

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 26, 1996

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-1  
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

FORRESTER RESEARCH, INC.  
(Exact Name of Registrant as Specified in Its Charter)

|  |   |  |
|--|---|--|
| DELAWARE<br>(State or Other Jurisdiction<br>of Incorporation or<br>Organization) | 7389<br>(Primary Standard Industrial<br>Classification Code Number) | 04-2797789<br>(I.R.S. Employer<br>Identification Number) |
|--|---|--|

1033 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02138 (617) 497-7090  
(Address, including Zip Code, and Telephone Number, Including Area Code, of  
Registrant's Principal Executive Offices)

GEORGE F. COLONY  
CHAIRMAN OF THE BOARD, PRESIDENT, AND CHIEF EXECUTIVE OFFICER  
FORRESTER RESEARCH, INC.  
1033 MASSACHUSETTS AVENUE  
CAMBRIDGE, MASSACHUSETTS 02138  
(617) 497-7090  
(Name, Address, including Zip Code, and Telephone Number, Including Area Code,  
of Agent for Service)

Copies to:

ANN L. MILNER, ESQ.  
ROPES & GRAY  
ONE INTERNATIONAL PLACE  
BOSTON, MA 02110  
(617) 951-7000

PETER B. TARR, ESQ.  
HALE AND DORR  
60 STATE STREET  
BOSTON, MA 02109  
(617) 526-6000

Approximate date of commencement of proposed sale to the public: As soon as  
practicable after the Registration Statement becomes effective.

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

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

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

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

## CALCULATION OF REGISTRATION FEE

| Title of Each Class of<br>Securities to be Registered | Amount to be<br>Registered(1) | Proposed Maximum<br>Offering Price Per<br>Share(2) | Proposed Maximum<br>Aggregate Offering<br>Price(2) | Amount of<br>Registration<br>Fee |
|---|-------------------------------|--|--|----------------------------------|
| Common Stock, \$0.01 Par Value                        | 2,300,000 shs.                | \$15.00  | \$34,500,000                                       | \$11,897                         |

- (1) Includes 300,000 shares which the Underwriters have the option to purchase to cover over-allotments, if any. See "Underwriting."
- (2) Estimated solely for purposes of determining the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.

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.

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 26, 1996

2,000,000 SHARES

[CORPORATE LOGO]

FORRESTER RESEARCH, INC.  
COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)  
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All of the 2,000,000 shares of Common Stock offered hereby are being sold by Forrester Research, Inc. Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price per share will be between \$13.00 and \$15.00. For factors to be considered in determining the initial public offering price, see "Underwriting".

SEE "RISK FACTORS" BEGINNING ON PAGE 5 FOR CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK.

Application has been made for quotation of the Common Stock on the Nasdaq National Market under the symbol "FORR".

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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|                | INITIAL PUBLIC OFFERING PRICE | UNDERWRITING DISCOUNT(1) | PROCEEDS TO COMPANY(2) |
|----------------|-------------------------------|--------------------------|------------------------|
| Per Share..... | \$                            | \$                       | \$                     |
| Total(3).....  | \$                            | \$                       | \$                     |

(1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting".

(2) Before deducting estimated expenses of \$950,000 payable by the Company.

(3) The Company has granted the Underwriters an option for 30 days to purchase up to an additional 300,000 shares at the initial public offering price per share, less the underwriting discount, solely to cover over-allotments. If such option is exercised in full, the total initial public offering price, underwriting discount, and proceeds to Company will be \$ , \$ , and \$ , respectively. See "Underwriting".

The shares offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York, on or about , 1996, against payment therefor in immediately available funds.  
GOLDMAN, SACHS & CO. ROBERTSON, STEPHENS & COMPANY

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The date of this Prospectus is , 1996.

[A Graphic of three intertwined ellipses illustrates Forrester Research, Inc.'s three main research areas -- Corporate IT, New Media, and Strategic Management]

Our goal at Forrester is to give our clients confidence that they're putting attention, time, and resources where they will have the greatest benefit. Forrester's innovative research services, which are topically organized around Strategic Management, Corporate IT, and New Media research themes, add insight and perspective to a business-focused review of emerging technology.

Forrester is about change. In particular, how new technology will change large companies, consumers, and society - and what our clients should be doing about it.

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Forrester Research, Inc. intends to furnish to its stockholders annual reports containing audited financial statements and quarterly reports containing unaudited interim financial information for the first three fiscal quarters of each fiscal year of the Company.  
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This Prospectus includes trademarks of Forrester Research, Inc. and other companies.  
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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Financial Statements and Notes thereto appearing elsewhere in this Prospectus. Except as otherwise noted, all information in this Prospectus (i) assumes no exercise of the Underwriters' over-allotment option, and (ii) reflects the filing of a Restated Certificate of Incorporation immediately prior to the completion of this offering.

## THE COMPANY

Forrester Research, Inc. ("Forrester" or the "Company") is a leading independent research firm offering products and services that help its clients assess the effect of technology on their businesses. The Company provides analysis and insight into a broad range of technology areas such as computing, software, networking, the Internet, and telecommunications, and projects how technology trends will impact businesses, consumers, and society. Forrester's clients, which include senior management, business strategists, and information technology ("IT") professionals within large enterprises, use Forrester's prescriptive research to understand and benefit from current developments in technology and as support for their development and implementation decisions.

Forrester offers its clients annual memberships to any of its 10 research services. Each research service focuses on a particular area of technology and explores business issues relevant to clients' decision-making. These issues include the impact that the application of technology may have on financial results, investment priorities, organizational effectiveness, and staffing requirements. Forrester also provides advisory services to a limited number of clients to help them explore in greater detail the topics covered by the core research.

Forrester targets its products and services to both large enterprises and technology vendors. As of June 30, 1996, Forrester's research was delivered to more than 850 client companies. Approximately 73% of Forrester's client companies with memberships expiring during the six-month period ended June 30, 1996 renewed one or more memberships for the Company's products and services.

The Company was incorporated in Massachusetts on July 7, 1983 and was reincorporated in Delaware on February 21, 1996. The Company's executive offices are located at 1033 Massachusetts Avenue, Cambridge, Massachusetts 02138, and its telephone number is (617) 497-7090.

## RISK FACTORS

For a discussion of considerations relevant to an investment in the Common Stock, see "Risk Factors".

## THE OFFERING

|  |  |
|--|--|
| Common Stock offered by the Company.....               | 2,000,000 shares   |
| Common Stock to be outstanding after the offering..... | 8,000,000 shares(1)  |
| Proposed Nasdaq National Market symbol.....            | FORR   |
| Use of proceeds.....                                   | For working capital and other general corporate purposes, including possible acquisitions. |

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(1) Based on the number of shares of Common Stock outstanding at September 23, 1996. Does not include 3,100,000 shares of Common Stock reserved under the Company's stock plans, of which 728,589 shares were subject to outstanding options at September 23, 1996.

SUMMARY FINANCIAL INFORMATION  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

|  | YEAR ENDED DECEMBER 31, |         |         |         |           | SIX MONTHS<br>ENDED<br>JUNE 30, |           |
|--|-------------------------|---------|---------|---------|-----------|---------------------------------|-----------|
|  | 1991                    | 1992    | 1993    | 1994    | 1995      | 1995                            | 1996      |
| STATEMENT OF INCOME DATA:  |                         |         |         |         |           |                                 |           |
| Core research.....   | \$1,637                 | \$2,626 | \$4,691 | \$6,363 | \$10,150  | \$4,393                         | \$ 7,774  |
| Advisory services and other.....                                   | 1,337                   | 2,139   | 2,608   | 3,336   | 4,439     | 1,188                           | 2,288     |
| Total revenues.....  | 2,974                   | 4,765   | 7,299   | 9,699   | 14,589    | 5,581                           | 10,062    |
| Income from operations.....  | 424                     | 586     | 947     | 1,487   | 1,784     | 371                             | 1,025     |
| Net income.....  | 480                     | 654     | 980     | 1,539   | 2,027     | 523                             | 1,191     |
| Pro forma income tax<br>adjustment(1).....                         | 192                     | 262     | 365     | 583     | 739       | 188                             | 443       |
| Pro forma net income(1).....                                       | 288                     | 392     | 615     | 956     | 1,288     | 335                             | 748       |
| Pro forma net income per common<br>share(2).....                   |                         |         |         |         | \$ 0.20   |                                 | \$ 0.12   |
| Pro forma weighted average<br>common shares<br>outstanding(2)..... |                         |         |         |         | 6,291,299 |                                 | 6,291,299 |

JUNE 30, 1996

| ACTUAL | PRO<br>FORMA<br>(3)(4) | PRO FORMA<br>AS<br>ADJUSTED<br>(3)(4)(5) |
|--------|------------------------|--|
|--------|------------------------|--|

BALANCE SHEET DATA:

|  |          |          |          |
|--|----------|----------|----------|
| Cash and cash equivalents and marketable securities... | \$ 9,506 | \$ 7,306 | \$32,396 |
| Working capital.....                                   | 1,113    | (1,087)  | 24,003   |
| Total assets.....                                      | 19,911   | 17,711   | 42,801   |
| Total stockholders' equity.....                        | 3,040    | 440      | 25,530   |

(1) The Company has elected to be taxed, since January 1, 1987, under subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), whereby the sole stockholder is liable for individual federal and state income taxes on the Company's taxable income. Upon the completion of this offering, the Company will terminate its S corporation election and will be subject to corporate-level federal and state income taxes. Accordingly, the pro forma income tax adjustments represent the income taxes that would have been recorded if the Company had been a C corporation for the periods presented. See Note 3 of Notes to Financial Statements.

(2) Pro forma net income per common share is computed by dividing pro forma net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Historical net income per common share data are not presented because the information is not considered meaningful. See Note 1 of Notes to Financial Statements.

(3) Pro forma to give effect to the (i) distribution of previously undistributed S corporation earnings taxed or taxable to the Company's sole stockholder of approximately \$2,200,000 based on earnings through June 30, 1996, and (ii) termination of the Company's S corporation election and the recognition of a net deferred income tax liability of approximately \$400,000 as of June 30, 1996, both to occur upon completion of this offering. See Notes 1 and 3 of Notes to Financial Statements.

(4) Does not include an adjustment for the distribution to be made to the sole stockholder of the Company upon completion of this offering in an amount equal to the Company's undistributed S corporation earnings from July 1, 1996 through the termination of the Company's S corporation election upon completion of this offering.

(5) Adjusted to reflect the sale of 2,000,000 shares of Common Stock at an assumed initial public offering price of \$14.00 per share (less estimated underwriting discount and offering expenses).

## RISK FACTORS

In addition to the other information contained in this Prospectus, the following risk factors should be considered in evaluating the Company and its business before purchasing the Common Stock offered by this Prospectus.

## NEED TO ATTRACT AND RETAIN PROFESSIONAL STAFF

The Company's future success will depend in large measure upon the continued contributions of its senior management team, research analysts, and experienced sales personnel. Accordingly, future operating results will be largely dependent upon the Company's ability to retain the services of these individuals and to attract additional qualified personnel from a limited pool of qualified candidates. The Company experiences intense competition in hiring and retaining professional personnel from, among others, producers of information technology products, other research firms, management consulting firms, print and electronic publishing companies, and financial services companies. Many of these firms have substantially greater financial resources than the Company to attract and compensate qualified personnel. The loss of the services of key management and professional personnel or the inability to attract such personnel could have a material adverse effect on the Company's business, financial condition, and results of operations.

