of the Internal Revenue Code. As an S corporation, we were not subject to federal and some state income taxes. Our S corporation status terminated upon the closing of our initial public offering on April 28, 1998.

	As of May 16, 2003	
	Actual	**As adjusted**
	(in thousands)	
Consolidated balance sheet data:		
Cash and cash equivalents	$ 23,302	$ 35,713

	As of May 16, 2003	
Total current assets	75,322	87,733
Total assets	120,271	132,682
Total current liabilities	31,835	31,835
Total long-term debt	413	413
Total stockholders' equity	83,836	96,247

	Nov. 28, 1998	Nov. 27, 1999	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 16, 2003
Operating statistics:						
Consultants	145	210	255	293	353	348
Offices	5	6	12	12	16	16

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information contained in this prospectus, in evaluating our business before purchasing any of our common stock. If any of these risks, or other risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected. If that happens, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks related to our business

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 capabilities of our employee consultants. In particular, our employee consultants' personal relationships with our clients are a critical element in obtaining and maintaining client engagements. 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 adversely affect our revenues and results of operations. Our employee consultants generated engagements that accounted for approximately 67% of our revenues in fiscal 2001 and 69% in fiscal 2002. Our top five employee consultants generated approximately 19% of our revenues in fiscal 2001 and 16% in fiscal 2002. 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 non-competition and non-solicitation agreements that we have with some of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction.

Our failure to manage growth successfully could adversely affect our revenues and results of operations

Any failure on our part to manage growth successfully could adversely affect our revenues and results of operations. Over the last several years, we have continued to open offices in new geographic areas, including foreign locations, and to expand our employee base as a result of internal growth and acquisitions. We expect that this trend will continue over the long term. Opening and managing new offices often requires extensive management supervision and increases 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.

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. For example, NeuCo, our majority-owned software subsidiary, was not profitable in four of the last five fiscal years, which harmed our results of operations in those years.

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Clients can terminate engagements with us at any time

Many of our engagements 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, our employee consultants working on the engagement could be underutilized until we assign them to other projects. In addition, because much of our work is project-based rather than recurring in nature, our consultants' utilization depends on our ability to secure additional engagements on a continual basis. Accordingly, the termination or significant reduction in the scope of a single large engagement could reduce our utilization and have an immediate adverse impact on our revenues and results of operations.

We depend on our antitrust and mergers and acquisitions consulting business

We derived approximately 36% of our revenues in fiscal 2000 and 2001, and 30% in fiscal 2002, 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 adversely affect our revenues and results of operations. We derived the great majority 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 changes in general economic conditions, particularly conditions influencing the merger and acquisition activity of larger companies, could adversely affect engagements in which we assist clients in proceedings before the U.S. Department of Justice and the U.S. Federal Trade Commission. The continuing economic slowdown is adversely affecting mergers and acquisitions activity, which is reducing the number and scope of our engagements in this practice area. Any continuation or worsening of the downturn could cause this trend to intensify, which would adversely affect our revenues and results of operations.

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. Our ten largest engagements accounted for approximately 21% of our revenues in fiscal 2000 and 17% in each of fiscal 2001 and 2002. Our ten largest clients accounted for approximately 29%, 27%, and 25% of our revenues in those years, respectively. 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.

We enter into fixed-price engagements

We derive a significant portion of our revenues from fixed-price contracts. These contracts are more common in our business consulting practice, and would likely grow in number with any expansion of that practice. If we fail to estimate accurately the resources required for a fixed-price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations.

Our business could suffer if we are unable to hire additional qualified consultants as employees

Our business continually requires us to hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants

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could limit our ability to accept or complete engagements and adversely affect our revenues 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. Competition for these employee consultants has increased our labor costs, and a continuation of this trend 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 fiscal 2001 and fiscal 2002, six of our exclusive outside experts generated engagements that accounted for approximately 28% and 21% of our revenues in those years, respectively. 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.

As of May 16, 2003, we had non-competition agreements with 28 of our outside experts. The limitation or termination of any of their relationships with us, or competition from any of them after these agreements expire, could harm our reputation, reduce our business opportunities and adversely affect our revenues and results of operations.

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 realize 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 financial and business risks, such as:

- charges related to any potential acquisition from which we may withdraw;
- diversion of our management's time, attention, and resources;
- decreased utilization during the integration process;
- 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;
- potential write-offs related to the impairment of goodwill;
- difficulties in integrating diverse corporate cultures; and

additional conflicts of interests.

Our international operations create special risks

We may continue our international expansion, and our international revenues may account for an increasing portion of our revenues in the future. Our international operations carry special financial and business risks, including:

- greater difficulties in managing and staffing foreign operations;
- cultural differences that adversely affect utilization;
- currency fluctuations that adversely affect our financial position and operating results;
- unexpected changes in trading policies, regulatory requirements, tariffs, and other barriers;
- greater difficulties in collecting accounts receivable;
- longer sales cycles;
- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

Particularly as a result of the acquisition of the CEV business, we conduct a portion of our business in the Middle East. The recent military conflict in the region has significantly interrupted our business operations in that region and has slowed the flow of new opportunities and proposals, which ultimately could adversely affect our revenues and results of operations.

If our international revenues increase relative to our total revenues, these factors could have a more pronounced effect on our operating results.

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 may preclude us from accepting engagements with the client's competitors or adversaries because of conflicts between their business interests or positions on disputed issues or other reasons. Accordingly, the nature of our business limits the number of both potential clients and potential engagements. 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.

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 employee 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. Given the frequently high-profile nature of the matters on which we work, any factor that diminishes our reputation or the reputations of any of our employee consultants or outside experts could make it substantially more difficult for us to compete successfully for both new engagements and qualified consultants.

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 and financial 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 or international reputations as well as significantly greater personnel, financial, managerial, technical, and marketing resources than we do, which could enhance their ability to respond more quickly to technological changes, finance acquisitions, and fund internal growth. 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.

Risks related to the offering

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 number of weeks in our fiscal 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 fees discounting or cost overruns;
- fluctuations in revenues and results of operations of our software subsidiary, NeuCo;
- severe weather conditions and other factors affecting employee productivity; and

collectibility of receivables.

Because we generate the majority 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 are occasionally unable to utilize fully 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 are not necessarily indicative of our future performance.

We will have broad discretion in using the proceeds of this offering

We intend to use all of our proceeds from this offering for working capital and general corporate purposes, including potential acquisitions. Accordingly, we will have broad discretion in using our proceeds. You will not have the opportunity to evaluate the economic, financial, or other information that we will use to determine how to use our proceeds. We may use our proceeds for purposes that do not result in any increase in our market value or improve our results of operations.

The price of our common stock may be volatile

Our stock price has been volatile. From May 10, 2002, the end of the second quarter of our last fiscal year, to July 14, 2003, the trading price of our common stock ranged from $11.35 to $33.24. Many factors may cause the market price of our common stock to fluctuate significantly, including:

- 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; and
- 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 anti-takeover 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.

FORWARD-LOOKING STATEMENTS

Except for historical facts, the statements in this prospectus and in the documents we incorporate by reference 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 under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in this prospectus and in the other documents that we file with the Securities and Exchange Commission. You can read these documents at *www.sec.gov*.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the 400,000 shares of common stock we are offering will be approximately $11.2 million, after deducting the estimated underwriting discount and estimated offering expenses we expect to pay and assuming a public offering price of $30.90 per share (based on the last reported sale price on July 14, 2003).

We intend to use our net proceeds from the offering for general corporate purposes, including working capital and possible acquisitions of and investments in complementary businesses. We regularly evaluate acquisition and investment opportunities, and, at any given time, we may be in various stages of due diligence or preliminary discussions with respect to a number of potential transactions. In addition, we may enter into non-binding letters of intent from time to time, but we are not currently subject to any definitive agreement with respect to any transaction material to our operations or otherwise engaged in any discussions so advanced as to make a transaction material to our operations reasonably probable.

Pending these uses, we intend to invest our net proceeds from the offering in investment-grade, short-term, interest-bearing instruments.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. For risks associated with our use of proceeds, see "Risk Factors We will have broad discretion in using the proceeds of this offering."

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

We first offered our common stock to the public on April 23, 1998. Since that time, our common stock has been quoted on the Nasdaq National Market under the symbol "CRAI." The following table provides, for the periods indicated, the high and low sale prices for our common stock as reported on the Nasdaq National Market.

	High	Low

Fiscal year ended November 24, 2001:				
First quarter	$	10.63	$	7.25
Second quarter	$	11.00	$	7.75
Third quarter	$	18.18	$	10.61
Fourth quarter	$	20.40	$	12.70
Fiscal year ended November 30, 2002:				
First quarter	$	22.29	$	18.65
Second quarter	$	21.99	$	13.30
Third quarter	$	20.05	$	11.62
Fourth quarter	$	17.40	$	11.35
Fiscal year ending November 29, 2003:				
First quarter	$	16.78	$	13.04
Second quarter	$	22.91	$	15.51
Third quarter (through July 14, 2003)	$	33.24	$	18.77

On July 14, 2003, the closing sale price of our common stock as reported on the Nasdaq National Market was $30.90 per share. On that date, we had approximately 61 holders of record of our common stock. This number does not include stockholders for whom shares were held in a "nominee" or "street" name.

We currently intend to retain any future earnings to finance our operations and therefore do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our bank line of credit place restrictions on our ability to pay cash dividends on our common stock.

CAPITALIZATION

The following table summarizes our capitalization as of May 16, 2003 on an actual basis and as adjusted to reflect our sale of 400,000 shares of common stock at an assumed public offering price of $30.90 per share (based on the last reported sale price on July 14, 2003), after deducting the estimated underwriting discount and estimated offering expenses we expect to pay, and to reflect our issuance of 93,009 shares of common stock upon the exercise of options by the selling stockholders concurrent with the closing of this offering for an aggregate exercise price of approximately $1.2 million. You should read this information in conjunction with our consolidated financial statements and the related notes beginning on page F-1.

Amounts representing common stock outstanding on May 16, 2003 exclude the following:

- options outstanding on May 16, 2003 to purchase 1,947,436 shares of common stock, excluding options to purchase 93,009 shares of common stock that will be exercised concurrent with the closing of this offering;
- options to purchase an additional 710,910 shares of common stock that may be granted under our stock option plan after May 16, 2003;
- additional options that may be authorized under a provision of our stock option plan that automatically increases the number of shares available for issuance under the plan on an annual basis by the lesser of 400,000 shares or 4% of the number of shares of common stock outstanding at the end of each fiscal year; and
- 211,777 shares of common stock issuable under our employee stock purchase plan after May 16, 2003.