## MANAGEMENT OF GROWTH

The Company's growth has placed significant demands on its management and other resources. The Company's revenues increased approximately 50% to \$14.6 million in 1995 from \$9.7 million in 1994 and increased 80% to \$10.1 million in the six months ended June 30, 1996 from \$5.6 million in the six months ended June 30, 1995. The Company's staff increased from 61 full-time employees on January 1, 1995 to 118 full-time employees on September 23, 1996 and further increases are expected during the remainder of 1996. The Company's ability to manage growth, if any, effectively will require it to continue to develop and improve its operational, financial, and other internal systems, as well as its business development capabilities, and to train, motivate, and manage its employees. In addition, the Company may acquire complementary businesses, products, or technologies, although it currently has no commitments or agreements to do so. The Company's management has limited experience integrating acquisitions. If the Company is unable to manage its growth effectively, such inability could have a material adverse effect on the quality of the Company's products and services, its ability to retain key personnel and its business, financial condition, and results of operations.

## VARIABILITY OF QUARTERLY OPERATING RESULTS; POSSIBLE VOLATILITY OF STOCK PRICE

The Company's revenues and earnings may fluctuate from quarter to quarter based on a variety of factors including the timing and size of new and renewal memberships from clients, the timing of revenue-generating events sponsored by the Company, the utilization of its advisory services, the introduction and marketing of new products and services by the Company and its competitors, the hiring and training of new analysts and sales personnel, changes in demand for the Company's research, and general economic conditions. As a result, the Company's operating results in future quarters may be below the expectations of securities analysts and investors which could have a material adverse effect on the market price for the Company's Common Stock. In addition, the stock market recently has experienced volatility which has affected the market price of securities of many companies and which has sometimes been unrelated to the operating performance of such companies. Factors such as announcements of new services or offices or strategic alliances by the Company or its competitors, as well as market conditions in the information technology services industry, may have a significant impact on the market price of the Common Stock. The market price for the Company's Common Stock may also be affected by movements in prices of stocks in general.

#### DEPENDENCE ON RENEWALS OF MEMBERSHIP-BASED RESEARCH SERVICES

The Company's success depends in part upon renewals of memberships for its core research products. Approximately 70% and 77% of the Company's revenues in 1995 and the first six months of 1996, respectively, were derived from the Company's membership-based core research products. A decline in renewal rates for the Company's core research products could have a material adverse effect on the Company's business, financial condition, and results of operations.

#### DEPENDENCE ON KEY PERSONNEL

The Company's future success will depend in large part upon the continued services of a number of key employees. The loss of key personnel, in particular George F. Colony, the Company's founder and Chairman of the Board of Directors, President, and Chief Executive Officer, would have a material adverse effect on the Company's business, financial condition, and results of operations. The Company has entered into a registration rights and non-competition agreement with Mr. Colony which provides that if Mr. Colony's employment with the Company is terminated he will not compete with the Company for the one-year period following his termination. See "Business -- Employees" and "Management -- Registration Rights and Non-Competition Agreement".

#### RISKS ASSOCIATED WITH ANTICIPATING MARKET TRENDS

The Company's success depends in part upon its ability to anticipate rapidly changing technologies and market trends and to adapt its core research to meet the changing information needs of the Company's clients. The technology sectors that the Company analyzes undergo frequent and often dramatic changes, including the introduction of new products and obsolescence of others, shifting strategies and market positions of major industry participants, paradigm shifts with respect to system architectures, and changing objectives and expectations of users of technology. The environment of rapid and continuous change presents significant challenges to the Company's ability to provide its clients with current and timely analysis, strategies, and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources, and any failure to continue to provide insightful and timely analysis of developments and assessment of technologies and trends in a manner that meets market needs could have a material adverse effect on the Company's business, financial condition, and results of operations.

#### NEW PRODUCTS AND SERVICES

The Company's future success will depend in part on its ability to offer new products and services that successfully gain market acceptance by addressing specific industry and business organization sectors, changes in client requirements, and changes in the technology industry. The process of internally researching, developing, launching, and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is inherently risky and costly. There can be no assurance that the Company's efforts to introduce new, or assimilate acquired, products or services will be successful.

#### COMPETITION

The Company competes in the market for research products and services with other independent providers of similar services. Several of the Company's competitors have substantially greater financial, information-gathering, and marketing resources than the Company. In addition, the Company's indirect competitors include the internal planning and marketing staffs of the Company's current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. The Company's indirect competitors may choose to compete directly against the Company in the future. In addition, there are relatively few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more



market segments addressed by the Company's products and services. Increased competition could adversely affect the Company's operating results through pricing pressure and loss of market share. There can be no assurance that the Company will be able to continue to compete successfully against existing or new competitors. See "Business -- Competition".

#### CONCENTRATION OF CONTROL

Upon completion of this offering, Mr. Colony will beneficially own approximately 74% of the Company's outstanding Common Stock. As a result, he will have the ability to elect the Company's directors and to determine the outcome of corporate actions requiring stockholder approval. This concentration of ownership may have the effect of delaying or preventing a change in control of the Company. See "Management" and "Description of Capital Stock".

#### INTERNATIONAL OPERATIONS

Revenues attributable to customers outside the United States represented approximately 18% and 21% of the Company's total revenues for the year ended December 31, 1995 and for the six months ended June 30, 1996, respectively. The Company expects that international revenues will continue to account for a substantial portion of total revenues and intends to continue to expand its international operations. Expansion into new geographic territories requires considerable management and financial resources and may negatively impact the Company's near-term results of operations. The Company's international operations are subject to numerous inherent challenges and risks, including developing and managing relationships with international sales representative organizations, reliance by the Company on sales entities which it does not control, greater difficulty in maintaining direct client contact, political and economic conditions in various jurisdictions, tariffs and other trade barriers, longer accounts receivable collection cycles, difficulties in protecting intellectual property rights in international jurisdictions, and potentially adverse tax consequences. There can be no assurance that such factors will not have a material adverse effect on the Company's business, financial condition, and results of operations.

#### POTENTIAL EFFECT OF ANTI-TAKEOVER PROVISIONS

The Company's Board of Directors has the authority, without action by the Company's stockholders, to fix the rights and preferences of and to issue shares of the Company's Preferred Stock, which may have the effect of delaying, deterring, or preventing a change in control of the Company. The Company has also imposed various procedural and other requirements, such as supermajority voting requirements for specific corporate actions, that could make it more difficult for stockholders to effect certain corporate actions. In addition, the classification of the Board of Directors of the Company could have the effect of delaying, deterring, or preventing a change in control of the Company. See "Description of Capital Stock".

#### NO PRIOR PUBLIC MARKET

Before this offering, there was no public market for the Common Stock, and there can be no assurance that an active trading market will develop or be sustained. The initial public offering price will be determined by negotiation between the Company and the representatives of the Underwriters based on several factors, including prevailing market conditions and recent operating results of the Company, and may not be indicative of the market price of the Common Stock after this offering. See "Underwriting".

#### SHARES ELIGIBLE FOR FUTURE SALE

Sales of Common Stock in the public market after this offering could adversely affect the market price of the Common Stock. The 2,000,000 shares offered hereby will be freely tradeable in the open market. The remaining 6,000,000 shares, all of which Mr. Colony owns, are subject to a 180-day

lock-up agreement with the representatives of the Underwriters. Following the expiration or earlier termination of the lock-up agreement, these shares will be eligible for sale in the open market pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Upon completion of this offering, options to purchase 157,376 shares of Common Stock will be immediately exercisable, 106,595 of which shares are subject to 180-day lock-up agreements with the representatives of the Underwriters. The Company intends to register an aggregate of 200,000 shares of Common Stock reserved for issuance under its employee stock purchase plan prior to the consummation of this offering, which shares will not be issuable until June 1997. In addition, the Company intends to register an additional 2,900,000 shares of Common Stock reserved for issuance under its stock option plans 90 days after completion of this offering. See "Management -- Stock Plans" and "Description of Capital Stock -- Shares Eligible for Future Sale".

#### ABSENCE OF DIVIDENDS

The Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future other than distributions to the Company's sole stockholder in connection with the termination of the Company's S corporation election upon completion of this offering. See "Termination of S Corporation Election and S Corporation Distribution" and "Dividend Policy".

#### DILUTION

Purchasers of the Common Stock offered hereby will suffer an immediate dilution of \$10.81 per share in the net tangible book value per share of the Common Stock from the assumed initial public offering price. To the extent that outstanding options to purchase Common Stock are exercised, there will be further dilution. See "Dilution".

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,000,000 shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of \$14.00 per share and net of estimated underwriting discount and offering expenses) are estimated to be approximately \$25,090,000 (\$28,996,000 if the Underwriters' over-allotment option is exercised in full). The Company expects to use the net proceeds of this offering for working capital and general corporate purposes, including possible acquisitions. The Company currently has no commitments or agreements with respect to any specific acquisition. Pending such uses, the Company intends to invest the net proceeds primarily in short- and intermediate-term interest-bearing obligations of investment grade.

TERMINATION OF S CORPORATION ELECTION  
AND S CORPORATION DISTRIBUTION

The Company has operated as an S corporation since January 1, 1987. As a result of its S corporation election, the income of the Company has been taxed, for federal and state income tax purposes, directly to the sole stockholder of the Company, except for certain state income taxes imposed at the corporate level. Upon the completion of this offering, the Company will terminate its S corporation election and will be subject to federal and state income taxes at prevailing corporate rates. Termination of this election will result in a net deferred tax liability being recorded as a charge to operations during the quarter in which this offering is completed. This deferred tax liability is approximately \$400,000 as of June 30, 1996.

In addition, the Company will declare a distribution to its current stockholder in an amount equal to the Company's undistributed S corporation earnings. This distribution will be paid out of the Company's cash balances and proceeds from the sale of marketable securities. See "Dividend Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources". The Company and Mr. Colony also intend to enter into a Tax Indemnification Agreement. See "Certain Transactions".

## DIVIDEND POLICY

The Company paid cash dividends of \$1,750,000, \$1,121,342, and \$135,020 to Mr. Colony, the sole stockholder of the Company, in the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, respectively. In addition, the Company will make a distribution to Mr. Colony equal to the Company's undistributed S corporation earnings through the termination of the Company's S corporation election. This distribution is estimated to be \$2,200,000 based on earnings through June 30, 1996. This estimate does not include the amount to be distributed for S corporation earnings from July 1, 1996 through the termination of the Company's S corporation election upon completion of this offering. The Company anticipates that following completion of this offering and the distribution of S corporation earnings to the Company's sole stockholder, future earnings, if any, will be retained for the development of its business, and the Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. See "Termination of S Corporation Election and S Corporation Distribution" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources".

## DILUTION

The pro forma net tangible book value of the Company as of June 30, 1996 was approximately \$440,000, or \$0.07 per share of common stock. Pro forma net tangible book value per share of common stock is determined by dividing the Company's tangible net worth (tangible assets less liabilities) by the number of shares of Common Stock outstanding after giving effect to the (i) distribution of previously undistributed S corporation earnings taxed or taxable to the Company's sole stockholder of approximately \$2,200,000 through June 30, 1996, and (ii) termination of the Company's S corporation election and the recognition of a deferred income tax liability of approximately \$400,000 as of June 30, 1996, both to occur upon completion of this offering, but not giving effect to the distribution to be made to the sole stockholder upon completion of this offering in an amount equal to the Company's undistributed S corporation earnings from July 1, 1996 through the date of termination of the Company's S corporation election. After giving effect to the sale of 2,000,000 shares of Common Stock at an assumed initial public offering price of \$14.00 per share (less estimated underwriting discount and offering expenses) resulting in estimated net proceeds of \$25,090,000, the pro forma net tangible book value of the Company as of June 30, 1996 would have been \$25,530,399, or \$3.19 per share. This represents an immediate increase of \$3.12 per share to the existing stockholder and an immediate dilution of \$10.81 per share to new investors. The following table illustrates this per share dilution:

|  |        |         |
|--|--------|---------|
| Assumed initial public offering price per share.....                 |        | \$14.00 |
| Pro forma net tangible book value per share as of June 30, 1996..... | \$0.07 |         |
| Increase per share attributable to new investors.....                | 3.12   |         |
|  | -----  |         |
| Pro forma net tangible book value per share after this offering..... |        | 3.19    |
|  |        | -----   |
| Dilution per share to new investors.....                             |        | \$10.81 |
|  |        | =====   |

The following table summarizes on a pro forma basis as of June 30, 1996 the total consideration paid, and the average price per share paid by the existing stockholder and new investors assuming the sale of the Common Stock offered hereby at an assumed initial public offering price of \$14.00 per share, before deducting the estimated underwriting discount and offering expenses, and assuming the Underwriters' over-allotment option is not exercised.

|                              | SHARES PURCHASED |         | TOTAL CONSIDERATION |         | AVERAGE<br>PRICE PAID<br>PER SHARE |
|------------------------------|------------------|---------|---------------------|---------|------------------------------------|
|                              | NUMBER           | PERCENT | AMOUNT              | PERCENT |                                    |
| Existing stockholder(1)..... | 6,000,000        | 75.0%   | \$ 60,000           | 0.2%    | \$ 0.01                            |
| New investors.....           | 2,000,000        | 25.0    | 28,000,000          | 99.8    | \$14.00                            |
|                              | -----            | -----   | -----               | -----   | -----                              |
| Total.....                   | 8,000,000        | 100.0%  | \$ 28,060,000       | 100.0%  |                                    |
|                              | =====            | =====   | =====               | =====   | =====                              |

(1) Excludes 429,956 shares of Common Stock issuable upon exercise of certain options held by executive officers, directors, and certain employees of the Company that were outstanding as of June 30, 1996. To the extent any outstanding options are exercised, there will be additional dilution to new investors. See "Management -- Stock Plans" and Note 6 of Notes to Financial Statements.

## CAPITALIZATION

The following table sets forth the capitalization of the Company as of June 30, 1996 (i) on an actual basis, (ii) on a pro forma basis after giving effect to (a) the distribution of previously undistributed S corporation earnings taxed or taxable to the Company's sole stockholder of approximately \$2,200,000 through June 30, 1996, and termination of the Company's S corporation election and the recognition of a deferred income tax liability of approximately \$400,000 as of June 30, 1996, both to occur upon completion of this offering, and (b) certain amendments to the Company's Certificate of Incorporation increasing the number of authorized shares of common stock to 25,000,000 and establishing a class of Preferred Stock consisting of 500,000 shares, and (iii) on a pro forma as adjusted basis to reflect the sale of 2,000,000 shares of common stock at an assumed initial public offering price of \$14.00 per share (less estimated underwriting discount and offering expenses). This table should be read in conjunction with the Company's Financial Statements and Notes thereto included elsewhere in this Prospectus.

|  | AS OF JUNE 30, 1996 |              |                          |
|--|---------------------|--------------|--------------------------|
|  | (IN THOUSANDS)      |              |                          |
|  | ACTUAL              | PRO FORMA(1) | PRO FORMA AS ADJUSTED(1) |
| Stockholders' equity:  |                     |              |                          |
| Preferred stock, \$.01 par value, per share:   |                     |              |                          |
| 500,000 shares authorized; none issued..   | \$ --               | \$ --        | \$ --                    |
| Common stock, \$.01 par value, per share:  |                     |              |                          |
| 7,000,000 shares authorized; 6,000,000 shares issued and outstanding at June 30, 1996; 25,000,000 shares authorized and 6,000,000 shares issued and outstanding on a pro forma basis; and 8,000,000 shares issued and outstanding on a pro forma as adjusted basis(2)..... | 60                  | 60           | 80                       |
| Additional paid-in capital.....  | --                  | --           | 25,070                   |
| Retained earnings.....   | 3,021               | 421          | 421                      |
| Unrealized loss on marketable securities.....  | (41)                | (41)         | (41)                     |
| Total stockholders' equity.....  | 3,040               | 440          | 25,530                   |
| Total capitalization.....  | \$3,040             | \$440        | \$25,530                 |

(1) Does not include an adjustment for the distribution to be made to the sole stockholder of the Company upon completion of this offering in an amount equal to the Company's undistributed S corporation earnings from July 1, 1996 through the termination of the Company's S corporation election upon completion of this offering.

(2) Excludes 429,956 shares of common stock issuable upon exercise of certain options held by executive officers, directors, and certain employees of the Company as of June 30, 1996.

## SELECTED FINANCIAL DATA

The selected financial data presented below as of and for each of the three years ended December 31, 1993, 1994, and 1995 have been derived from the Company's financial statements, which have been audited by Arthur Andersen LLP, independent accountants. The selected financial data as of and for the years ended December 31, 1991 and 1992 and for the six-month periods ended June 30, 1995 and 1996 have been derived from the unaudited financial statements of the Company. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations as at and for these periods. Operating results for the six months ended June 30, 1996 are not necessarily indicative of the results that may be expected for the full year or any other period. The financial information set forth below is qualified by and should be read in conjunction with the Financial Statements of the Company and the Notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

|  | YEAR ENDED DECEMBER 31,                            |         |         |         |           | SIX MONTHS ENDED JUNE 30, |           |
|--|--|---------|---------|---------|-----------|---------------------------|-----------|
|  | 1991   | 1992    | 1993    | 1994    | 1995      | 1995                      | 1996      |
|  | (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS) |         |         |         |           |                           |           |
| <b>STATEMENT OF INCOME DATA:</b>                             |  |         |         |         |           |                           |           |
| Revenues:  |  |         |         |         |           |                           |           |
| Core research.....   | \$1,637  | \$2,626 | \$4,691 | \$6,363 | \$10,150  | \$4,393                   | \$7,774   |
| Advisory services and other....                              | 1,337  | 2,139   | 2,608   | 3,336   | 4,439     | 1,188                     | 2,288     |
| Total revenues.....  | 2,974  | 4,765   | 7,299   | 9,699   | 14,589    | 5,581                     | 10,062    |
| Operating Expenses:  |  |         |         |         |           |                           |           |
| Cost of services and fulfillment.....                        | 1,308  | 1,866   | 2,406   | 3,424   | 5,486     | 2,163                     | 3,746     |
| Selling and marketing.....                                   | 721  | 1,645   | 2,693   | 3,593   | 5,643     | 2,361                     | 3,945     |
| General and administrative....                               | 485  | 599     | 1,148   | 1,045   | 1,389     | 558                       | 1,134     |
| Depreciation and amortization.....                           | 36   | 69      | 105     | 150     | 287       | 128                       | 212       |
| Income from operations....                                   | 424  | 586     | 947     | 1,487   | 1,784     | 371                       | 1,025     |
| Interest income.....   | 56   | 68      | 79      | 125     | 339       | 177                       | 231       |
| Income before state income tax provision.....                | 480  | 654     | 1,026   | 1,612   | 2,123     | 548                       | 1,256     |
| State income tax provision(1)..                              | --   | --      | 46      | 73      | 96        | 25                        | 65        |
| Net income.....  | \$ 480   | \$ 654  | \$ 980  | \$1,539 | \$ 2,027  | \$ 523                    | \$1,191   |
| Pro forma income tax adjustment(1).....                      | 192  | 262     | 365     | 583     | 739       | 188                       | 443       |
| Pro forma net income(1).....                                 | \$ 288   | \$ 392  | \$ 615  | \$ 956  | \$ 1,288  | \$ 335                    | \$ 748    |
| Pro forma net income per common share(2).....                |  |         |         |         | \$ 0.20   |                           | \$ 0.12   |
| Pro forma weighted average common shares outstanding(2)..... |  |         |         |         | 6,291,299 |                           | 6,291,299 |

|  | DECEMBER 31, |         |         |         |          | JUNE 30, 1996 |                  |
|--|--------------|---------|---------|---------|----------|---------------|------------------|
|  | 1991         | 1992    | 1993    | 1994    | 1995     | ACTUAL        | PRO FORMA (3)(4) |
| <b>BALANCE SHEET DATA:</b>                               |              |         |         |         |          |               |                  |
| Cash and cash equivalents and marketable securities..... | \$ 883       | \$2,385 | \$3,111 | \$4,764 | \$ 7,518 | \$ 9,506      | \$ 7,306         |
| Working capital.....                                     | 160          | 409     | 901     | 528     | 991      | 1,113         | (1,087)          |
| Total assets.....  | 2,275        | 4,964   | 6,367   | 8,784   | 15,426   | 19,911        | 17,711           |
| Stockholders' equity.....                                | 331          | 696     | 1,331   | 1,120   | 2,047    | 3,040         | 440              |

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- (1) The Company has elected to be taxed, since January 1, 1987, under subchapter S of the Code, whereby the sole stockholder is liable for federal and state income taxes on the Company's taxable income. Upon the completion of this offering, the Company will terminate its S corporation election and will be subject to corporate-level federal and state income taxes. Accordingly, the pro forma income tax adjustments represent the income taxes that would have been recorded if the Company had been a C corporation for the periods presented. See Note 3 of Notes to Financial Statements.
  - (2) Pro forma net income per common share is computed by dividing pro forma net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Historical net income per common share data are not presented because the information is not considered meaningful. See Note 1 of Notes to Financial Statements.
  - (3) Pro forma to give effect to the (i) distribution of previously undistributed S corporation earnings taxed or taxable to the Company's sole stockholder of approximately \$2,200,000 through June 30, 1996, and (ii) termination of the Company's S corporation election and the recognition of a deferred income tax liability of approximately \$400,000 as of June 30, 1996, both to occur upon completion of this offering. See Notes 1 and 3 of Notes to Financial Statements.
  - (4) Does not include an adjustment for the distribution to be made to the sole stockholder of the Company upon completion of this offering in an amount equal to the Company's undistributed S corporation earnings from July 1, 1996 through the termination of the Company's S corporation election upon completion of this offering.

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

## OVERVIEW

Forrester has experienced year-to-year revenue growth every year since its inception in 1983. Over the last five years, the Company's revenues have increased to \$14.6 million in 1995 from \$3.0 million in 1991. The Company's revenues were \$10.1 million in the first six months of 1996. Forrester attributes this growth to the Company's continuing reputation for quality research and timely, accurate analysis of technology industry developments; the introduction of new products and services; and the expansion of the Company's sales and marketing organization. In addition, the Company believes the speed of technology change and the increasingly participatory nature of technology decisions have led to a growing market need for independent research and analysis on the impact of technology on large enterprises, consumers, and society.

Revenues from core research also increased over the last five years, to \$10.1 million in 1995 from \$1.6 million in 1991, and increased as a percentage of total revenues to 70% in 1995 from 55% in 1991. Revenues from core research were \$7.8 million for the first six months of 1996, or 77% of total revenues. Forrester attributes this growth to, in addition to the factors cited above, an increase in total Strategy Research Services offered -- from three in 1991 to four in 1994, to six in 1995, and to a total of nine Strategy Research Services as of June 30, 1996.

Memberships to Forrester's Strategy Research Services are renewable contracts, typically annual and payable in advance. Accordingly, a substantial portion of the Company's billings are initially recorded as deferred revenue and recognized pro rata on a monthly basis over the contract period. The Company's other revenues are derived from advisory services rendered pursuant to Forrester's Partners Program and Strategy Review Program, and from the Forrester Technology Management Forum (the "Forum"). The Company's advisory service clients purchase such services in conjunction with the purchase of core research memberships to Strategy Research Services, and the contracts for such purchases are also generally payable in advance. Billings attributable to advisory services are initially recorded as deferred revenues and recognized as revenue when performed. Similarly, Forum billings are initially recorded as deferred revenues and are recognized upon completion of the event.