	As of May 16, 2003	
	Actual	As adjusted
	(in thousands, except share data)	
Notes payable to former stockholders, net of current portion	$ 413	$ 413
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, no par value; 25,000,000 shares authorized; 9,032,082 shares issued and outstanding, actual; 9,525,091 shares issued and outstanding, as adjusted	45,571	57,982
Receivable from stockholder	(4,500)	(4,500)
Deferred compensation	(37)	(37)
Retained earnings	42,246	42,246
Foreign currency translation	556	556
Total stockholders' equity	83,836	96,247
Total capitalization	$ 84,249	$ 96,660

For information on the notes payable described in this table, see note 7 of the notes to our audited consolidated financial statements.

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the following selected consolidated financial data as of November 24, 2001 and November 30, 2002 and for each of the fiscal years in the three-year period ended November 30, 2002 from our consolidated financial statements included in this prospectus beginning on page F-1, which have been audited by Ernst & Young LLP, independent auditors. We have derived the following selected consolidated financial data as of November 28, 1998, November 27, 1999, and November 25, 2000, and for the fiscal years ended November 28, 1998 and November 27, 1999 from our consolidated financial statements not included in this prospectus, which have also been audited by Ernst & Young LLP. We have derived the following selected consolidated financial data as of May 16, 2003 and for the twenty-four weeks ended May 10, 2002 and May 16, 2003 from our unaudited consolidated financial statements. We have prepared our unaudited consolidated financial statements on the same basis as our audited financial statements. In the opinion of our management, the unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information. The results of operations for the twenty-four weeks ended May 16, 2003 are not necessarily indicative of future operating results. You should read the selected consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes beginning on pages 19 and F-1.

	Fiscal year ended					Twenty-four weeks ended	
	Nov. 28, 1998	Nov. 27, 1999	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 10, 2002	May 16, 2003
	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(53 weeks)		
	(in thousands, except per share data)						
Consolidated statement of operations data(1):							
Revenues	$ 52,971	$ 73,970	$ 82,547	$ 109,804	$ 130,690	$ 52,218	$ 75,030
Costs of services	31,695	42,320	46,439	65,590	80,659	31,943	46,959

	Fiscal year ended					Twenty-four weeks ended	
Gross profit	21,276	31,650	36,108	44,214	50,031	20,275	28,071
Selling, general and administrative	11,934	17,448	21,837	31,556	36,600	15,060	19,610
Special charge (2)			878				
Income from operations	9,342	14,202	13,393	12,658	13,431	5,215	8,461
Interest and other income, net	975	977	1,542	1,045	337	217	187
Income before provision for income taxes and minority interest	10,317	15,179	14,935	13,703	13,768	5,432	8,648
Provision for income taxes	(4,262)	(6,182)	(6,166)	(5,848)	(5,879)	(2,181)	(3,589)
Income before minority interest	6,055	8,997	8,769	7,855	7,889	3,251	5,059
Minority interest	310	33	70	(416)	547	316	(30)
Net income(3)	$ 6,365	$ 9,030	$ 8,839	$ 7,439	$ 8,436	$ 3,567	$ 5,029
Net income per share (4):							
Basic	$ 0.84	$ 1.07	$ 1.01	$ 0.82	$ 0.93	$ 0.39	$ 0.56
Diluted	$ 0.84	$ 1.05	$ 1.01	$ 0.81	$ 0.91	$ 0.38	$ 0.54
Weighted average number of shares outstanding (4):							
Basic	7,570	8,477	8,728	9,107	9,047	9,046	9,015
Diluted	7,620	8,571	8,774	9,218	9,283	9,301	9,260
Pro forma income data (unaudited):							
Net income as reported	$ 6,365						
Pro forma adjustment(3)	12						
Pro forma net income	$ 6,377						
Pro forma net income per share (5):							
Basic	$ 0.84						
Diluted	$ 0.83						
Weighted average number of shares outstanding(5):							
Basic	7,630						
Diluted	7,679						

	Nov. 28, 1998	Nov. 27, 1999	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 16, 2003
	(in thousands)					

	Nov. 28, 1998	Nov. 27, 1999	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 16, 2003
Consolidated balance sheet data:						
Cash and cash equivalents	$ 32,023	$ 20,176	$ 20,305	$ 21,880	$ 18,846	$ 23,302
Total current assets	49,573	57,376	57,095	63,179	64,806	75,322
Total assets	53,335	73,510	80,280	96,890	109,169	120,271
Total current liabilities	16,683	19,429	14,373	22,070	27,097	31,835
Total long-term debt	542	461	102	612	413	413
Total stockholders' equity	34,628	52,315	62,338	70,002	78,358	83,836

	Nov. 28, 1998	Nov. 27, 1999	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 16, 2003
Operating statistics:						
Consultants	145	210	255	293	353	348
Offices	5	6	12	12	16	16

(1) The consolidated statement of operations data include the results of operations attributable to the following acquisitions of certain assets and liabilities from the respective dates of acquisition:

- The Tilden Group (December 15, 1998);
- FinEcon (February 25, 1999);
- the consulting business of Dr. Gordon C. Rausser (October 18, 2000);
- certain assets from PA Consulting Group, Inc. (July 18, 2001);
- the North American operations of the CEV business (April 29, 2002); and
- the U.K. operations of the CEV business (May 10, 2002).

Each of these acquisitions was accounted for under purchase accounting. The acquisitions are more fully described in note 2 of the notes to our audited consolidated financial statements.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations Fiscal 2001 Compared to Fiscal 2000" and note 4 of the notes to our audited consolidated financial statements for a description of the costs associated with the special charge.

(3) From fiscal 1988 to April 1998, we were taxed under subchapter S of the Internal Revenue Code. As an S corporation, we were not subject to federal and some state income taxes. Our S corporation status terminated upon the closing of our initial public offering on April 28, 1998. Pro forma income data reflect a pro forma adjustment to reflect the taxes we would have accrued had we been taxed as a subchapter C corporation.

(4) Basic net income per share represents net income divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents outstanding during the period, the latter arising from stock options using the treasury stock method.

(5) 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 have been required to pay a dividend in the amount of $2.4 million that was paid upon the completion of the initial public offering.

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

Overview

We are 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. We offer two types of services: legal and regulatory consulting and business consulting. We estimate that we derived approximately 97% of our revenues in fiscal 2002 from business consulting and legal and regulatory consulting, and approximately 3% from NeuCo, a subsidiary of which we own 59.7%. NeuCo develops and markets a family of neural network software tools and complementary application consulting services that are currently focused on electricity generation by utilities.

We derive revenues principally from professional services rendered by our employee consultants. In most instances, we charge clients on a time-and-materials basis and recognize revenues in the period when we provide our services. We charge consultants' time at hourly rates, which vary from consultant to consultant depending on a consultant's position, experience, and expertise, and other factors. We derive a portion of our revenues from fixed-price contracts. Revenues from fixed-price engagements are recognized using a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. We derived 5.5% and 15.4% of our revenues from fixed-price engagements in fiscal 2001 and 2002, respectively. We generate substantially all of our professional services fees from the work of our own employee consultants and a portion from the work of our outside experts. Factors that affect our professional services revenues include the number and scope of client engagements, the number of consultants we employ, the consultants' billing rates, and the number of hours our consultants work. Revenues also include expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses.

Our costs of services include the salaries, bonuses, and benefits of our employee consultants. Our bonus program awards discretionary bonuses based on our revenues and profitability and individual performance. Costs of services also include out-of-pocket and other expenses that are billed to clients, and the salaries, bonuses, and benefits of support staff whose time is billed directly to clients, such as librarians, editors, and programmers. Our gross profit, which equals revenues less costs of services, is affected by changes in our mix of revenues. We experience significantly higher gross margins on revenues from professional service fees than on revenues from expenses billed to clients. Selling, general, and administrative expenses include salaries, bonuses, and benefits of our administrative and support staff, fees to outside experts for generating new business, office rent, marketing, and other costs.

Fiscal Periods

Our fiscal year ends on the last Saturday in November, and accordingly, our fiscal year will periodically contain 53 weeks rather than 52 weeks. In particular, fiscal 2002 contained 53 weeks. This additional week of operations in fiscal 2002 will affect the comparability of results of operations of this fiscal year with other fiscal years. Historically, we have managed our business based on a four-week billing cycle to clients and, consequently, have 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 fiscal 2002 was 13 weeks long. Accordingly, period-to-period comparisons of our results of operations are not necessarily meaningful if the periods being compared have different lengths. The additional week in fiscal 2002 resulted in $2.4 million of revenues and was not material to our results of operations.

The terms "fiscal 1998," "fiscal 1999," "fiscal 2000," "fiscal 2001," "fiscal 2002," and "fiscal 2003" refer to the 52-week periods ended November 28, 1998, November 27, 1999, November 25, 2000,

November 24, 2001, the 53-week period ended November 30, 2002, and the 52-week period ending November 29, 2003, respectively.

Acquisitions and International Expansion

On October 18, 2000, we acquired the consulting business of Dr. Gordon C. Rausser for $4.75 million in cash. If the acquired business meets specified performance targets, we will owe Dr. Rausser additional consideration, payable in the first quarter of fiscal 2004. In addition, we loaned Dr. Rausser $4.5 million, on a full recourse basis, for the purchase of our common stock. The acquisition has been accounted for under the purchase method, and the results have been included in the accompanying statements of operations from the date of acquisition. We are currently in discussion with Dr. Rausser, who may agree to extend substantially the duration of his exclusive relationship with us, and we may agree to extend the time for the repayment of his loan and for him to meet his specified performance targets.

On July 18, 2001, we acquired certain assets from PA Consulting Group, Inc. for $4.2 million in notes. The acquisition has been accounted for under purchase accounting, and the results of operations have been included in the accompanying statements of operations from the date of acquisition.

In April and May 2002, we completed the acquisitions of certain assets of the North American and U.K. operations of the CEV business for an aggregate of $10.5 million in cash. The acquisitions have been accounted for under the purchase method of accounting. The effective date of the acquisition of the North American business was April 29, 2002, and the effective date of the acquisition of the U.K. business was May 10, 2002. The results of operations related to the acquisitions have been included in the accompanying statements of operations from the respective effective dates. We believe that the acquisition of the CEV business enhanced our position in consulting to the chemicals and petroleum industries. We acquired 75 employee consultants, accounts receivable, and the ongoing client projects being handled by the acquired employee consultants. Of the $10.5 million purchase price, $0.9 million was recorded as intangibles, consisting primarily of customer relationships, $2.7 million was recorded primarily as accounts receivable, and the remaining $6.9 million was recorded as goodwill, all of which is expected to be deducted for tax purposes. The portion of the purchase price attributable to goodwill primarily related to the extensive industry experience of the acquired employee consultants.

In fiscal 2002, our international operations continued to expand. For example, our U.K. operations grew substantially, primarily as a result of the acquisition of the CEV business, and we opened new offices in Brussels, Belgium and Dubai, United Arab Emirates. Revenues from our international operations accounted for 9.4%, 13.3%, and 16.3% of our total revenues in fiscal 2001, fiscal 2002, and the twenty-four weeks ended May 16, 2003, respectively, as more fully described in note 13 of the notes to our audited consolidated financial statements.

Software Subsidiary

In June 1997, we invested approximately $650,000 for a majority interest in NeuCo, Inc. NeuCo was established by us 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 application consulting services for electric utilities. NeuCo's financial statements are consolidated with our financial statements. NeuCo earned revenues of approximately $2.8 million in fiscal 2000, $5.1 million in fiscal 2001, $3.4 million in fiscal 2002, and $1.9 million in the twenty-four weeks ended May 16, 2003. NeuCo sustained a net loss of approximately $139,000 in fiscal 2000, generated a net profit of approximately $839,000 in fiscal 2001, sustained a net loss of approximately $1.1 million in fiscal 2002, and generated a net profit of $72,000 in the twenty-four weeks ended May 16, 2003.

On May 3, 2000, in a series of transactions that resulted in an infusion of new equity in NeuCo, our ownership interest in NeuCo was reduced from 65.3% to 50.5% and was subsequently reduced further to 49.7%. These transactions were accounted for as increases in minority interest and common

stock. In March 2003, NeuCo repurchased and cancelled shares from a minority interest stockholder, which reduced the number of shares outstanding, thereby increasing our interest in NeuCo to 59.7%. This transaction was accounted for as a decrease in minority interest and common stock. Throughout these transactions, we have continued to exercise control of NeuCo, and accordingly, we consolidate its operations. The portion of NeuCo's income or loss allocable to its minority owners is shown as "minority interest" in our consolidated statements of income, and that amount, together with the capital contributions to NeuCo of its minority owners, is shown as "minority interest" in our consolidated balance sheets. All significant intercompany accounts have been eliminated.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which revised the accounting for goodwill and other intangible assets. Specifically, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but are monitored annually for impairment, or more frequently if there are other indicators of impairment. Any impairment will be measured based upon the fair value of the related asset based upon the provisions of this statement. We elected early adoption of this accounting standard in fiscal 2002.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The adoption of SFAS No. 144 is not expected to have a material effect on our financial position or results of operations.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. We do not believe that SFAS No. 146 will have a material impact on our consolidated financial statements.

On December 31, 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure" (SFAS No. 148). SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While the statement does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method,

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the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25. The provisions of SFAS No. 148 are effective at the beginning of fiscal 2003. SFAS No. 148 will not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46). FIN No. 46 is an interpretation of ARB No. 51 and addresses consolidation by business enterprises of variable interest entities, or VIEs. This interpretation is based on the theory that an enterprise controlling another entity through interests other than voting interests should consolidate the controlled entity. Business enterprises are required under the provisions of this interpretation to identify VIEs, based on specified characteristics, and then determine whether they should be consolidated. An enterprise that holds a majority of the variable interests is considered the primary beneficiary and is the enterprise that should consolidate the VIE. The primary beneficiary of a VIE is also required to include various disclosures in its interim and annual financial statements. Additionally, an enterprise that holds a significant variable interest in a VIE, but that is not the primary beneficiary, is also required to make certain disclosures. This interpretation is effective for all enterprises with a variable interest in VIEs created after January 31, 2003. A public entity with variable interests in a VIE created before February 1, 2003 is required to apply the provisions of this interpretation to that entity by the end of the first interim or annual reporting period beginning after June 15, 2003. We do not believe that the adoption of this interpretation will have a material impact on our consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosure of contingent assets and liabilities. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

A summary of the accounting policies that we believe are most critical to understanding and evaluating our financial results is set forth below. This summary should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

Revenue Recognition and Allowance for Doubtful Accounts. We derive substantially all of our revenues from the performance of professional services. The contracts that we enter into and operate under specify whether the engagement will be billed on a time-and-materials or fixed-price basis. Typically, these engagements are of a short, predetermined time frame and generally last three to six months, although some of our engagements can be much longer in duration. Each contract must be approved by one of our vice presidents.

We recognize substantially all of our revenues under written service contracts with our clients. Revenues from time-and-materials service contracts are recognized as the services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as a computer services fee based upon hours worked. Revenues from fixed-price engagements are recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. Project costs are based on the direct salary and associated fringe benefits of the consultants on the engagement plus all direct expenses incurred to complete the

engagement that are not reimbursed by the client. The proportional performance method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and terms set forth in the contract, and are indicative of the level of benefit provided to our clients. Contracts generally include a termination provision that reduces the agreement to a time-and-materials contract in the event of termination of the contract. There are no costs that are deferred and amortized over the contract term. Our financial management maintains contact with project managers to discuss the status of the projects and, for fixed-price engagements, financial management is updated on the budgeted costs and resources required to complete the project. These budgets are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, we have occasionally been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated income or losses on those contracts. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated. To date, such losses have not been significant.

Revenues also include expenses billed to clients, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. These reimbursable expenses included in revenues are as follows (in thousands):

	Fiscal year ended			Twenty-four weeks ended	
	Nov. 25, 2000	**Nov. 24, 2001**	**Nov. 30, 2002**	**May 10, 2002**	**May 16, 2003**
	(52 weeks)	**(52 weeks)**	**(53 weeks)**		
Reimbursable expenses billed to clients	$ 11,015	$ 15,788	$ 19,026	$ 6,868	$ 11,804

We recognize revenues for services only in those situations where collection from the client is reasonably assured. Our normal payment terms are 30 days from invoice date. For fiscal 2001, fiscal 2002, and the twenty-four weeks ended May 16, 2003, our average days sales outstanding for billed and unbilled accounts receivable were 108 days, 103 days, and 95 days, respectively. Our project managers and finance personnel monitor payments from our clients and assess any collection issues. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We base our estimates on our historical collection experience, current trends, credit policy, and relationship of our accounts receivable and revenues. In determining these estimates, we examine historical write-offs of our receivables and review client accounts to identify any specific customer collection issues. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required. Our failure to estimate accurately the losses for doubtful accounts and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition, and results of operations. As of November 24, 2001, November 30, 2002, and May 16, 2003, $0.9 million, $1.4 million, and $1.6 million, respectively, were provided for doubtful accounts.

Goodwill and Other Intangible Assets. We account for our acquisitions of consolidated companies under the purchase method of accounting pursuant to SFAS No. 141, "Business Combinations." Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their expected useful lives. Intangible assets consist principally of non-competition agreements and customer relationships and are generally amortized over five to ten years. Goodwill represents the excess of cost over net assets, including all identifiable intangible assets, of acquired businesses that are consolidated.

In accordance with SFAS No. 142, which we adopted in fiscal 2002, we ceased amortizing goodwill arising from acquisitions. In lieu of amortization, we perform an impairment review of our goodwill annually, or more frequently if there are indicators of impairment. There were no impairment losses related to goodwill due to the application of SFAS No. 142 in fiscal 2002, nor were there any

indications of impairment in the twenty-four weeks ended May 16, 2003. If we determine through the impairment review process that goodwill has been impaired, we would record the impairment charge in our statement of income. The net amount of goodwill was approximately $24.8 million as of May 16, 2003.

We assess the impairment of amortizable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- a significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant negative industry or economic trend; and
- our market capitalization relative to net book value.

As part of this assessment, we would review the expected future undiscounted cash flows to be generated by the assets. When we determine that the carrying value of intangible assets may not be recoverable, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. The net amount of intangible assets was approximately $1.4 million as of May 16, 2003.

Accounting for Income Taxes. We record income taxes using the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. Our financial statements contain certain deferred tax assets as well as other temporary differences between book and tax accounting. SFAS No. 109, "Accounting for Income Taxes," requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. As a result of operating losses incurred in certain of our foreign subsidiaries, anticipated additional operating losses in the future and uncertainty as to the extent and timing of profitability in future periods, we recorded a full valuation allowance in certain of these foreign subsidiaries during the year ended November 30, 2002. Had we not recorded this allowance, we would have reported a lower effective tax rate than that recognized in our statements of income in fiscal 2002. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination was made. During the twenty-four weeks ended May 16, 2003, the valuation allowance was reduced slightly due to the anticipated use of certain net operating losses during fiscal 2003. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is at least reasonably possible that changes in these estimates in the near term could materially affect our financial condition and results of operations. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss, changes to the valuation allowance, changes to federal, state, or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction, and as a result of acquisitions.

Results of Operations

The following table provides operating information as a percentage of revenues for the periods indicated:

	Fiscal year ended	Twenty-four weeks ended

	Fiscal year ended			Twenty-four weeks ended	
	Nov. 25, 2000	Nov. 24, 2001	Nov. 30, 2002	May 10, 2002	May 16, 2003
	(52 weeks)	(52 weeks)	(53 weeks)		
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services	56.3	59.7	61.7	61.2	62.6
Gross profit	43.7	40.3	38.3	38.8	37.4
Selling, general and administrative	26.4	28.7	28.0	28.8	26.1
Special charge	1.1				
Income from operations	16.2	11.6	10.3	10.0	11.3
Interest and other income, net	1.9	0.9	0.3	0.4	0.2
Income before provision for income taxes and minority interest	18.1	12.5	10.6	10.4	11.5
Provision for income taxes	(7.5)	(5.3)	(4.5)	(4.2)	(4.8)
Income before minority interest	10.6	7.2	6.1	6.2	6.7
Minority interest	0.1	(0.4)	0.4	0.6	0.0
Net income	10.7%	6.8%	6.5%	6.8%	6.7%

Twenty-four Weeks Ended May 16, 2003 Compared to Twenty-four Weeks Ended May 10, 2002

Revenues. Revenues increased $22.8 million, or 43.7%, from $52.2 million for the twenty-four weeks ended May 10, 2002 to $75.0 million for the twenty-four weeks ended May 16, 2003. The increase in revenues was due primarily to an increase in the number of employee consultants, particularly as a result of the acquisition of the CEV business, an increase in utilization, increased billing rates for our employee consultants, and an increase in expenses billed to clients. Revenues derived from fixed-price engagements increased from 5.4% for the twenty-four weeks ended May 10, 2002 to 22.8% for the twenty-four weeks ended May 16, 2003. This increase is primarily due to the acquisition of the CEV business, which traditionally entered into fixed-price engagements. The total number of employee consultants increased from 328 at May 10, 2002 to 348 at May 16, 2003. Utilization was 69% for the twenty-four weeks ended May 10, 2002 as compared with 72% for the twenty-four weeks ended May 16, 2003. We experienced revenue increases in the twenty-four weeks ended May 16, 2003 primarily in our chemicals and petroleum, materials and manufacturing, finance, and energy and environment practice areas. These increases were partially offset by a revenue decrease in our transportation practice area.