The Company's operating expenses consist of cost of services and fulfillment, selling and marketing expenses, general and administrative expenses, and depreciation and amortization. Cost of services and fulfillment represent the costs associated with production and delivery of the Company's products and services, and include the costs of salaries, bonuses, and related benefits for research personnel, and all associated editorial, travel, and support services. Selling and marketing expenses include salaries, employee benefits, travel expenses, promotional costs, and sales commissions, which are deferred when paid and expensed as the related revenue is recognized. General and administrative expenses include the costs of the finance, operations, and corporate IT groups, and other administrative functions of the Company.

The Company has had income from operations in each of the last five years from 1991 through 1995 and in the first six months of 1996. Income from operations rose 321% to \$1.8 million in 1995 from \$424,000 in 1991. Income from operations was \$1.0 million for the six-month period ended June 30, 1996.

The Company has elected to be taxed, since January 1, 1987, under subchapter S of the Code whereby the sole stockholder is liable for individual federal and certain state income taxes on the Company's taxable income. As such, the Company has not paid federal income taxes and paid reduced state income taxes. Upon completion of this offering, the Company will terminate its S corporation election and will be subject to corporate-level federal and state income taxes. Termination of this election will result in a deferred income tax liability being recorded as a charge to operations during the quarter in which this offering is completed. This deferred tax liability is approximately \$400,000 as of June 30, 1996. The combination of the state income tax provision and the pro forma income tax adjustment in the Company's historical financial statements reflects the



federal and state income taxes which would have been recorded if the Company had been treated as a C corporation during the periods presented. The Company has calculated these amounts based upon an estimated effective tax rate for the respective periods.

The Company believes that the "agreement value" of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the annualized fees payable under all core research and advisory services contracts in effect at a given point in time, without regard to the remaining duration of such contracts. Agreement value increased 74% to \$17.8 million at December 31, 1995 from \$10.2 million at December 31, 1994. At June 30, 1996 agreement value was \$22.4 million. The Company's experience is that a substantial portion of client companies renew expiring contracts for an equal or higher level of total core research and advisory service fees each year. Approximately 71% and 73% of Forrester's client companies with memberships expiring during 1995 and the first six months of 1996, respectively, renewed one or more memberships for the Company's products and services, although these renewal rates are not necessarily indicative of the rate of future retention of the Company's revenue base. The number of client companies increased to more than 850 at June 30, 1996 from 799 at December 31, 1995, and no single client company accounted for over 4% of the Company's revenue in 1995 or over 3% of the Company's revenue in the six months ended June 30, 1996.

#### RESULTS OF OPERATIONS

The following table sets forth certain financial data as a percentage of total revenues for the periods indicated:

|   | YEAR ENDED DECEMBER 31, |      |      | SIX MONTHS ENDED JUNE 30, |      |
|---|-------------------------|------|------|---------------------------|------|
|   | 1993                    | 1994 | 1995 | 1995                      | 1996 |
| Core research.....                          | 64%                     | 66%  | 70%  | 79%                       | 77%  |
| Advisory services and other.....            | 36                      | 34   | 30   | 21                        | 23   |
| Total revenues.....                         | 100                     | 100  | 100  | 100                       | 100  |
| Cost of services and fulfillment.....       | 33                      | 35   | 37   | 39                        | 37   |
| Selling and marketing.....                  | 37                      | 37   | 39   | 42                        | 39   |
| General and administrative.....             | 16                      | 10   | 9    | 10                        | 11   |
| Depreciation and amortization.....          | 1                       | 2    | 2    | 2                         | 2    |
| Income from operations.....                 | 13                      | 16   | 13   | 7                         | 11   |
| Interest income.....                        | 1                       | 1    | 2    | 3                         | 2    |
| Income before state income tax provision... | 14                      | 17   | 15   | 10                        | 13   |
| Provision for state income tax.....         | 1                       | 1    | 1    | 1                         | 1    |
| Net income.....                             | 13%                     | 16%  | 14%  | 9%                        | 12%  |
| Pro forma income tax adjustment.....        | 5                       | 6    | 5    | 3                         | 5    |
| Pro forma net income.....                   | 8%                      | 10%  | 9%   | 6%                        | 7%   |

#### SIX MONTHS ENDED JUNE 30, 1996 AND JUNE 30, 1995

REVENUES. Total revenues increased 80% to \$10.1 million in the six months ended June 30, 1996 from \$5.6 million in the corresponding period of 1995. Revenues from core research increased 77% to \$7.8 million in the six months ended June 30, 1996 from \$4.4 million in the corresponding period in 1995. The increases in total revenues and revenues from core research were primarily attributable to the introduction of new Strategy Research Services and continued expansion and increased productivity of the Company's sales force.

Advisory services and other revenues increased 93% to \$2.3 million in the six months ended June 30, 1996 from \$1.2 million in the six months ended June 30, 1995. This increase was primarily attributable to demand for the Partners and Strategy Review Programs.

Revenues attributable to customers outside the United States increased 100% to \$2.1 million in the six months ended June 30, 1996 from \$1.0 million in the six months ended June 30, 1995, and also increased as a percentage of total revenues to 21% for the six months ended June 30, 1996 from 19% for the six months ended June 30, 1995. The increase was due primarily to the addition of direct international sales personnel. The Company invoices its international clients in U.S. dollars.

Agreement value grew to \$22.4 million at June 30, 1996 from \$12.1 million at June 30, 1995. No single client company accounted for more than 3% of agreement value or 3% of revenues for the six months ended June 30, 1996.

**COST OF SERVICES AND FULFILLMENT.** Cost of services and fulfillment decreased as a percentage of total revenues to 37% in the six months ended June 30, 1996 from 39% in the six months ended June 30, 1995. These costs increased 73% to \$3.7 million in the six months ended June 30, 1996 from \$2.2 million in the six months ended June 30, 1995. The expense increase in this period was principally due to increased analyst staffing for new Strategy Research Services and related compensation expense.

**SELLING AND MARKETING.** Selling and marketing expenses decreased as a percentage of total revenues to 39% in the six months ended June 30, 1996 from 42% in the six months ended June 30, 1995. These expenses increased 67% to \$3.9 million in the six months ended June 30, 1996 from \$2.4 million in the six months ended June 30, 1995. The increase in expense was principally due to the addition of direct salespersons and increased sales commission expense associated with increased revenues. The decrease as a percentage of total revenues was principally due to increased productivity of the Company's direct sales force.

**GENERAL AND ADMINISTRATIVE.** General and administrative expenses increased as a percentage of total revenues to 11% in the six months ended June 30, 1996 from 10% in the six months ended June 30, 1995. These expenses increased 103% to \$1.1 million in the six months ended June 30, 1996 from \$558,000 in the six months ended June 30, 1995. The increase in expenses was principally due to staffing increases in operations and information technology ("IT") and higher costs associated with the Company's new Cambridge headquarters.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense increased 66% to \$212,000 in the six months ended June 30, 1996 from \$128,000 in the six months ended June 30, 1995. The increase in this expense was principally due to purchases of computer equipment, software, and office furnishings to support business growth, and the Company's move to its new Cambridge headquarters and expansion thereof.

**INTEREST INCOME.** Interest income increased to \$231,000 in the six months ended June 30, 1996 from \$177,000 in the six months ended June 30, 1995 due to an increase in the Company's cash balances resulting from positive cash flows from operations.

#### YEARS ENDED DECEMBER 31, 1995, 1994, AND 1993

**REVENUES.** Total revenues increased 50% to \$14.6 million in 1995 from \$9.7 million in 1994, and 33% from \$7.3 million in 1993. Revenues from core research increased 59% to \$10.1 million in 1995 from \$6.4 million in 1994, and 36% from \$4.7 million in 1993. The increases in total revenues and revenues from core research were primarily attributable to the introduction of new Strategy Research Services, continued expansion and increased productivity of the Company's sales force, and growing market acceptance of the Company's products. The Company introduced two new Strategy Research Services in 1995, one new Strategy Research Service in 1994, and did not start any new Strategy Research Services in 1993.

Advisory services and other revenues increased 33% to \$4.4 million in 1995 from \$3.3 million in 1994, and 28% from \$2.6 million in 1993. The increase in advisory services and other revenues was primarily attributable to continued demand for the Company's advisory services. The decrease of these revenues as a percentage of total revenues to 30% in 1995 from 34% in 1994 and 36% in 1993 reflects the results of the Company's strategy to expand sales of its core research. See "Business -- Strategy".

Revenues attributable to sales to customers outside the United States increased 61% to \$2.6 million in 1995 from \$1.6 million in 1994, and 43% from \$1.1 million in 1993. International sales represented 18%, 16%, and 15% of total revenue for 1995, 1994, and 1993, respectively. The increase was due primarily to the Company's creation and growth of a direct international sales force from one employee in 1993 to eight employees at December 31, 1995.

Agreement value grew 74% to \$17.8 million at December 31, 1995 from \$10.2 million at December 31, 1994, and 75% from \$5.8 million at December 31, 1993.

**COST OF SERVICES AND FULFILLMENT.** Cost of services and fulfillment increased as a percentage of total revenues to 38% in 1995 from 35% in 1994 and 33% in 1993. These costs increased 60% to \$5.5 million in 1995 from \$3.4 million in 1994, and 42% from \$2.4 million in 1993. These increases were principally due to investment in new Strategy Research Services and resultant increased analyst staffing and related compensation expense.

**SELLING AND MARKETING.** Selling and marketing expenses increased as a percentage of total revenues to 39% in 1995 from 37% in 1994 and 1993. These expenses increased 57% to \$5.6 million in 1995 from \$3.6 million in 1994, and 33% from \$2.7 million in 1993. The increase in expenses was principally due to the addition of direct salespersons and marketing personnel and increased sales commissions resulting from increased revenues.

**GENERAL AND ADMINISTRATIVE.** General and administrative expenses decreased as a percentage of total revenues to 10% in 1995 from 11% in 1994 and 16% in 1993. These expenses increased 33% to \$1.4 million in 1995 from \$1.0 million in 1994, and decreased 9% from \$1.1 million in 1993. The increase in expenses from 1994 to 1995 was principally due to staffing increases in operations and IT, higher costs associated with the Company's new Cambridge headquarters, and investment in the Company's internal IT systems.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization expense increased 91% to \$287,000 in 1995 from \$150,000 in 1994, and 43% from \$105,000 in 1993. The increase in this expense was principally due to purchases of computer equipment, software, and office furnishings to support business growth and the Company's move to its new Cambridge headquarters and expansion thereof.

**INTEREST INCOME.** Interest income increased 171% to \$339,000 in 1995 from \$125,000 in 1994, and 58% from \$79,000 in 1993. This increase resulted primarily from an increase in the Company's cash balances resulting from positive cash flows from operations.

## QUARTERLY RESULTS OF OPERATIONS

The following tables set forth certain quarterly financial data for each of the six quarters in the period ended June 30, 1996, together with such data as a percentage of total revenues. The quarterly information presented is unaudited and, in the opinion of management, has been prepared on the same basis as the annual audited statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented, when read in conjunction with the Financial Statements of the Company and the Notes thereto included elsewhere in this Prospectus. Operating results for any quarter are not necessarily indicative of results for any future period.

|  | THREE MONTHS ENDED |                  |                       |                      |                   |                  |
|--|--------------------|------------------|-----------------------|----------------------|-------------------|------------------|
|  | MARCH 31,<br>1995  | JUNE 30,<br>1995 | SEPTEMBER 30,<br>1995 | DECEMBER 31,<br>1995 | MARCH 31,<br>1996 | JUNE 30,<br>1996 |
|  | (IN THOUSANDS)     |                  |                       |                      |                   |                  |
| STATEMENT OF INCOME DATA:                        |                    |                  |                       |                      |                   |                  |
| Core research.....                               | \$ 2,049           | \$2,344          | \$ 2,643              | \$3,114              | \$ 3,646          | \$4,128          |
| Advisory services and other.....                 | 659                | 529              | 892                   | 2,359                | 1,100             | 1,188            |
| Total revenues.....                              | 2,708              | 2,873            | 3,535                 | 5,473                | 4,746             | 5,316            |
| Cost of services and fulfillment.....            | 1,058              | 1,105            | 1,387                 | 1,936                | 1,736             | 2,010            |
| Selling and marketing.....                       | 1,106              | 1,255            | 1,369                 | 1,913                | 1,841             | 2,104            |
| General and administrative.....                  | 270                | 288              | 329                   | 502                  | 618               | 516              |
| Depreciation and amortization.....               | 65                 | 63               | 80                    | 79                   | 92                | 120              |
| Income from operations.....                      | 209                | 162              | 370                   | 1,043                | 459               | 566              |
| Interest income.....                             | 75                 | 102              | 89                    | 73                   | 110               | 121              |
| Income before state income tax<br>provision..... | 284                | 264              | 459                   | 1,116                | 569               | 687              |
| State income tax provision.....                  | 13                 | 12               | 21                    | 50                   | 30                | 35               |
| Net income.....                                  | \$ 271             | \$ 252           | \$ 438                | \$1,066              | \$ 539            | \$ 652           |
| Pro forma income tax adjustment.....             | 97                 | 91               | 162                   | 389                  | 200               | 243              |
| Pro forma net income.....                        | \$ 174             | \$ 161           | \$ 276                | \$ 677               | \$ 339            | \$ 409           |

|  | THREE MONTHS ENDED |                  |                       |                      |                   |                  |
|--|--------------------|------------------|-----------------------|----------------------|-------------------|------------------|
|  | MARCH 31,<br>1995  | JUNE 30,<br>1995 | SEPTEMBER 30,<br>1995 | DECEMBER 31,<br>1995 | MARCH 31,<br>1996 | JUNE 30,<br>1996 |
| PERCENTAGE OF TOTAL REVENUES:                    |                    |                  |                       |                      |                   |                  |
| Core research.....                               | 76%                | 82%              | 75%                   | 57%                  | 77%               | 78%              |
| Advisory services and other.....                 | 24                 | 18               | 25                    | 43                   | 23                | 22               |
| Total revenues.....                              | 100                | 100              | 100                   | 100                  | 100               | 100              |
| Cost of services and fulfillment.....            | 39                 | 38               | 39                    | 35                   | 37                | 37               |
| Selling and marketing.....                       | 41                 | 44               | 39                    | 35                   | 38                | 40               |
| General and administrative.....                  | 10                 | 10               | 9                     | 9                    | 13                | 10               |
| Depreciation and amortization.....               | 2                  | 2                | 2                     | 1                    | 2                 | 2                |
| Income from operations.....                      | 8                  | 6                | 11                    | 20                   | 10                | 11               |
| Interest income.....                             | 3                  | 4                | 3                     | 1                    | 2                 | 2                |
| Income before state income tax<br>provision..... | 11                 | 10               | 14                    | 21                   | 12                | 13               |
| State income tax provision.....                  | 1                  | 1                | 1                     | 1                    | 1                 | 1                |
| Net income.....                                  | 10%                | 9%               | 13%                   | 20%                  | 11%               | 12%              |
| Pro forma income tax adjustment.....             | 4                  | 3                | 5                     | 8                    | 4                 | 4                |
| Pro forma net income.....                        | 6%                 | 6%               | 8%                    | 12%                  | 7%                | 8%               |

Revenues generally increased each quarter during the six quarters ended June 30, 1996, reflecting the overall growth in the Company's business. Historically, total revenues in the fourth quarter have reflected the significant positive contribution of revenues attributable to the Forrester Forum. As a result, the Company has typically experienced a decline in total revenues from the quarter ended December 31 to the quarter ended March 31. In addition, cost of services and fulfillment and sales and marketing expense typically decrease as a percentage of revenues during

the fourth quarter. Sales and marketing expenses increased as a percentage of revenues during the quarter ended June 30, 1995 due to additional costs related to new collateral material printed in connection with the Company's move into its new Cambridge offices. General and administrative expenses increased as a percentage of revenues during the quarter ended March 31, 1996 compared to the quarter ended December 31, 1996 due to increased hiring of operations personnel and the increased revenues during the quarter ended December 31, 1995 attributable to the Forum. The Company's quarterly operating results have fluctuated in the past and may continue to fluctuate in the future.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through funds generated from operations. Memberships for core research, which constituted approximately 77% of the Company's revenues for the six months ended June 30, 1996, are annually renewable and are generally payable in advance. These up-front payment terms together with historical year-to-year revenue growth have allowed the Company to generate positive cash flows each year since 1984, one year after its inception in 1983. The Company generated \$4.6 million in cash from operating activities during 1995, \$3.7 million during 1994, and \$1.3 million during 1993. In the six months ended June 30, 1996, the Company generated \$3.1 million in cash from operating activities.

In 1995, the Company used \$5.2 million of cash in investing activities, consisting of \$752,000 for the purchase of property and equipment and \$4.5 million for net purchases of marketable securities. The Company regularly invests excess funds in short- and intermediate-term interest-bearing obligations of investment grade. In 1995, the Company used \$1.1 million in financing activities, consisting solely of a distribution to the stockholder primarily to pay income taxes on the Company's net income. See "Termination of S Corporation Election and S Corporation Distribution" and "Dividend Policy" above.

In the first six months of 1996, the Company used \$3.2 million of cash in investing activities. The primary uses were the purchase of \$1.1 million of property and equipment and the net purchase of \$2.1 million of marketable securities.

As of June 30, 1996, the Company had cash and cash equivalents of \$715,000 and \$8.8 million in marketable securities. This amount will be reduced by a distribution to the sole stockholder of the Company upon completion of this offering as described in "Termination of S Corporation Election and S Corporation Distribution". The Company does not have a line of credit and does not anticipate the need for one in the foreseeable future. The Company currently has no material capital commitments and does not foresee that capital expenditures will increase substantially during the next two years. The Company believes that its current cash balance, marketable securities, and cash flows from operations, together with the net proceeds from the offering, will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

In addition, the Company will declare a distribution to its current stockholder in an amount equal to the Company's undistributed S corporation earnings of approximately \$2,200,000 through June 30, 1996. The estimated distribution through June 30, 1996 does not include the amount to be distributed for S corporation earnings from July 1, 1996 through termination of the Company's S corporation election. These distributions will be paid out of the Company's cash balances and proceeds from the sale of marketable securities.

## BUSINESS

Forrester is a leading independent research firm offering products and services that help its clients assess the effect of technology on their businesses. The Company provides analysis and insight into a broad range of technology areas such as computing, software, networking, the Internet, and telecommunications, and projects how technology trends will impact businesses, consumers, and society. Forrester's clients, which include senior management, business strategists, and information technology ("IT") professionals within large enterprises, use Forrester's prescriptive research to understand and benefit from current developments in technology and as support for their development and implementation decisions.

Forrester offers its clients annual memberships to any of its 10 research services ("Strategy Research Services"). Each Strategy Research Service focuses on a particular area of technology and explores business issues relevant to clients' decision-making. These issues include the impact that the application of technology may have on financial results, investment priorities, organizational effectiveness, and staffing requirements. Forrester also provides advisory services to a limited number of clients to help them explore in greater detail the topics covered by the core research.

Forrester targets its products and services to both large enterprises and technology vendors. As of June 30, 1996, Forrester's research was delivered to more than 850 client companies. No single client company accounted for more than 3% of the Company's revenues during the six-month period ended June 30, 1996. Approximately 73% of Forrester's client companies with memberships expiring during the six-month period ended June 30, 1996 renewed one or more memberships for the Company's products and services.

## INDUSTRY BACKGROUND

Businesses increasingly depend on technology for competitive advantage and success. Technology is being used as a strategic tool to develop innovative products, services, and distribution channels, as well as to create more efficient internal business processes. Decisions about how to deploy networks, software, and other systems are increasingly participatory, with line-of-business managers, marketing executives, and corporate leaders joining IT professionals in the technology review and decision-making process. Together, these individuals must develop a coherent strategy that leverages innovative systems to reach new markets, gain competitive advantage, and develop high customer service and loyalty levels. Developing such a strategy is difficult, however, as the rate of technology change accelerates. Increased complexity and the proliferation of vendors and solutions have increased the challenges in anticipating and understanding emerging technologies.

The strategic use of technology, the widening scope of decision-making, the speed of change, and the complexity of decisions make it difficult for organizations to efficiently generate research and analysis on their own. Costly incremental resources -- time and expertise -- are required for successful analysis and implementation of technology. Poor decisions can be costly and detrimental to an organization's competitive position. Consequently, demand is growing for external sources of expertise that provide independent, vendor-neutral business advice on how to benefit from technology change. Research firms that provide tactical product assessment or customized consulting are often too narrow in their perspective to satisfy this demand. Business leaders as well as technology users require comprehensive research that can anticipate, assess, and interpret major trends. Forrester believes there is a growing need for thematic, prescriptive analysis of technology that appeals to senior management, business strategists, and IT professionals, and helps organizations improve their strategic planning processes, leverage technology change, and gain competitive advantage.

## THE FORRESTER SOLUTION

Forrester addresses the growing demand for thematic, prescriptive analysis of technology by providing business-focused research to senior management, business strategists, and IT professionals. The Company's research methodology analyzes complex technology issues and delivers prescriptive analysis and advice through each of its 10 Strategy Research Services. This research helps large enterprises make informed decisions that positively affect competitive strategy and business performance, reduce risk, and manage cost. Although Forrester's research is user-focused, IT vendors also use Forrester's research for marketing, product positioning, and market planning.

Forrester differentiates its products and services from those offered by other research firms by:

**ADDRESSING NEEDS OF BUSINESS EXECUTIVES.** Forrester's core research and advisory services blend analysis of technology with related business issues to enable senior management to better use technology for competitive advantage. Unlike narrowly focused, tactically based research that assesses products and components, Forrester's research provides a strategic view of the impact of technology on long-term business plans.

**DELIVERING VALUABLE, STAND-ALONE WRITTEN RESEARCH.** Forrester's research distills the abundance of information, activities, and developments in the IT industry into a concise, easy-to-read guide for decision-making. In contrast to research that requires interactive consulting support, Forrester's research is designed to provide valuable, prescriptive analysis that stands on its own without requiring ongoing analyst interaction.

**TAKING A STAND ON DIFFICULT TECHNOLOGY ISSUES.** Forrester's research and analysts challenge conventional viewpoints; the Company does not expect clients to agree with every prediction or conclusion presented. However, the Company does believe that strong opinions and recommendations will enable clients to more thoroughly consider the use of technology to gain competitive advantage. Forrester, unlike many other research firms, provides concrete, actionable business advice.

**PROVIDING A BROAD VIEW OF TECHNOLOGY CHANGE.** Forrester's research approach provides an integrated, cross-disciplinary view of technologies and their impact throughout organizations and industries. The Company's cross-service collaboration ensures that a coherent, thematic analysis is consistently delivered to clients. Forrester's broad perspective can be contrasted with narrowly defined, specifically tailored technology assessments.

**FOCUSING ON EMERGING TECHNOLOGIES IN CONSUMER AND BUSINESS MARKETS.** Forrester's research methodology is designed to identify fundamental shifts in technology before these changes appear on the horizons of most users, vendors, and other research firms. Forrester's interview-based research approach combines input from early adopters of new technologies, vendors, and consumers to gauge the likelihood of a technology's success and its potential impact on various markets.