Costs of Services. Costs of services increased by $15.0 million, or 47.0%, from $31.9 million in the twenty-four weeks ended May 10, 2002 to $47.0 million in the twenty-four weeks ended May 16, 2003. The increase was due primarily to an increase in the number of employee consultants, an overall increase in compensation expense for our employee consultants, and an increase in reimbursable expenses billed to clients. As a percentage of revenues, costs of services increased from 61.2% in the twenty-four weeks ended May 10, 2002 to 62.6% in the twenty-four weeks ended May 16, 2003. The increase as a percentage of revenues was due primarily to an increase in reimbursable expenses, such as out-of-pocket expenses and third-party fees billed to clients.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $4.6 million, from $15.1 million in the twenty-four weeks ended May 10, 2002 to $19.6 million in the twenty-four weeks ended May 16, 2003. As a percentage of revenues, selling, general, and administrative expenses decreased from 28.8% in the twenty-four weeks ended May 10, 2002 to 26.1% in the twenty-four weeks ended May 16, 2003. The primary contributors to the decrease as a percentage of revenues were decreases in overall compensation for administrative staff, legal and other professional fees, and travel expenses, and an overall increase in revenues at a greater rate than selling, general and administrative expenses, which includes rent and other costs that are fixed in nature. These decreases were partially offset by an increase in rent and related expenses in the twenty-four weeks ended May 16, 2003 for estimated losses on subleases in our Washington, D.C. and downtown Los Angeles offices and a revenue-related increase in commission payments to outside experts.

Interest and Other Income, Net. Net interest and other income decreased by $30,000, or 13.8%, from $217,000 in the twenty-four weeks ended May 10, 2002 to $187,000 in the twenty-four weeks ended May 16, 2003. This decrease resulted primarily from lower interest income due to the overall decline in short-term interest rates.

Provision for Income Taxes. The provision for income taxes increased by $1.4 million to $3.6 million in the twenty-four weeks ended May 16, 2003. Our effective income tax rate increased from 40.2% in the twenty-four weeks ended May 10, 2002 to 41.5% in the twenty-four weeks ended May 16, 2003. The lower rate in the twenty-four weeks ended May 10, 2002 was due primarily to a tax benefit related to the closure of a foreign office in the second quarter of fiscal 2002.

Minority Interest. Minority interest in the results of operations of NeuCo changed from a loss of $316,000 in the twenty-four weeks ended May 10, 2002 to a profit of $30,000 in the twenty-four weeks ended May 16, 2003 due to an increase in profits in NeuCo.

Fiscal 2002 Compared to Fiscal 2001

Revenues. Revenues increased $20.9 million, or 19.0%, from $109.8 million for fiscal 2001 to $130.7 million for fiscal 2002. The increase in revenues was due primarily to an increase in the number of employee consultants, particularly as a result of the acquisition of the CEV business, increased billing rates for our consultants, and to a lesser extent, an additional week of revenues in fiscal 2002 compared to fiscal 2001, offset in part by a decrease in utilization and a decrease in NeuCo revenues. Utilization was 76% for fiscal 2001 as compared to 69% for fiscal 2002. Average utilization decreased in fiscal 2002 in part because of the acquisition of the CEV business, and otherwise would have averaged 73% for the year. The total number of employee consultants increased from 293 at the end of fiscal 2001 to 353 at the end of fiscal 2002. We experienced significant revenue increases during fiscal 2002 primarily in our chemicals and petroleum, finance, and electric utility practice areas.

Costs of Services. Costs of services increased by $15.1 million, or 23.0%, from $65.6 million in fiscal 2001 to $80.7 million in fiscal 2002. The increase was due primarily to an increase in the number of employee consultants, particularly those acquired from the acquisition of the CEV business, and to a lesser extent, an overall increase in salaries and bonuses paid to our employee consultants. As a percentage of revenues, costs of services increased from 59.7% in fiscal 2001 to 61.7% in fiscal 2002. The increase as a percentage of revenues was due primarily to lower utilization of our employee consultants, particularly as a result of the acquisition of the CEV business, where the related employee consultants were not immediately utilized to the same extent as our other employees.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $5.0 million, or 16.0%, from $31.6 million in fiscal 2001 to $36.6 million in fiscal 2002. As a percentage of revenues, selling, general, and administrative expenses decreased from 28.7% in fiscal 2001 to 28.0% in fiscal 2002. The primary contributors to the decrease as a percentage of revenues were a decrease in amortization of goodwill resulting from our adoption of SFAS No. 142 and a decrease in commission payments to outside experts. These decreases were partially offset by increases in overall compensation for administrative staff and rent expense.

Interest and Other Income, Net. Net interest income decreased by $708,000, or 67.8%, from $1.0 million in fiscal 2001 to $337,000 in fiscal 2002. This decrease resulted primarily from the overall decline in short-term interest rates during fiscal 2002 and an increase in interest expense related to notes payable.

Provision for Income Taxes. The provision for income taxes increased by $31,000, or 0.5%, from $5.85 million in fiscal 2001 to $5.88 million in fiscal 2002. Our effective tax rate was unchanged at 42.7% in fiscal 2001 and fiscal 2002. Although our effective tax rate was unchanged, NeuCo's net losses, for some of which NeuCo cannot receive a current tax benefit, were offset by the use of certain net operating losses in Mexico that were previously fully reserved.

Minority Interest. Minority interest in the results of operations of NeuCo decreased from a gain of $416,000 in fiscal 2001 to a loss of $547,000 in fiscal 2002 due to a change from profit at NeuCo in fiscal 2001 to a loss in fiscal 2002.

Fiscal 2001 Compared to Fiscal 2000

Revenues. Revenues increased $27.3 million, or 33.0%, from $82.5 million for fiscal 2000 to $109.8 million for 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 73% for fiscal 2000 as compared to 76% for fiscal 2001. The total number of employee consultants increased from 255 at the end of fiscal 2000 to 293 at the end of fiscal 2001. We experienced revenue increases during fiscal 2001 in both our legal and regulatory consulting services and business consulting services and, in particular, generated significant revenue increases in our competition and electric utility practice areas.

Costs of Services. Costs of services increased by $19.2 million, or 41.2%, from $46.4 million in fiscal 2000 to $65.6 million in fiscal 2001. As a percentage of revenues, costs of services increased from 56.3% in fiscal 2000 to 59.7% in fiscal 2001. The increase as a percentage of revenues was due primarily to an overall increase in salary and bonus paid to our more senior employee consultants and a shift in our employee base toward a larger percentage of these more highly compensated employee consultants.

Selling, General, and Administrative. Selling, general, and administrative expenses increased by $9.7 million, or 44.5%, from $21.8 million in fiscal 2000 to $31.6 million in fiscal 2001. As a percentage of revenues, selling, general, and administrative expenses increased from 26.4% in fiscal 2000 to 28.7% in fiscal 2001. Contributing to the increase were commission payments to outside experts, an increase in administrative staff, rents and other expenses for additional office space including foreign offices in London, Melbourne, and Wellington, an increase in indirect travel costs, and amortization costs related to an acquired business.

Special Charge. In the fourth quarter of fiscal 2000, we relocated our London and Washington, D.C. offices and recorded a special charge of $878,000, which consisted primarily of duplicate rent and the remaining lease obligations for the former space of these offices.

Interest and Other Income, Net. Net interest income decreased by $497,000, or 32.2%, from $1.5 million in fiscal 2000 to $1.0 million in fiscal 2001. This decrease resulted primarily from the overall decline in short term interest rates during fiscal 2001.

Provision for Income Taxes. The provision for income taxes decreased by $318,000, or 5.2%, from $6.2 million in fiscal 2000 to $5.8 million in fiscal 2001. Our effective tax rate increased slightly from 41.3% in fiscal 2000 to 42.7% in fiscal 2001 primarily due to foreign net operating losses not currently benefited.

Minority Interest. Minority interest in the results of operations of NeuCo increased from a loss of $70,000 in fiscal 2000 to a profit of $416,000 in fiscal 2001 due to an increase in revenues and profit in NeuCo.

Unaudited Quarterly Results

The following table presents unaudited quarterly statement of income information for the ten quarters ended May 16, 2003. The information for the third fiscal quarter of fiscal 2001 and subsequent fiscal quarters includes the results of operations attributable to the acquisition of certain assets of PA Consulting Group, Inc. for the period after July 18, 2001. The information for the second fiscal quarter of fiscal 2002 and subsequent fiscal quarters includes the results of operations attributable to the acquisition of certain assets of the North American operations of the CEV business for the period after April 29, 2002. The information for the third fiscal quarter of fiscal 2002 and subsequent fiscal quarters includes the results of operations attributable to the acquisition of certain assets of the U.K. operations of the CEV business. The quarterly information for fiscal 2001 and fiscal 2002 is derived from and is qualified by reference to the audited consolidated financial statements included in this prospectus beginning on page F-1. In the opinion of our management, this information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information. The first, second, and fourth quarters of each fiscal year are 12-week periods, except that the fourth quarter of fiscal 2002 is a 13-week period. The third quarter of each fiscal year is a 16-week period. Accordingly, quarter-to-quarter comparisons of our results of operations are not necessarily meaningful if the quarters being compared have different lengths. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period. For risks associated with fluctuations in our quarterly revenues and results of operations, see "Risk Factors Fluctuations in our quarterly revenues and results of operations could depress the market price of our common stock."

Fiscal 2001				Fiscal 2002				Fiscal 2003	
Quarter ended									
Feb. 16, 2001	**May 11, 2001**	**August 31, 2001**	**Nov. 24, 2001**	**Feb. 15, 2002**	**May 10, 2002**	**August 30, 2002**	**Nov. 30, 2002**	**Feb. 21, 2003**	**May 16, 2003**
(12 weeks)	**(12 weeks)**	**(16 weeks)**	**(12 weeks)**	**(12 weeks)**	**(12 weeks)**	**(16 weeks)**	**(13 weeks)**	**(12 weeks)**	**(12 weeks)**
(In thousands)									

	Fiscal 2001				Fiscal 2002				Fiscal 2003	
Revenues	$ 21,144	$ 24,567	$ 34,914	$ 29,179	$ 24,202	$ 28,016	$ 42,027	$ 36,445	$ 34,785	$ 40,245
Costs of services	12,531	14,660	20,926	17,473	14,677	17,266	25,598	23,118	21,698	25,261
Gross profit	8,613	9,907	13,988	11,706	9,525	10,750	16,429	13,327	13,087	14,984
Selling, general and administrative	6,580	7,318	9,809	7,849	6,912	8,148	11,754	9,786	9,261	10,349
Income from operations	2,033	2,589	4,179	3,857	2,613	2,602	4,675	3,541	3,826	4,635
Interest and other income (expense), net	339	276	308	122	108	109	(61)	181	(6)	193
Income before provision for income taxes and minority interest	2,372	2,865	4,487	3,979	2,721	2,711	4,614	3,722	3,820	4,828
Provision for income taxes	(1,082)	(1,128)	(1,894)	(1,744)	(1,129)	(1,052)	(2,079)	(1,619)	(1,572)	(2,017)
Income before minority interest	1,290	1,737	2,593	2,235	1,592	1,659	2,535	2,103	2,248	2,811
Minority interest	123	(33)	(186)	(320)	(28)	344	52	179	(41)	11
Net income	$ 1,413	$ 1,704	$ 2,407	$ 1,915	$ 1,564	$ 2,003	$ 2,587	$ 2,282	$ 2,207	$ 2,822

Liquidity and Capital Resources

As of May 16, 2003, we had cash and cash equivalents of $23.3 million, short-term and long-term investments of $5.0 million, and working capital of $43.5 million.