## STRATEGY

Forrester seeks to capitalize on the growing demand for technology research, analysis, and advice. To achieve this goal, Forrester has adopted the following strategies:

**LEVERAGE CORE RESEARCH.** By focusing on sales of its stand-alone core research, the Company can deliver value to its clients and can increase its revenues without having to provide ongoing and direct analyst support. In addition, Forrester's current and developing electronic delivery options make it easier to disseminate research within an organization while providing greater ease of use, including the ability to search, customize, and sort information according to individual preferences. Finally, the Company intends to continue to introduce new Strategy Research Services and to provide advisory services that build upon the analysis and recommendations set forth in the core research to enhance sales of that core research.

**EXPAND CLIENT BASE AND PENETRATE EXISTING ACCOUNTS.** The Company believes that its current offerings of products and services, and anticipated new products and services, can continue to be successfully marketed and sold to new clients companies, as well as to new organizations within existing client companies. Forrester currently targets senior management, business strategists, and IT professionals within Fortune 1,000 companies. The Company seeks to expand its international audience by targeting select geographic markets. The Company also aims to increase the number of Strategy Research Services that each client purchases through increased marketing of new and current products and services.

**IDENTIFY AND DEFINE NEW TECHNOLOGY MARKETS.** Forrester seeks to position itself ahead of other research firms by delivering strategic research and analysis on new and emerging technologies. Forrester believes its methodology and culture allow it to focus on areas of technology change and enable it to expand its product and service offerings to address new technology issues.

**ATTRACT AND RETAIN HIGH-QUALITY RESEARCH PROFESSIONALS.** The knowledge and experience of Forrester's analysts are critical elements of the Company's ability to provide high-quality products and services. The Company seeks to attract, develop, and retain outstanding research professionals by providing a creative corporate environment and culture, a competitive compensation structure, training and mentoring programs for individual development, and recognition and rewards for excellent individual and team performance.

**EXPAND AND LEVERAGE SALES FORCE.** The Company is expanding its current direct sales force and is seeking to increase the average sales volume per sales representative. The Company believes that this increase can be achieved as the average tenure of the Company's sales representatives lengthens and marketing initiatives shorten the sales cycle. Initiatives include the improvement of existing and the development of new methods for obtaining highly qualified sales leads, targeted use of third-party telemarketing firms, and hosting of regional marketing events around the world.

## PRODUCTS AND SERVICES

Forrester's principal products are annually renewable memberships to 10 Strategy Research Services in three main research areas: Corporate IT, New Media, and Strategic Management. Corporate IT Research services analyze how technology change impacts IT's infrastructure, tactics, and mission; New Media Research services provide insight into how companies can leverage emerging technology to deliver content and services to consumers; and Strategic Management Research assists senior executives in understanding the long-term implications of technology change on organizational and business strategies. Each Strategy Research Service delivers monthly Reports and biweekly Briefs, except the Leadership Strategies service which delivers Reports on a bimonthly basis and Executive Takes on a biweekly basis. Additionally, Forrester provides advisory services to select clients through the Partners Program and Strategy Review Program. The Company holds one major event each year, the Forrester Technology Management Forum, a two-day conference devoted to leading technology issues.

## STRATEGY RESEARCH SERVICES

The Company's Strategy Research Services provide ongoing research and analysis on the developments, information, and activities in the technology industry. Each service is staffed by a team of research analysts and associates with substantial experience in the technology area covered by that service. The services employ a consistent research methodology to analyze technology issues, address related business issues, and offer recommendations and action plans. While each service addresses a specific technology area, collectively they present complementary, consistent research themes and provide comprehensive coverage of relevant technology issues faced by the Company's clients. Businesses are able to supplement and extend internal resources with current, thorough, and focused analysis and recommendations. In addition, technology vendors are able to augment and test competitive, new product, marketing, and sales plans against Forrester's independent analysis and advice.



The following table summarizes the coverage areas of Forrester's Strategy Research Services:

| CORPORATE IT RESEARCH   | SAMPLE TOPICS  |
|---|--|
| COMPUTING STRATEGY SERVICE -- introduced in November 1983, analyzes the rollout and management of large-scale client/server systems, the impact of the Internet on computing architectures, and the changing IT organization                                  | - Systems and network management<br>- Directories<br>- Operating systems<br>- Servers, PCs, workstations<br>- Internet Computing                     |
| NETWORK STRATEGY SERVICE -- introduced in December 1986, analyzes high-performance network services and guides companies to build advanced networks that support client/server applications, link mobile workers, and connect business partners and customers | - ATM<br>- Video<br>- EDI<br>- Internetworking equipment<br>- Networking protocols and services<br>- Internet/Intranet                               |
| PACKAGED APPLICATION STRATEGIES -- introduced in April 1996, analyzes the impact of emerging technologies on application strategy and helps clients acquire, manage, and leverage packaged software applications  | - Cost of ownership analysis<br>- eCommerce packages<br>- Suite vs. best-of-breed<br>- Application data warehousing<br>- Impact of Internet/Intranet |
| SOFTWARE STRATEGY SERVICE -- introduced in April 1990, analyzes and defines strategies for the overall software architecture needed to meet business objectives, including strategic use of data, documents, and development                                  | - Object-oriented technology<br>- Internet/Intranet software<br>- Document management<br>- Data warehousing<br>- Web servers                         |
| TELECOM STRATEGIES -- introduced in June 1996, analyzes the strategic use of communications technologies and helps clients use telecommunications to gain competitive advantage and cut costs   | - Wide area networking<br>- Wireless communications<br>- Internet access<br>- Deregulation   |
| NEW MEDIA RESEARCH  | SAMPLE TOPICS  |
| INTERACTIVE TECHNOLOGY STRATEGIES -- introduced in March 1996, analyzes interactive development and delivery technologies that affect consumers   | - Multimedia development<br>- CD-ROM<br>- Web site development tools<br>- Web site management<br>- Search engines                                    |
| MEDIA & TECHNOLOGY STRATEGIES -- introduced in September 1996, analyzes electronic media business models for publishers, broadcasters, and information service providers and helps clients build technology-based media franchises                            | - Internet advertising<br>- On-line magazines<br>- Electronic yellow pages<br>- Future of business information services                              |
| MONEY & TECHNOLOGY STRATEGIES -- introduced in September 1995, analyzes consumer financial services, focusing on technology's impact on how consumers spend, save, and invest   | - eCommerce<br>- Integrated financial services<br>- Smart cards<br>- On-line retailing<br>- On-line banking<br>- Web strategies for financial firms  |
| PEOPLE & TECHNOLOGY STRATEGIES -- introduced in May 1994, analyzes how emerging technologies affect consumer lifestyles and behavior  | - Consumer demographics<br>- On-line services and the Internet<br>- On-line business models  |
| STRATEGIC MANAGEMENT RESEARCH   | SAMPLE TOPICS  |
| LEADERSHIP STRATEGIES -- introduced in September 1995, analyzes how executives can maximize the business benefits of technology and guides them in making effective decisions about strategic direction, investment properties, and resource management       | - Strategic planning<br>- IT cost management<br>- Best practices/benchmarking<br>- Strategic vendor selection<br>- High Performance IT               |

Each client that purchases a membership to a Strategy Research Service receives the following written materials:

FORRESTER REPORTS are created monthly by the services in Corporate IT and New Media Research, and bimonthly by the Leadership Strategies service. These Reports deliver analysis on current technology issues in a concise format.

FORRESTER BRIEFS AND TAKES offer timely analysis on industry events, issues, technology, or other specific research topics. Corporate IT and New Media clients receive 24 Briefs per year, and Leadership Strategies clients receive 24 Executive Takes per year.

JOURNAL ENTRIES are presented at the end of every Forrester Report and offer Forrester's inside perspective on current events in the industry.

In addition to printed reports, Strategy Research Service core research deliverables are available in the following electronic delivery formats:

FORRESTER INTERNET gives clients access to a full archive of Forrester's research from 1993 to the present via the World Wide Web. Extensive search capabilities and end user customization allow clients to tailor document viewing to their particular needs.

FORRESTER INTRANET delivers the same research archive as Forrester Internet, can be purchased with or without a search engine, and is compatible with any client's Intranet environment.

FORRESTER RESEARCH FOR LOTUS NOTES USERS provides access to Forrester's full research archive from 1993 to the present via replication to Forrester's Lotus Notes server. Documents can be viewed and sorted by Strategy Research Service, analyst, technology, product, company, people, or date.

#### ADVISORY SERVICES AND EVENTS

Forrester provides advisory services to a limited number of clients through its Partners Program and Strategy Review Program. These programs leverage Forrester's research expertise to address clients' long-term planning issues and align Forrester's core research and insight with specific business goals. As of June 30, 1996, 61 client companies were members of the Partners Program and 178 client companies were members of the Strategy Review Program. In addition to core research, each client purchasing a membership to the Partners Program and Strategy Review Program receives the following deliverables, respectively:

THE PARTNERS PROGRAM provides clients with a proactive relationship with Forrester analysts to address long-range planning, technology decision-making, and strategic management best practices. The base program includes a series of one-day meetings and conference calls with Forrester analysts.

THE STRATEGY REVIEW PROGRAM gives clients access to Forrester analysts in a series of quarterly two-hour conference calls or meetings in order to apply the research to business strategies.

The Company also hosts the Forrester Forum each year. The Forum brings together more than 500 senior executives for a two-day conference to network with their peers and hear major figures from the technology industry and leaders from other business sectors discuss the impact of technology change on business.

#### PRICING

The prices for Forrester's core research are a function of the number of services purchased, the number of research recipients within the client organization, and the delivery format (i.e., printed or electronic). The average contract price of annual memberships sold to Forrester clients for core

research, excluding annual memberships for core research in connection with Forrester's Partners and Strategy Review Programs, for the year ended December 31, 1995 was approximately \$10,200 and for the six months ended June 30, 1996 was approximately \$11,700. The prices for Forrester's Partners and Strategy Review Programs are also a function of the number of services purchased, the number of research recipients within the client organization, delivery format, and amount and type of advisory services. All Partners Program and Strategy Review Program memberships sold include core research. The average contract price of annual memberships sold to Forrester clients for the Partners Program for the year ended December 31, 1995 was approximately \$65,700 and for the six months ended June 30, 1996 was approximately \$86,200. The average contract price of annual memberships sold to Forrester clients for the Strategy Review Program, for the year ended December 31, 1995 was approximately \$33,300 and for the six months ended June 30, 1996 was approximately \$32,200.

Forrester believes that the agreement value of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the annualized fees payable under all core research and advisory services contracts in effect at a given point in time, without regard to the remaining duration of the contracts. Agreement value at December 31, 1994 was \$10.2 million and grew to \$17.8 million at December 31, 1995. At June 30, 1996, agreement value was \$22.4 million.

#### RESEARCH AND ANALYSIS

Forrester employs a structured and consistent research methodology across the Company's 10 Strategy Research Services. Each service is managed by a service director who is responsible for implementing the Company's research methodology and maintaining research quality in the service's particular technology coverage area. Forrester's methodology enables the Company to identify and analyze emerging technology trends, markets, and audiences, and ensures consistent research quality and recommendations across all services. The Company's research is thematic in approach: Forrester Reports are composed around major technology trends, not isolated technology review and assessment. Research themes apply throughout different research Reports, within services, and across research services.

Forrester's research process subjects initial ideas to research, analysis, and rigorous validation, and produces conclusions, predictions, and recommendations. Forrester employs several different primary research methods: confidential interviews with early adopters of new technology, technology vendors, consumers, and users and vendors in related technology areas; regular briefings with vendors to review current positions and future directions; and input from clients and third parties gathered during advisory sessions.

Reports begin with cross-service discussion sessions with analysts. Cross-service testing of an idea continues throughout the Report process at informal and weekly research meetings. At the final stage of the research process, senior analysts meet to test the conclusions of each Report. Also, each Report is reviewed by an analyst outside the research service as an additional quality check and to ensure clarity and readability by all clients -- especially those lacking strong technology backgrounds. All research is reviewed and graded by Forrester's senior research directors.

The knowledge and experience of Forrester's analysts are critical elements of the Company's ability to provide high-quality research and analysis. Forrester analysts average approximately 10 years of industry experience, with varied backgrounds mirroring all facets of the industry -- vendor and user marketing and development, entrepreneurs, financial services, and journalism. The Forrester culture and compensation system foster a dedication to high-quality research across all research services.

All members of Forrester's research staff participate in the Company's incentive compensation bonus plan. Each employee's performance against individual and team goals determines an eligible bonus that is funded by the Company's overall performance against key business objectives. Individual and team goals include on-time delivery of high-quality research, core research bookings,

and advisory services support to Partners and Strategy Review Program clients. Senior analysts and research directors are eligible to receive equity awards under the Company's stock plans.

#### SALES AND MARKETING

Forrester has made a substantial investment in its direct sales force to better serve clients and address additional markets. The Company's direct sales force, comprised of 39 sales representatives as of June 30, 1996, consists of business development managers who are responsible for maintaining and leveraging the current client base by renewing and selling additional Strategy Research Services to existing clients, corporate account managers who develop new business in assigned territories, and regional sales directors who focus on high-level client contact and service.

Forrester sells its products and services through its headquarters in Cambridge, Massachusetts, and a regional sales office in San Francisco. Forrester also uses 6 local independent sales representatives to market and sell its products and services internationally. These independent third-party representatives cover the following territories: Australia, Brazil, France, Japan, Spain, and South Africa.

The Company has developed and will continue to implement products and programs to support the sales representatives in their effort to differentiate Forrester and define the value derived from the Company's research and analysis. These products and programs include extensive worldwide press relations, direct mail campaigns, telemarketing, and a worldwide events program. In addition, the Company uses its Web site as a strategic tool to increase the quality and speed of lead development for the sales force. All Forrester sales representatives participate in the Company's annual commission and bonus plan. Commissions are paid monthly based upon attainment of net bookings against established quotas; quarterly bonuses are paid for exceeding quota levels.

As of June 30, 1996, Forrester's research was delivered to over 850 client companies, including 54 of the 1996 Fortune 100 companies and 153 of the 1996 Fortune 500 companies. No single client company accounted for over 3% of the Company's revenues for the six months ended June 30, 1996.

#### COMPETITION

Forrester believes that the principal competitive factors in its industry include quality of research and analysis, timely delivery of information, the ability to offer products that meet the changing needs of organizations for research and analysis, independence from vendors, and customer service and price. The Company believes it competes favorably with respect to each of these factors. Additionally, the Company believes that its business-focused review of emerging technologies and high-level, easy-to-read research format distinguish it from its competitors.

The Company competes in the market for technology research products and services with other independent providers of similar services. Forrester's principal direct competitor in IT research is Gartner Group, Inc., which has a substantially longer operating history, is significantly larger, and has considerably greater financial resources and market share than the Company. Numerous other companies, including META Group, Inc., provide IT research and analysis. In addition, the Company's indirect competitors include the internal planning and marketing staffs of the Company's current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. The Company's indirect competitors could choose to compete directly against the Company in the future. In addition, there are relatively few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more market segments addressed by the Company's Strategy Research Services. Increased competition could adversely affect the Company's operating results through pricing pressure and loss of market share. There can be no assurance that the Company will be able to continue to compete successfully against existing or new competitors.

## EMPLOYEES

Forrester's culture emphasizes certain key values -- quality, cooperation, and creativity -- that it believes are critical to its continued growth. To encourage achievement of the Company's key values, the Company places great emphasis on individual excellence, and employees at all levels of the organization are encouraged to take initiative and lead individual projects that enhance Forrester's effectiveness. Forrester regularly recognizes and rewards excellent performance in all areas of the Company. The Company's balanced emphasis on individual achievement and teamwork is reflected in its compensation structure. Each employee's performance is measured against individual and team goals that determine an eligible bonus funded by the Company's overall performance against key business objectives. This structure gives employees a vested interest in the Company's overall success and performance while still promoting individual excellence.

As of September 23, 1996, Forrester employed a total of 118 persons, including 54 research staff, 44 sales and marketing personnel, and 20 operations personnel. Of these employees, 117 are located at the Company's headquarters in Cambridge, Massachusetts and one is located at another domestic facility. None of the Company's employees is represented by a collective bargaining arrangement, and the Company has experienced no work stoppages. The Company believes that its relations with its employees are good.

As of September 23, 1996, there were options to purchase 728,589 shares of the Common Stock of the Company granted to employees under the Company's 1996 Amended and Restated Equity Incentive Plan. Upon completion of this offering, options to purchase 149,376 shares of the Company's Common Stock held by employees of the Company will become immediately exercisable.

Forrester's continued growth depends in large part on its ability to attract, retain, and motivate highly skilled research analysts, sales and marketing personnel, and operations staff. Competition for highly skilled personnel in the Company's market is intense, and many of the companies with which Forrester directly competes for such personnel have substantially greater financial and other resources than the Company. In addition, competition for highly skilled personnel can be expected to become more intense as competition in the Company's industry increases. Although the Company expects to continue to attract sufficient numbers of highly skilled employees and to retain and motivate its existing research analysts, sales and marketing personnel, and operations staff for the foreseeable future, there can be no assurance that the Company will be able to do so. The loss of any of the Company's senior management personnel or any failure to attract, retain, and motivate a sufficient number of qualified personnel would have a material adverse effect on the Company's business, financial condition, and results of operations. The Company has entered into non-competition agreements with each of its group directors, service directors, senior analysts, and certain other employees which provide that such persons will not compete with the Company for the one-year period after the date of termination of employment with the Company.

## FACILITIES

The Company's headquarters are located in approximately 30,000 square feet of office space in Cambridge, Massachusetts. This facility accommodates research, marketing, sales, IT, and operations personnel. The initial lease term of this facility expires in January 2001. The Company has the option to extend this lease for up to two additional terms of five years each. The Company also leases office space in San Francisco to support its sales functions. The Company believes that its existing facilities are adequate for its current needs and that additional facilities are available for lease to meet future needs.

## MANAGEMENT

## EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and members of and nominees to the Board of Directors of the Company are as follows:

| NAME                             | AGE | POSITION  |
|----------------------------------|-----|---|
| George F. Colony.....            | 43  | Chairman of the Board, President, and Chief Executive Officer |
| William M. Bluestein, Ph.D. .... | 39  | Group Director, New Media Research                            |
| Paul D. Callahan.....            | 47  | Group Director, Corporate IT Research                         |
| Ruth Habbe.....                  | 41  | Director, Marketing   |
| Mary A. Modahl.....              | 34  | Group Director, New Media Research                            |
| David H. Ramsdell(1).....        | 45  | Director, Finance   |
| Jon D. Schwartz.....             | 36  | Director, Worldwide Sales                                     |
| Paul J. Warren.....              | 34  | Director, IT  |
| Susan M. Whirty, Esq.....        | 39  | Director, Operations, General Counsel, Secretary, Treasurer   |
| Stuart D. Woodring.....          | 36  | Group Director, Corporate IT Research                         |
| Robert M. Galford(2).....        | 43  | Member of the Board of Directors                              |
| George R. Hornig(2).....         | 42  | Member of the Board of Directors                              |
| Christopher W. Mines(2).....     | 42  | Member of the Board of Directors                              |
| Michael H. Welles(2).....        | 41  | Member of the Board of Directors                              |

(1) Mr. Ramsdell will serve as the Company's Director, Finance commencing in October 1996.

(2) Elected to serve as members of the Board of Directors commencing immediately following the completion of this offering.

George F. Colony, founder of the Company, has served as President and Chief Executive Officer since its inception in July 1983.

William M. Bluestein, Ph.D., currently serves as Group Director, New Media Research. He was previously Director and Senior Analyst with the Company's People & Technology Strategies from 1994 to 1995, and Director and Senior Analyst with the Company's Computing Strategy Service from 1990 to 1993.

Paul D. Callahan currently serves as Group Director, Corporate IT Research. He was previously with the Company's Network Strategy Service where he served as Director from 1995 to 1996, Senior Analyst from 1993 to 1995, and Analyst from 1992 to 1993. Prior to joining the Company, Mr. Callahan was a manager with Digital Equipment Corporation's networks business from 1987 to 1992.

Ruth Habbe has served as the Company's Director, Marketing since 1994. Prior to joining the Company, Ms. Habbe was Vice President, Marketing at Imagery Software, Inc. from 1992 to 1994 and Document Imaging Segment Manager at Digital Equipment Corporation from 1990 to 1992.

Mary A. Modahl currently serves as Group Director, New Media Research. She was previously Director and Senior Analyst with the Company's People & Technology Strategies from 1994 to 1995, Senior Analyst with the Company's Computing Strategy Service from 1993 to 1994, and Director of the Network Strategy Service from 1990 to 1993.

David H. Ramsdell has agreed to become the Company's Director, Finance beginning in October 1996. Mr. Ramsdell was Vice President, Finance at Virus Research Institute, Inc., a developer of vaccine delivery systems, from August 1993 through September 1996. He also served as Chief Financial Officer at ISI Systems, Inc., a data processing and software development company, from 1987 to August 1993.

Jon D. Schwartz currently serves as the Company's Director, Worldwide Sales. He was previously Director of the Company's North American Sales from 1993 to 1995, and Partners Manager from 1990 to 1993.

Paul J. Warren has served as the Company's Director, IT since 1995. Before joining the Company, Mr. Warren was Manufacturing Systems Manager for Malden Mills, a textile manufacturer, from 1993 to 1995. He also served as a Manufacturing Systems Analyst for Malden Mills from 1991 to 1993.

Susan M. Whirty, Esq. has served as the Company's Director, Operations and General Counsel since March 1993 and has served as the Company's Secretary and Treasurer since February 1996. Prior to joining the Company, Ms. Whirty was Corporate Counsel at Cognos Corporation, a software development and application company, from 1989 to 1993.

Stuart D. Woodring currently serves as Group Director, Corporate IT Research. He was previously Director of the Company's Corporate IT Research services from 1994 to 1995 and Director of the Software Strategy Service from 1990 to 1994.

Robert M. Galford has been elected to serve as a Director of the Company commencing immediately following this offering. Mr. Galford has been a member of the Faculty of the Executive Programs at Columbia University's Graduate School of Business since 1994. Before joining Columbia's Executive Programs, he taught at Boston University from 1993 to 1994. Prior to his work in executive education, Mr. Galford was a Vice President of the MAC Group from 1986 to 1991 and its successor firm, Gemini Consulting from 1991 to 1994.

George R. Hornig has been elected to serve as a Director of the Company commencing immediately following this offering. Mr. Hornig has been Managing Director and Member of the Management Committee of Deutsche Morgan Grenfell, an investment banking firm, from 1993 to the present. From 1991 to 1993, Mr. Hornig was President and Chief Operating Officer of Dubin & Swieca Holdings, Inc., an investment management firm. He is also Director of Unity Mutual Life Insurance Company and SL Industries, Inc., a manufacturer and distributor of engineered products.

Christopher W. Mines has been elected to serve as a Director of the Company commencing immediately following this offering. Mr. Mines currently serves as a Principal of GeoPartners Research, Inc. Prior to joining GeoPartners in 1992, he was an analyst at Cowen & Company from 1983 to 1991 and at the Yankee Group from 1980 to 1983.