In the twenty-four weeks ended May 16, 2003, net cash provided by operating activities was $7.6 million, resulting primarily from net income of $5.0 million and an increase in accounts payable, accrued expenses, and other liabilities of $5.1 million, offset in part by an increase in accounts receivable of $5.1 million. Net cash provided by operating activities was $13.4 million for fiscal 2002, $5.9 million for fiscal 2001, and $2.9 million for fiscal 2000. In fiscal 2002, cash generated from operating activities resulted primarily from net income of $8.4 million and an increase in accounts payable, accrued expenses, and other liabilities of $5.3 million, offset in part by an increase in accounts receivable of $1.4 million and an increase in prepaid expenses and other assets of $0.8 million. In fiscal 2001, cash generated from operating activities resulted primarily from net income of $7.4 million and an increase in accounts payable, accrued expenses, and other liabilities of $5.3 million, offset in part by an increase in accounts receivable of $3.6 million and an increase in unbilled services of $4.2 million. In fiscal 2000, cash generated from operating activities resulted primarily from net income of $8.8 million, offset in part by an increase in accounts receivable of $5.6 million.

Net cash used in investing activities for the twenty-four weeks ended May 16, 2003 was $2.5 million, consisting of $3.0 million used to purchase property and equipment, offset by net sales of investments of $0.5 million. Net cash used in investing activities was $14.8 million for fiscal 2002, $3.1 million for fiscal 2001, and $5.4 million for fiscal 2000. In fiscal 2002, net cash used in investing activities consisted principally of $10.5 million used to purchase certain assets of the North American and U.K. operations of the CEV business and $3.9 million used to purchase property and equipment. Net cash used in investing activities in fiscal 2001 consisted of $3.6 million used to purchase furniture, fixtures, and computer equipment, offset by net sales of investments. Net cash used in investing activities for fiscal 2000 consisted of $4.8 million used to acquire the consulting business of Dr. Gordon C. Rausser and $3.4 million used to purchase furniture, fixtures, and computer equipment, offset in part by net sales of short-term investments of $2.9 million.

Net cash used in financing activities for the twenty-four weeks ended May 16, 2003 was $0.8 million, consisting principally of the final payments on notes payable in connection with the acquisition of a line of business from PA Consulting Group, Inc. in July 2001 and a payment made in March 2003 by NeuCo to repurchase and cancel shares from a minority interest stockholder. Net cash used in financing activities was $2.0 million for fiscal 2002 and $1.1 million for fiscal 2001, consisting principally of payments on notes payable in connection with the acquisition of a line of business from PA Consulting Group, Inc. The notes were payable on a quarterly basis through December 31, 2002. Net cash used in financing activities for fiscal 2002 was offset in part by $0.7 million in proceeds from the issuance of common stock. In fiscal 2000, our financing activities generated net cash of $2.8 million, which reflects $3.4 million resulting from a net investment in NeuCo by Babcock Borsig Power GmbH, offset in part by payments made on notes payable to former stockholders, by payments on a loan from minority interest owners of NeuCo, and by costs related to our sale of stock in a public offering in fiscal 1999.

In connection with our acquisition of the consulting business of Dr. Rausser, we loaned Dr. Rausser $4.5 million, which he used to purchase shares of our common stock. The loan is scheduled to be repaid in 2004. If the acquired business meets specified performance targets, we will owe Dr. Rausser additional consideration, payable in the first quarter of fiscal 2004. We are currently in discussion with Dr. Rausser, who may agree to extend substantially the duration of his exclusive relationship with us, and we may agree to extend the time for the repayment of his loan and for him to meet his specified performance targets.

We currently have available a $2.0 million revolving line of credit with our bank, which is secured by our accounts receivable. This line of credit automatically renews each year on June 30 unless terminated earlier by either our bank or us. No borrowings were outstanding under this line of credit as of July 14, 2003.

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We believe that our proceeds from this offering, our current cash balances, cash generated from our operations, 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.

Quantitative and Qualitative Disclosure About Market Risk

As of May 16, 2003, we were exposed to market risks, which primarily include changes in U.S. interest rates and foreign currency exchange rates.

We maintain a portion of our investments in financial instruments with purchased maturities of one year or less and a portion of our 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.

We are subject to risk from changes in foreign exchange rates for our subsidiaries that use a foreign currency as their functional currency. We do not currently enter into foreign exchange agreements to hedge our exposure, but we may do so in the future if our foreign operations expand.

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BUSINESS

Introduction

We are 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, we work with businesses, law firms, accounting firms, and governments in providing original, authoritative advice and a wide range of services around the world. We combine economic and financial analysis with expertise in litigation and regulatory support, business strategy and planning, market and demand forecasting, policy analysis, and engineering and technology strategy. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major strategy and capital investment decisions, and complex litigation, the outcomes of which often have significant implications or consequences for the parties involved. Matters such as these often require independent analysis, and as a result companies must outsource this work to outside experts. Companies turn to us because we can provide large teams of highly credentialed and experienced economic and finance experts to address complex, high-stakes matters.

We offer consulting services in two broad areas: legal and regulatory consulting, which represents approximately 65% of our services revenues, and business consulting, which represents approximately 35% of our services revenues. We provide our services primarily through our highly credentialed and experienced staff of employee consultants. As of May 16, 2003, we employed 348 consultants, including 97 employee consultants with doctorates and 113 employee consultants with other advanced degrees. Our employee consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, and engineering. We are extremely selective in our hiring of consultants, recruiting from leading universities, industry, and government. Many of our employee consultants are nationally or internationally recognized as experts in their respective fields and have published scholarly articles, lectured extensively, and have been quoted in the press. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of renowned academic and industry experts, or outside experts.

Our business is diversified across multiple dimensions, including service offerings, vertical industry coverage, areas of functional expertise, client base, and geography. Through 16 offices located around the world, we provide multiple services across ten areas of functional expertise to hundreds of clients across 12 vertical industries. We believe this diversification reduces our dependence on any particular market, industry, or geographic area.

In our legal and regulatory consulting practice, we work with law firms and businesses involved in litigation and regulatory proceedings, providing expert advice on highly technical issues, such as the competitive effects of mergers and acquisitions, antitrust issues, calculations of damages, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation. This business is driven primarily by regulatory changes and high-stakes legal proceedings, which typically occur without regard to the business cycle.

In our business consulting practice, we use our expertise in economics, finance, and business analysis to offer our clients such services as strategy development, performance improvement, corporate portfolio analysis, estimation of market demand, new product pricing strategies, valuation of intellectual property and other assets, assessment of competitors' actions, and analysis of new sources of supply.

Our analytical expertise in advanced economic and financial methods is complemented by our in-depth expertise in specific industries, including aerospace and defense, chemicals, electric power and other energy industries, financial services, healthcare, materials and manufacturing, media, oil and gas, pharmaceuticals, sports, telecommunications, and transportation.

We have completed thousands of engagements for clients around the world, including domestic and foreign companies; federal, state, and local government agencies; governments of foreign countries;

public and private utilities; and national and international trade associations. Our clients come from a broad range of industries, with our top ten clients in fiscal 2002 accounting for approximately 25% of our revenues and no single client accounting for more than 5% of our revenues. We also work with many of the world's leading law firms. We experience a high level of repeat business; in fiscal 2002, approximately 80% of our revenues resulted from either ongoing engagements or new engagements for existing clients.

We deliver our services through a global network of 16 coordinated offices located domestically in Boston, Massachusetts; College Station and Houston, Texas; Los Angeles, Oakland, and Palo Alto, California; Philadelphia, Pennsylvania; Salt Lake City, Utah; and Washington, D.C., and internationally in Brussels, Belgium; Dubai, United Arab Emirates; London, United Kingdom; Melbourne, Australia; Mexico City, Mexico; Toronto, Canada; and Wellington, New Zealand.

Since our initial public offering in April 1998, we have experienced significant growth. Our revenues have grown from $44.8 million in fiscal 1997 to $130.7 million in fiscal 2002, an increase of approximately 192%, or a compounded annual growth rate of 24% per year. Since our initial public offering, we have increased the number of our offices from three to 16, including seven international offices. We have increased the number of our consultants from 120 to 348 at the end of our second fiscal quarter in 2003, and those with doctorates or other advanced degrees from 73 to 210. We have also increased our practice areas and expanded our vertical industry coverage. We have accomplished this growth through a combination of internal expansion and six acquisitions. We have successfully acquired and integrated consulting firms into our culture while retaining the key employees and delivering consistent, high quality services.

Industry Overview

Businesses are operating in an increasingly complex environment. Technology has provided 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. The Internet has changed traditional distribution channels, thereby eliminating barriers to entry in many industries and spurring new competition. At the same time, markets are becoming increasingly global, offering companies the opportunity to expand their presence throughout the world and exposing them to increased competition and the uncertainties of foreign operations. Many industries are consolidating as companies pursue mergers and acquisitions in response to an increase in competitive pressures and to expand their market opportunities. In addition, companies are increasingly relying 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 must constantly gather, analyze, and use available information to enhance their business strategies and operational efficiencies.

The increasing complexity and changing nature of the business environment are also forcing governments to modify their regulatory strategies. For example, industries such as healthcare are subject to frequently changing regulations, and other industries, such as telecommunications and electric power, have been significantly impacted by deregulation. Similarly, numerous high-profile corporate misdeeds led to the passage of the Sarbanes-Oxley Act of 2002, which significantly enhanced the financial disclosure requirements applicable to public companies. These constant changes in the regulatory environment have led 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, corporate litigation has also become more complicated, protracted, expensive, and important to the parties involved.

As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models 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 anticompetitive 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 in complex and high-stakes litigation. As the need for complex economic and financial analysis becomes more widespread, we believe that companies and governments are turning to outside consultants for access to the specialized expertise, experience, and prestige that are not available to them internally.

Competitive Strengths

Since 1965, we have been committed to providing sophisticated consulting services to our clients. We believe that the following factors have been critical to our success.

Strong Reputation for High-Quality Consulting; High Level of Repeat Business. For more than 37 years, we have been a leader in providing sophisticated economic analysis and original, authoritative advice to clients involved in complex litigation and regulatory proceedings. As a result, we believe we have established a strong reputation among leading law firms and business clients as a preferred source of expertise in economics, finance, business, and strategy consulting, as evidenced by our high level of repeat business and significant referrals from existing clients. In fiscal 2002, approximately 80% of our revenues resulted from ongoing engagements and new engagements for existing clients. In addition, we believe our significant name recognition, which we developed as a result of our work on many high-profile litigation and regulatory engagements, has enhanced the development of our business consulting practice.

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior consultants. Of our 348 employee consultants as of May 16, 2003, 224 were either vice presidents, principals, associate principals, or senior associates, nearly all of whom have a doctorate or other advanced degree. Many of these senior employee consultants are nationally or internationally recognized as experts in their respective fields. In addition to their expertise in a particular field, most of our employee consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to our ability to apply our resources as needed to meet the demands of our clients. As a result, we seek to hire consultants who not only have strong analytical skills, but who are also creative, intellectually curious, and driven to develop expertise in new practice areas and industries.

Global Presence. We deliver our services through a global network of 16 coordinated offices, including nine domestic and seven international offices. Our international offices are in Brussels, Dubai, London, Melbourne, Mexico City, Toronto, and Wellington, New Zealand. Many of our clients are multi-national firms with issues that cross international boundaries, and we believe our global presence provides us with a competitive advantage to address complex issues that span countries and continents. Our global presence also gives us access to many of the leading experts around the world on a variety of issues, allowing us to expand our knowledge base and areas of functional expertise.

Diversified Business. Our business is diversified across multiple dimensions, including service offerings, vertical industry coverage, areas of expertise, client base, and geography. Through 16 offices located around the world, we provide multiple services across ten areas of functional expertise to hundreds of clients across 12 vertical industries. By maintaining expertise in multiple industries, we are able to offer clients creative and pragmatic advice tailored to their specific markets. By offering clients

both legal and regulatory consulting services and business consulting services, we are able to satisfy an array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables us to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in other disciplines. We believe this diversification reduces our dependence on any particular market, industry, or geographic area. Furthermore, our legal and regulatory consulting business is driven primarily by regulatory changes and high-stakes legal proceedings, which typically occur without regard to the business cycle. Our diversity also enhances our expertise and the range of issues that we can address on behalf of our clients.

Diversified Client Base. We have completed thousands of engagements for clients in a broad range of industries around the world. In fiscal 2002, our top ten clients accounted for approximately 25% of our revenues, with no single client accounting for more than 5% of our revenues. Our clients include major firms in: computers and telecommunications; media, entertainment, and professional sport leagues; transportation; pharmaceuticals; chemicals, oil, and gas; electric utilities, environment, and other energies; materials and manufacturing; aerospace and defense; foods and other consumer goods; investment banking; public accounting and other professional services; and retailing.

Established Corporate Culture. Our success has resulted in part from our established corporate culture. We believe we attract consultants because of our more than 37-year history, our strong reputation, the credentials, experience, and reputation of our employee consultants, the opportunity to work on an array of matters with a broad group of renowned outside experts, and our collegial atmosphere. Our attractiveness as an employer is reflected in our low voluntary turnover rate among senior employee consultants, which has been below 10% per year in recent years. We believe our corporate culture has also contributed to our ability to integrate acquisitions successfully.

Access to Leading Academic and Industry Experts. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of outside experts. Depending on client needs, we use outside experts for their specialized expertise, assistance in conceptual problem-solving, and expert witness testimony. We work regularly with renowned professors at Brigham Young University, Cornell University, Georgetown University, Harvard University, the Massachusetts Institute of Technology, Stanford University, Texas A&M University, the University of California at Berkeley, the University of California at Los Angeles, the University of Toronto, the University of Virginia, and other leading universities. Outside experts also generate business for us and provide us access to other leading academic and industry experts. By establishing affiliations with prestigious outside experts, we further enhance our reputation as a leading source of sophisticated economic and financial analysis. We have exclusive relationships with 28 outside experts and non-exclusive relationships with numerous additional outside experts.

Demonstrated Success with Acquisitions. Since fiscal 1998, we have made six acquisitions. These acquisitions have contributed to our growth in revenues, number of consultants, geographic presence, vertical industry coverage, and areas of functional expertise. In each case, we have been able to integrate these acquisitions into our culture and retain the key consultants, in part because of our systematic approach to the integration of acquired businesses. We devote a substantial amount of effort to ensuring that acquired consultants understand our compensation system and have expectations and incentives similar to those of our existing consultants. We make efforts to place acquired consultants appropriately within our management hierarchy, and we regularly appoint acquired consultants to internal committees to provide meaningful participation in the management of our business. We also promote the integrated staffing of new engagements so that existing and acquired consultants begin to work together as a team. We believe our success with these acquisitions is a key competitive advantage that will allow us to pursue additional acquisitions to expand the breadth and scope of services we provide.

Growth Strategy

We intend to enhance our position as a leading economic and business consulting firm by pursuing the following growth strategy:

Attract and Retain High Quality Consultants. Since our employee consultants are our most important asset, our ability to attract and retain highly credentialed and experienced consultants both to work on engagements and to generate new business is crucial to our success. In order to attract highly qualified consultants, we offer competitive compensation and benefits and have developed a career enhancement program that offers consultants career enrichment opportunities and access to individualized training and mentoring programs. We grant stock options to selected employees as part of our effort to attract and retain consultants.

Leverage Investments in Areas of Functional Expertise, Vertical Industry Coverage, and Geographic Presence. Since 1998, we have made significant investments in the expansion of our business, including acquisitions, the addition of areas of functional expertise and vertical industry coverage, and the opening of several offices. We have significantly increased our global presence with the addition of seven international offices. In recent quarters, we have begun to see the benefits of this expansion as we have grown revenues without making commensurate increases in staff and general and administrative expenses, leading to improved operating margins. We intend to continue to leverage the investments in expertise and infrastructure we have made in recent years.

Continue to Build Brand Equity and Increase Marketing Activities. Although we have historically relied primarily on our reputation and client referrals for new business, we have expanded our marketing activities in order to attract new clients and increase our exposure. For example, we have increased our presence at selected conferences, seminars, and public speaking engagements to generate additional client referrals and leads for new clients. We have also increased circulation of our publications to clients, which highlight emerging trends and our noteworthy engagements, and have encouraged our consultants to publish articles more frequently in the trade press and academic journals. We intend to continue to pursue these and other opportunities to expand our marketing activities.

Establish Relationships with Additional Outside Experts. We intend to develop additional relationships with leading academic and industry experts. Since our initial public offering, we have increased the number of exclusive relationships we have with outside experts from eight to 28. Outside experts help us serve our clients better, provide us with new sources of business, and expand our network of academic affiliations. Moreover, we believe that affiliations with additional, prestigious outside experts will further enhance our reputation and aid in recruiting consultants.

Pursue Strategic Acquisitions. We intend to continue to expand our operations through the acquisition of complementary businesses. Given the highly fragmented nature of the consulting industry, we believe that there are numerous opportunities to acquire small consulting firms. For example, we acquired The Tilden Group in December 1998, FinEcon in February 1999, the consulting business of Dr. Gordon C. Rausser in October 2000, certain assets from PA Consulting Group, Inc. in July 2001, and the North American and U.K. operations of the CEV business in April and May 2002, respectively. We believe the acquisition of complementary businesses will provide us with additional employee consultants, new service offerings, additional industry expertise, a broader client base, or offices in new geographic locations.

Services

We offer services in two broad areas: legal and regulatory consulting and business consulting. Engagements in our two service areas often involve similar areas of expertise and address related issues, and it is common for our consultants to work on engagements in both service areas. We estimate that we derived approximately 65% of our service revenues in fiscal 2002 from legal and regulatory consulting and approximately 35% from business consulting. Together, these two service areas comprised approximately 97% of our consolidated revenues in fiscal 2002; the remaining consolidated revenues, approximately 3%, came from our NeuCo subsidiary.

Legal and Regulatory Consulting

In our legal and regulatory consulting practice, we usually work 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 we are 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 ability to formulate and communicate effectively powerful economic and financial arguments to courts and regulatory agencies is often critical to a successful outcome in litigation and regulatory proceedings. Through our highly educated and experienced consulting staff, we apply advanced analytic techniques in economics and finance to complex engagements for a diverse group of clients. Our consultants work with law firms to assist in developing the theory of the case, preparing the testimony of expert witnesses, and preparing for the cross-examination of adverse witnesses. We also provide or identify expert witnesses from among our employees and from among our outside experts or others in academia. In addition, our consultants provide general litigation support, including reviewing legal briefs and assisting in the appeals process.

The following is a summary of the areas of functional expertise that we offer in legal and regulatory consulting engagements.

Areas of Functional Expertise	Description of Services
Antitrust	Expert testimony and analysis to support law firms and their clients involved in antitrust litigation. Areas of expertise include collusion, price signaling, monopolization, tying, exclusionary conduct, resale

Areas of Functional Expertise	Description of Services
	price maintenance, predatory pricing, and price discrimination.
Finance	Valuations of businesses, products, intellectual property, contracts, and securities. Expert testimony on valuation theory. Risk assessment for derivative securities. Computations of damages and liability analysis in securities fraud cases.
Environment	Expert testimony and consulting for environmental disputes in litigation proceedings and before government agencies. Services include determining responsibility for cleanups; estimating damages for spills, disposals, and other environmental injuries; performing regulatory cost-benefit analysis; and developing innovative compliance techniques, such as emissions trading.
Mergers and Acquisitions	Economic analysis to assist clients in obtaining domestic and foreign regulatory approvals, in proceedings before government agencies, such as the U.S. Federal Trade Commission, the U.S. Department of Justice, the Merger Task Force at the European Commission, and the Canadian Competition Bureau. Analyses include simulating the effects of mergers on prices, estimating demand elasticities, designing and administering customer and consumer surveys, and studying possible acquisition-related synergies.

Intellectual Property	Consulting and expert testimony in patent, trademark, copyright, trade secret, and unfair competition disputes. Services include valuing property rights and estimating lost profits, reasonable royalties, unjust enrichment, and prejudgment interest.
Damages	Calculation of damages and critiquing opposing estimates of damages in complex commercial litigation. Analyses of specific economic attributes, such as price and sales volume, using expertise in applied microeconomics and econometrics.
International Trade	Expert testimony and consulting in international trade disputes. Expertise includes antidumping, countervailing duty examinations, and other disputes involving a wide range of industries and numerous countries.

Business Consulting

In our business consulting practice, we typically provide services directly to companies seeking assistance with strategic issues that require expert economic, financial, or business analysis. Many of these matters involve "mission-critical" decisions for clients, who often need strategic and implementation support for major business transactions or transformations. We apply a highly analytical, quantitative, and focused approach to help companies analyze and respond to market forces and competitive pressures that affect their businesses. We offer analytical advice in areas such as shareholder value and business portfolio analysis, asset and liability valuation, competitive strategy and new product pricing, performance improvement, organizational design, change management, technology strategy, and asset auctions. Applying our in-depth knowledge of specific industries, we are able to provide insightful, value-added advice to our clients. Our business consulting projects are staffed with experienced senior consultants who use a collaborative team approach to offer clients practical and creative advice by challenging conventional approaches and generally avoiding predetermined solutions or methodologies.

The following is a summary of the areas of functional expertise that we offer in business consulting engagements.

Areas of Functional Expertise	Description of Services
Business Strategy	

Areas of Functional Expertise	Description of Services
	Advising clients on investment opportunities, cost-reduction programs, turnaround strategies, risk management, capital investments, due diligence investigations, valuations, and pricing strategies. Conducting shareholder value and business portfolio analyses. Assessment of the strategic and financial fit of acquisition candidates. Analyses include assessment of competitive advantages, efficiencies, and antitrust implications of acquisitions.
Finance	*Valuing businesses, products, intellectual property, contracts, and securities. Assessing risk for derivative securities, testing of forward price curves, and marking-to-market for fair valuation.*
Market Analysis	*Advising clients on product introductions and positioning, pricing strategies, competitive threats and probable market reactions to proposed actions. Analyses include identifying and understanding market trends, measuring market size, estimating supply and demand balances, analyzing procurement strategies, and evaluating the impact of government regulations.*

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Intellectual Property and Technology Strategy	*Assisting clients in managing industrial technologies from assessment through implementation, including analysis of the development process for products and services. Assessing the commercialization of new technologies by quantifying the costs and benefits of obtaining and implementing new technology. Conducting competitive analyses through statistical comparisons of key factors, such as raw materials costs and productivity. Analyzing how to maximize value from intellectual property portfolios.*

Industry Expertise

We believe our ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries is one of our key competitive strengths. By maintaining expertise in certain industries, we provide clients practical advice tailored to their specific markets. This industry expertise, which we developed over decades of providing sophisticated consulting services to a diverse group of clients in many industries, differentiates us from many of our competitors. We believe that we have developed a strong reputation and substantial name recognition within specific industries, which has lead to repeat business and new engagements from clients in those markets. While we provide services to clients in a wide variety of industries, we have particular expertise in the following industries:

Aerospace and defense

Chemicals

Electric power and other energy industries

Financial services

Healthcare

Materials and manufacturing

Media

Oil and gas

Pharmaceuticals

Sports

Telecommunications

Transportation

Clients

We have completed thousands of engagements for clients around the world, including domestic and foreign corporations; federal, state, and local government agencies; governments of foreign countries; public and private utilities; and national and international trade associations. Very frequently, we work with major law firms who approach us on behalf of their own clients. While we have particular expertise in a number of industries, we provide services to a diverse group of clients in a broad range of industries. No single client accounted for more than 5% of our revenues in fiscal 2002. Our policy is to keep the identities of our clients confidential unless our work for the client is already publicly disclosed.

The following are examples of our client engagements:

Legal and Regulatory Consulting

We were engaged by the Department of Justice to provide research assistance in antitrust litigation against Microsoft. One of our outside experts served as the government's chief economic witness in the case.

We were engaged by merchants accepting Visa and MasterCard to analyze the competitive effects of Visa and MasterCard's debit cards. We used economic theory, factual analysis, and empirical methods to determine whether the conduct of Visa and MasterCard harmed competition, merchants, and consumers, and to develop an estimate of damages.

We were engaged by a leading consumer products company to assist with the review by the Department of Justice of the company's proposed acquisition of the product line of another company. We analyzed whether consumers would view the target product line as a close substitute for the client's own product line, thereby assessing the competitive impact of the acquisition.

We were engaged by a major television network to analyze the financial impact of one of its telecasts on the market value of a leading cigarette manufacturer.

We were engaged by a prominent consumer electronics company to assess the fairness of its tender offer acquisition of another company.

We were engaged by a professional sports organization to assess whether financial damages resulted from a prohibition on the relocation of one of its franchises.

Business Consulting

We were engaged by the valuation group of an oil exploration and production company to instruct them on the use of "real-options" techniques in valuing exploration and development opportunities.

Approximately ten years ago, we were engaged by a major pharmaceutical company to assist in a class-action price fixing lawsuit. Since that time, we have had an ongoing business consulting relationship that has included an evaluation of competitive strategy, the development of financial models, the development and implementation of marketing strategies, and capital budgeting.

We were engaged by a major North American metals mining company to analyze which of several acquisitions would best complement its business.

We were engaged by an overseas government entity to develop the conceptual design of and detailed rules for the competitive electricity market in its home country.

We were engaged by a North American government entity to design and implement an auction of fossil plant capacity and output in its local jurisdiction. We were responsible for marketing both the power purchase arrangements and the auction, designing and hosting the public website, communicating with prospective bidders and other interested parties, and drafting auction documents.

Software Subsidiary

NeuCo, a subsidiary of which we own 59.7%, develops and markets a family of neural network software tools and complementary application consulting services that are currently focused on electric utilities. Although NeuCo had its origins in one of our consulting engagements, it is primarily a software company that operates independently from our consulting business. NeuCo's products and services are designed to help utilities optimize the use of their power plants by improving heat rate, reducing emissions, overcoming operating constraints, and increasing output capability. NeuCo earned

revenues of approximately $2.8 million in fiscal 2000, $5.1 million in fiscal 2001, $3.4 million in fiscal 2002, and $1.9 million in the twenty-four weeks ended May 16, 2003. NeuCo sustained a net loss of approximately $139,000 in fiscal 2000, generated a net profit of approximately $839,000 in fiscal 2001, sustained a net loss of approximately $1.1 million in fiscal 2002, and generated a net profit of $72,000 in the twenty-four weeks ended May 16, 2003.

Human Resources

On May 16, 2003, we had 486 employees, including 348 employee consultants, comprising 88 vice presidents, 161 other senior employee consultants (either principals, associate principals, senior associates, or consulting associates) and 99 junior consultants (either associates or analysts), as well as 138 administrative staff members. Vice presidents and principals generally work closely with clients, supervise junior consultants, provide expert testimony on occasion, and seek to generate business for CRA. Principals, associate principals, senior associates, and consulting associates typically serve as project managers and handle complex research assignments. Consulting associates, associates, and analysts gather and analyze data sets and complete statistical programming and library research.

We derive most of our revenues directly from the services provided by our employee consultants. Our employee consultants were responsible for securing engagements that accounted for approximately 67% of our total revenues in fiscal 2001 and 69% of our total revenues in fiscal 2002. Our top five employee consultants generated approximately 19% of our total revenues in fiscal 2001 and 16% in fiscal 2002. Our employee consultants have backgrounds in many disciplines, including economics, business, corporate finance, materials sciences, and engineering. Most of our senior employee consultants, consisting of vice presidents, principals, associate principals, senior associates, and consulting associates, have either a doctorate or another advanced degree in addition to substantial management, technical, or industry expertise. Of our total senior employee consulting staff of 249 as of May 16, 2003, 97 have doctorates, and 113 have other advanced degrees. We believe our financial results and reputation are directly related to the number and quality of our employee consultants.

We are highly selective in our hiring of consultants, recruiting primarily from leading universities, industry, and government. We believe consultants choose to work for us because of our strong reputation; the credentials, experience, and reputation of our consultants; the opportunity to work on a diverse range of matters and with renowned outside experts; and our collegial atmosphere. We believe that our attractiveness as an employer is reflected in our relatively low turnover rate among employees. We use a decentralized, team hiring approach. We have a selective group of leading universities and degree programs from which we recruit candidates.

Our training and career development program for our employee 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 employee consultants participate in a structured program in which they are partnered with an assigned mentor. Through our ongoing seminar program, outside speakers make presentations and conduct discussions with our employee consultants on various topics. In addition, employee consultants are expected to present papers, discuss significant cases, or outline new analytical techniques or marketing opportunities periodically at in-house seminars. We also provide scheduled courses designed to improve an employee's professional skills, such as presentation and sales and marketing techniques. We also encourage our employee consultants to pursue their academic interests by writing articles for economic and other journals.

Most of our vice presidents have signed non-solicitation agreements, which generally prohibit the employee from soliciting our clients or soliciting and/or hiring our employees for one year or longer following termination of the person's employment with CRA. In order to align each vice president's interest with our overall interests and profitability, we have adopted a policy requiring each of our vice presidents to have an equity interest in us. All of our senior employee consultants who were

stockholders before our initial public offering are parties to a stock restriction agreement that prohibits them, except under certain circumstances, from selling or otherwise transferring shares of our common stock held immediately before the initial public offering and generally enables us to repurchase a portion of these shares at a substantial discount if they were to leave us during the restriction period. The amount of shares subject to these restrictions declines over the life of the agreement.

We maintain a discretionary bonus program through which we grant performance-based bonuses to our officers and other employees. Our compensation committee, in its discretion, determines the bonuses to be granted to our officers, and our chief executive officer, in his discretion, determines the bonuses to be granted to our other employees, based on recommendations of the various committees supervising the employees' work.

In addition, we work closely with a select group of outside experts from leading universities and industry, who supplement the work of our employee consultants and generate business for us. In each of fiscal 2001 and fiscal 2002, six of our exclusive outside experts were responsible for securing engagements that accounted for approximately 28% and 21% of our revenues in those years. We believe outside experts choose to work with us because of the interesting and challenging nature of our work, the opportunity to work with our quality-oriented consultants, and the financially rewarding nature of the work. Twenty-eight outside experts, generally comprising the more active of those with whom we work, have entered into non-competition agreements with us as of May 16, 2003.

Marketing

We rely to a significant extent on the efforts of our employee consultants, particularly our vice presidents and principals, to market our services. We encourage our employee consultants to generate new business from both existing and new clients, and we reward our employee consultants with increased compensation and promotions for obtaining new business. In pursuing new business, our consultants emphasize our institutional reputation and experience, while also promoting the expertise of the particular employees who will work on the matter. Many of our 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. On occasion, employee consultants work with one or more outside experts to market our services.

We supplement the personal marketing efforts of our employee consultants with firm-wide initiatives. We rely primarily on our reputation and client referrals for new business and undertake traditional marketing activities. We regularly organize seminars for existing and potential clients featuring panel members that include our consultants, outside experts, and leading government officials. We have an extensive set of brochures organized around our service areas, which describes our experience and capabilities. We also provide information about CRA on our corporate Web site. We distribute publications to existing and potential clients highlighting emerging trends and noteworthy engagements. Because existing clients are an important source of repeat business and referrals, we communicate regularly with our existing clients to keep them informed of developments that affect their markets and industries.

In our legal and regulatory consulting practice, we derive much of our new business from referrals by existing clients. We have worked with leading law firms across the country and believe we have developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For our business consulting practice, we also rely on referrals from existing clients, but supplement referrals with a significant amount of direct marketing to new clients through conferences, publications, presentations, and direct solicitations.

We have recently undertaken a corporate branding initiative. The purpose of the initiative is to establish a unified corporate look and ensure that our corporate materials reflect our image and reinforce our business strategy. Our goal is to articulate our value proposition more effectively to the

marketplace and produce a more consistent "look and feel" for our corporate collateral materials. As part of the initiative, we have engaged a professional branding firm and organized several internal working groups representing a broad cross-section of our offices and practice areas. We intend to launch our new brand in the spring of 2004.

It is important to us that we conduct business ethically and in accordance with industry standards and our own rigorous professional standards. We carefully consider the pursuit of each specific market, client, and engagement. Before we accept a new client or engagement, we determine whether a conflict of interest exists by circulating a client development report among our senior staff and by checking our internal client database. If we accept an engagement where a potential conflict could arise, we take steps to separate the employee consultants working on other matters that could conflict with the new engagement in an effort to prevent the exchange of confidential information.

Competition

The market for economic and business consulting services is intensely competitive, highly fragmented, and subject to rapid change. 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. We believe the principal competitive factors in this market are reputation, analytical ability, industry expertise, and service. 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. We believe the principal competitive factors in this market are reputation, industry expertise, analytical ability, service, and price. 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. We may be unable to compete successfully with our existing competitors or with any new competitors.

Facilities

In the aggregate, as of May 16, 2003, we lease approximately 201,000 square feet of office space in Boston, Massachusetts and for our other offices. Of this total, we have subleased to other companies approximately 21,000 square feet of our office space.

All of our offices are electronically linked and have access to our core consulting tools. We believe our existing facilities are adequate to meet our current requirements and that suitable space will be available as needed.

Legal Proceedings

We are not a party to any legal proceedings the outcome of which, in the opinion of our management, would have a material adverse effect on our business, financial condition, or results of operations.

MANAGEMENT

Executive Officers and Directors

Our executive officers and directors are as follows:

Name	Age	Position
Rowland T. Moriarty(1)(2)(3)	56	Chairman of the board
Franklin M. Fisher(3)	68	Vice chairman of the board
James C. Burrows(3)	59	President, chief executive officer, and director
J. Phillip Cooper	59	Chief financial officer, executive vice president, and treasurer
Robert J. Larner	61	Executive vice president
C. Christopher Maxwell	48	Executive vice president
William F. Concannon(2)(4)	47	Director
Carl Kaysen(4)	83	Director
Ronald T. Maheu(1)(4)	61	Director
Steven C. Salop	56	Director
Carl Shapiro	48	Director

(1) Member of the governance committee

(2) Member of the compensation committee

(3) Member of the executive committee

(4) Member of the audit committee

Rowland T. Moriarty has served as a director since 1986 and as our chairman of the board of directors since May 2002. From December 1992 until May 2002, Dr. Moriarty served as our vice chairman of the board of directors. Dr. Moriarty is also the chairman and a stockholder of NeuCo, Inc., one of our subsidiaries. Dr. Moriarty has served as chairman and chief executive officer of Cubex Corporation, an international marketing consulting firm, since 1992. Dr. Moriarty was a professor at Harvard Business School from 1981 to 1992. He received his D.B.A. from Harvard University in 1980. He is a director of Staples, Inc. and Trammell Crow Company.

Franklin M. Fisher has served as an outside expert and a director since 1967. Since May 2002, Dr. Fisher has served as our vice chairman of the board of directors. From April 1997 until May 2002, Dr. Fisher served as our chairman of the board of directors. Dr. Fisher has been 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. He received his Ph.D. in economics from Harvard University in 1960.

James C. Burrows joined us in 1967 and has served as our president and chief executive officer since March 1995 and as a director since April 1993. Dr. Burrows is also a director of NeuCo. From December 1992 to February 2001, Dr. Burrows directed our legal and regulatory consulting practice. From 1971 to March 1995, Dr. Burrows served as a vice president and from June 1987 to December 1992 also directed our economic litigation program. Dr. Burrows received his Ph.D. in economics from the Massachusetts Institute of Technology in 1970.

J. Phillip Cooper has served as our chief financial officer and treasurer since January 2003 and as our executive vice president since February 2001. Dr. Cooper previously served as our interim chief financial officer from October 2002 to January 2003 and as our vice president of corporate development from May 2000 to February 2001. From November 1995 to May 2000, Dr. Cooper served as president of Kona Bay Associates, a consulting company. From August 1999 to May 2000, Dr. Cooper also served as chief executive officer of e-VIP, Inc., a boutique investment banking company. Dr. Cooper received his Ph.D. in economics and finance from the Massachusetts Institute of Technology in 1972.

Robert J. Larner has served as our executive vice president and directed our legal and regulatory consulting practice since February 2001. Dr. Larner served as a vice president from December 1979 to February 2001. Dr. Larner also served as a director from April 1981 to March 1982 and from April 1988 to March 1989. Dr. Larner received his Ph.D. in economics from the University of Wisconsin in 1968.

C. Christopher Maxwell has been our executive vice president since February 2001, serving as our director of research. Dr. Maxwell previously served as a vice president from April 1992 to February 2001. Dr. Maxwell received his Ph.D. in economics from Harvard University in 1983.

William F. Concannon has served as a director since June 2000. Since February 2001, Mr. Concannon has been the president of the global services group of Trammell Crow Company, a diversified commercial real estate firm, where he has been a director since 1991. Mr. Concannon has been president and chief executive officer of Trammell Crow Corporate Services, a real estate company, since July 1991. Mr. Concannon received his B.S. in accounting from Providence College in 1977. Mr. Concannon is also a director of FPDSavills.

Carl Kaysen has served as a director since 1986. From December 1992 to April 1997, Dr. Kaysen served as chairman of our 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.

Ronald T. Maheu has served as a director since January 2003. Since 2000, Mr. Maheu has been a lecturer at the Graduate School of Management at Boston University. Mr. Maheu retired in July 2002 from PricewaterhouseCoopers, LLP. Mr. Maheu was a founding member of Coopers & Lybrand's board of partners. Following the merger of Price Waterhouse and Coopers & Lybrand in 1998, Mr. Maheu served on both the U.S. and global boards of partners and principals of PricewaterhouseCoopers until June 2001. Mr. Maheu holds an M.B.A. from Boston University and an M.S. in taxation from Bentley College. He is also a director of Enterasys Networks, Inc. and Netegrity, Inc.

Steven C. Salop has served as a director since September 1998 and as an outside expert since 1987. Dr. Salop has been professor of economics and law at the Georgetown University Law Center since August 1982. Dr. Salop has been the president of Salop Enterprises Inc., an economic consulting firm, since 1982. Dr. Salop previously served on our board of directors from June 1993 to April 1998. Dr. Salop received his Ph.D. in economics from Yale University in 1972.

Carl Shapiro has served as a director since June 2000 and as an outside expert since December 1998. Since 1990, Dr. Shapiro has been professor of business strategy at the Haas School of Business at the University of California at Berkeley. Since 1998, he has also been the director of the Institute of Business and Economic Research at U.C. Berkeley. In October 1996, he co-founded The Tilden Group, LLC, an economic consulting firm that we acquired in December 1998. From August 1995 to June 1996, Dr. Shapiro served as Deputy Assistant Attorney General for Economics in the Antitrust Division of the United States Department of Justice. Dr. Shapiro received his Ph.D. in economics from the Massachusetts Institute of Technology in 1981.

Our 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. Drs. Fisher, Burrows, and Shapiro serve as Class III directors; their terms of office expire in 2004. Mr. Concannon and Drs. Moriarty and Salop serve as Class I directors; their terms of office expire in 2005. Mr. Maheu serves as a Class II director; his term of office expires in 2006. Each director also continues to serve as a director until his successor is duly elected and qualified. Although Dr. Kaysen's term of office has

expired, he will continue to serve as a director until his successor is duly elected and qualified. Our executive officers are elected by, and serve at the discretion of, our board of directors.

Our board of directors has a compensation committee, an audit committee, a governance committee, and an executive committee. Our compensation committee is currently composed of Mr. Concannon and Dr. Moriarty. Our audit committee is currently composed of Messrs. Concannon and Maheu and Dr. Kaysen. Our governance committee, currently composed of Mr. Maheu and Dr. Moriarty, nominates persons to serve as directors. Our governance committee may consider nominees recommended by stockholders, but has established no formal procedures for stockholders to follow to submit recommendations. Our executive committee, currently composed of Drs. Burrows, Fisher, and Moriarty, was established by our board of directors in March 2002 and has delineated authority to act on behalf of our board of directors in situations arising between regular meetings of our board.

There are no family relationships among our directors and executive officers.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table provides information regarding the beneficial ownership of our common stock as of July 7, 2003 and as adjusted to reflect the sale by us and the selling stockholders of the shares of common stock offered by this prospectus by:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each selling stockholder.

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 "Right to acquire" column reflects beneficial ownership of shares subject to options that may be exercised within 60 days after July 7, 2003. The shares that a person has the right to acquire are deemed to be outstanding solely for purposes of calculating that person's percentage ownership. The description of shares owned after the offering assumes that none of the listed stockholders will purchase additional shares in the offering. The total number of shares of common stock outstanding as of July 7, 2003 was 9,314,570. The number of shares of common stock deemed outstanding after the offering includes the additional 400,000 shares that we are offering and also reflects our issuance of 93,009 shares of common stock upon the exercise of options by the selling stockholders concurrent with the closing of this offering.

The number of shares to be offered assumes that the underwriters do not exercise their over-allotment option. If the underwriters exercise their over-allotment option, we and the selling stockholders may sell additional shares.

	Shares beneficially owned before offering					**Shares to be beneficially owned after offering**			
	Outstanding	**Right to acquire**	**Total**	**Percent**	**Number of shares to be offered(1)**	**Outstanding**	**Right to acquire**	**Total**	**Percent**
5% stockholders, directors and executive officers:									
Wasatch Advisors, Inc.(2)	1,491,254		1,491,254	16.0%		1,491,254		1,491,254	15.2%
James C. Burrows(3)	476,531	30,014	506,545	5.4	125,000	351,531	30,014	381,545	3.9
Rowland T. Moriarty(4)	359,228	20,000	379,228	4.1	165,000	194,228	20,000	214,228	2.2
Steven C. Salop(5)	325,737		325,737	3.5	145,237	180,500		180,500	1.8
Franklin M. Fisher(6)	289,080		289,080	3.1	100,000	189,080		189,080	1.9
Carl Shapiro(7)	63,586	16,400	79,986	*	11,922	51,664	16,400	68,064	*
C. Christopher Maxwell(8)	52,000	27,200	79,200	*	28,745	31,200	19,255	50,455	*
Carl Kaysen(9)	67,063		67,063	*	46,783	20,280		20,280	*
Robert J. Larner(10)	49,180	13,270	62,450	*	27,700	26,910	7,840	34,750	*
J. Phillip Cooper(11)		58,750	58,750	*	30,500		28,250	28,250	*
William F. Concannon(12)	10,000	20,000	30,000	*	10,000		20,000	20,000	*

	Shares beneficially owned before offering	Shares to be beneficially owned after offering