Michael H. Welles has been elected to serve as a Director of the Company commencing immediately following this offering. Mr. Welles has been General Manager, Next Generation Products for Lotus Development Corporation since 1994. From 1991 to 1994, he was General Manager of Lotus' Improv development team.

#### BOARD OF DIRECTORS

The Company's Bylaws provide for a Board of Directors of one or more directors, and the number of directors is currently fixed at five. Under the terms of the Company's Certificate of Incorporation, the Board of Directors is composed of three classes of similar size, each elected in a different year, so that only approximately one-third of the Board of Directors is elected in any single year. Mr. Colony is designated as a Class I director elected for a term expiring in 1999 and until his successor is elected and qualified; Mr. Hornig and Mr. Mines are designated Class II directors elected for a term expiring in 1998 and until their successors are elected and qualified; and Mr. Welles and Mr. Galford are designated Class III directors elected for a term expiring in 1997 and until their successors are elected and qualified.

The Board of Directors of the Company will have an Audit Committee consisting of two members (Messrs. Hornig and Mines), and a Compensation Committee consisting of two members (Messrs. Galford and Welles). The purpose of the Audit Committee is to review the results of

operations of the Company with officers of the Company who are responsible for accounting matters and, from time to time, with the Company's independent auditors. The Compensation Committee recommends annual compensation arrangements for the Company's executive officers and reviews annual compensation arrangements for all other officers and significant employees.

#### DIRECTOR COMPENSATION

Members of the Board of Directors of the Company are reimbursed for their expenses incurred in connection with attending any meeting. In addition, in September 1996, the Board of Directors adopted and the sole stockholder approved the 1996 Stock Option Plan for Non-Employee Directors (the "Director Option Plan") pursuant to which each of the non-employee directors who have agreed to serve as directors of the Company will receive, on the date that the Company first files a registration statement under the Securities Act covering the Common Stock, an option to purchase 6,000 shares of the Company's Common Stock at an exercise price of \$13.00. Such options will vest in three equal installments commencing on the date of completion of the initial public offering of the Common Stock and on the first and second anniversaries of such date. See "Stock Plans -- 1996 Stock Option Plan for Non-Employee Directors".

#### SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION  | YEAR | ANNUAL COMPENSATION |          |                              |
|--|------|---------------------|----------|------------------------------|
|  |      | SALARY              | BONUS    | OTHER ANNUAL COMPENSATION(1) |
| George F. Colony.....<br>Chairman of the Board,<br>President, and Chief<br>Executive Officer | 1995 | \$135,000           | \$ 0     | \$19,129                     |
| Jon D. Schwartz.....<br>Director, Worldwide Sales  | 1995 | \$177,444           | \$20,400 | \$ --                        |
| Stuart D. Woodring.....<br>Group Director, Corporate IT Research                             | 1995 | \$125,000           | \$43,827 | \$ --                        |
| Paul D. Callahan.....<br>Group Director, Corporate IT Research                               | 1995 | \$120,000           | \$44,608 | \$ --                        |
| William M. Bluestein, Ph.D.....<br>Group Director, New Media<br>Research                     | 1995 | \$110,000           | \$46,476 | \$ --                        |

(1) No named Executive Officer other than Mr. Colony received other annual compensation in excess of the lesser of \$50,000 or 10% of his salary and bonus. Other annual compensation paid to Mr. Colony includes approximately \$7,000 for life insurance and \$4,700 for health insurance and excludes distributions to Mr. Colony based on the Company's S corporation earnings. See "Dividend Policy".

#### STOCK PLANS

##### 1996 EQUITY INCENTIVE PLAN

The Company's Amended and Restated 1996 Equity Incentive Plan (the "Equity Incentive Plan"), which was originally approved by the Board of Directors and the sole stockholder of the Company in February 1996 and amended and restated in September 1996, provides for grants of incentive stock options within the meaning of Section 422 of the Code, non-qualified stock options, and restricted and nonrestricted shares to employees and other persons who are important to the success of the Company. As of September 23, 1996, a total of 2,750,000 shares of Common Stock have been reserved for issuance under the Equity Incentive Plan, subject to adjustment for stock splits and similar events, of which 2,021,411 remain available for future grants. The exercise price of all incentive stock options granted under the Equity Incentive Plan must be at least equal to the fair



market value of the shares of Common Stock on the date of grant. The exercise price of all non-qualified options granted under the Equity Incentive Plan is determined by the Compensation Committee of the Board of Directors. The Compensation Committee may reduce the exercise price of any outstanding options. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of the option must not exceed 5 years. The term of all other options granted under the Equity Incentive Plan may not exceed 10 years. Unless terminated sooner, the Equity Incentive Plan will terminate in February 2006. The Board of Directors has authority to amend or terminate the Equity Incentive Plan, provided no such action may impair the rights of the holder of any outstanding options without the written consent of such holder.

#### 1996 EMPLOYEE STOCK PURCHASE PLAN

The Company's 1996 Employee Stock Purchase Plan (the "Stock Purchase Plan"), which was approved by the Board of Directors and by the sole stockholder of the Company in September 1996, is intended to qualify under Section 423 of the Code. A total of 200,000 shares of Common Stock has been reserved for issuance under the Stock Purchase Plan. Purchases under the Stock Purchase Plan will occur at the end of each option period. The first option period will commence on the date of this Prospectus and will end on June 30, 1997. Thereafter, each option period will be successive six-month purchase periods. Employees are eligible to participate if they are regularly employed by the Company for at least 30 hours per week.

The Stock Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions that may not exceed 10% of an employee's base compensation, including commissions, bonuses, and overtime, at a price equal to 85% of the fair market value of the Common Stock at the beginning or the end of a purchase period, whichever is lower. Unless terminated sooner, the Stock Purchase Plan will terminate 10 years from its effective date. The Board of Directors has authority to amend or terminate the Stock Purchase Plan, provided no such action may adversely affect the rights of any participant.

#### 1996 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

The Director Option Plan was approved by the Board of Directors and by the sole stockholder of the Company in September 1996. Pursuant to the Director Option Plan, non-employee directors who have agreed to serve as a director of the Company will each receive, on the date that the Company first files a registration statement under the Securities Act covering the Common Stock, an option to purchase 6,000 shares of the Company's Common Stock at an exercise price of \$13.00. Such options will vest in three equal installments commencing on the date of completion of the initial public offering of the Common Stock and on the first and second anniversaries of such date. Each non-employee director elected thereafter shall be awarded an option to purchase 6,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock upon his or her election as director, which will vest in three equal installments commencing on the date of grant and on the first and second anniversary of the date of grant. Each non-employee director will also receive an option to purchase 4,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock each year immediately following the Company's annual stockholders meeting, which will vest in three equal installments on the first, second, and third anniversaries of the date of grant. The Compensation Committee also has the authority under the Director Option Plan to grant options to non-employee directors in such amounts and in such terms not inconsistent with the Director Option Plan as it shall determine at the time of grant. All such options will be granted at fair market value. Each option will be non-transferable except upon death and will expire 10 years after the date of grant. A total of 150,000 shares of Common Stock has been reserved for issuance under the Director Option Plan, 126,000 of which remain available for future grants.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 1995, Mr. Colony was responsible for compensation decisions, although he consulted as to such decisions with an outside compensation consultant. Following this offering the Company will have a Compensation Committee consisting of Messrs. Galford and Welles, neither of whom is an employee of the Company.

## REGISTRATION RIGHTS AND NON-COMPETITION AGREEMENT

The Company and Mr. Colony have entered into a registration rights and non-competition agreement (the "Registration Rights and Non-Competition Agreement") which provides that if Mr. Colony's employment with the Company is terminated he will not compete with the Company for the one-year period after the date of such termination. The Registration Rights and Non-Competition Agreement also provides Mr. Colony with certain registration rights with respect to his Common Stock, described under "Description of Capital Stock".

## CERTAIN TRANSACTIONS

The Company and Mr. Colony intend to enter into an indemnification agreement relating to their respective income tax liabilities. Mr. Colony will continue to be liable for personal income taxes on the Company's income for all periods prior to the time the Company ceases to be an S corporation, while the Company will be liable for all income taxes subsequent to the time it ceases to be an S corporation. The agreement generally provides that the Company will indemnify Mr. Colony for any increase in his taxes (including interest and penalties) resulting from adjustments initiated by taxing authorities and from payments to him under the agreement, and Mr. Colony will pay to the Company an amount equal to any decrease in his tax liability resulting from adjustments initiated by taxing authorities.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's outstanding Common Stock as of September 23, 1996 by (i) each person or entity who is known by the Company to beneficially own 5% or more of the Company's voting capital stock, (ii) each of the executive officers named in the Summary Compensation Table, (iii) each of the Company's directors (including persons who have consented to be directors), and (iv) all of the Company's directors and executive officers as a group.

| NAME OF BENEFICIAL OWNER  | NUMBER OF SHARES OF<br>COMMON STOCK<br>BENEFICIALLY<br>OWNED(1) | PERCENTAGE BENEFICIALLY<br>OWNED(1) |                |
|---|---|-------------------------------------|----------------|
|   |   | BEFORE OFFERING                     | AFTER OFFERING |
| George F. Colony.....   | 6,000,000   | 100%                                | 74%            |
| William M. Bluestein, Ph.D.(2).....                                 | 14,727  | *                                   | *              |
| Paul D. Callahan(2).....  | 6,927   | *                                   | *              |
| Jon D. Schwartz(2).....   | 8,182   | *                                   | *              |
| Stuart D. Woodring(2).....  | 14,727  | *                                   | *              |
| Robert M. Galford(2).....   | 2,000   | *                                   | *              |
| George R. Hornig(2).....  | 2,000   | *                                   | *              |
| Christopher W. Mines(2).....  | 2,000   | *                                   | *              |
| Michael H. Welles(2).....   | 2,000   | *                                   | *              |
| Directors and executive officers<br>as a group (13 persons)(2)..... | 6,083,927   | 100%                                | 75%            |

\* Less than 1%.

(1) Assumes that the Underwriters' over-allotment option is not exercised.

(2) Reflects shares issuable upon exercise of options which vest upon the completion of this offering. If options to purchase shares that are not immediately exercisable are included, the number of shares of Common Stock beneficially owned by Messrs. Bluestein, Callahan, Schwartz, and Woodring would be 70,926, 45,994, 70,019, and 69,699, respectively.

## DESCRIPTION OF CAPITAL STOCK

The following summary describes the Certificate of Incorporation of the Company, as restated in its entirety immediately prior to the consummation of this offering.

## GENERAL

The authorized capital stock of the Company consists of 25,000,000 shares of Common Stock, par value \$.01 per share, and 500,000 shares of Preferred Stock, par value \$.01 per share (the "Preferred Stock"). As of September 23, 1996, there were 6,000,000 shares of Common Stock outstanding, held of record by one stockholder, and no shares of Preferred Stock outstanding.

## COMMON STOCK

As of September 23, 1996, there were 6,000,000 shares of Common Stock outstanding, all of which were held by Mr. Colony. Each holder of Common Stock is entitled to one vote per share for the election of directors and for all other matters to be voted on by the Company's stockholders. Subject to preferences that may be applicable to any outstanding series of Preferred Stock, the holders of Common Stock are entitled to share ratably in such dividends, if any, as may be declared from time to time by the Board of Directors, from funds legally available therefore. See "Dividend Policy". Upon liquidation or dissolution of the Company, subject to preferences that may be applicable to any outstanding series of Preferred Stock, the holders of Common Stock are entitled to share ratably in all assets available for distribution to stockholders. There are no preemptive or other subscription rights, conversion rights, or redemption or sinking fund provisions with respect to shares of Common Stock. All of the outstanding shares of Common Stock are fully paid and nonassessable.

## PREFERRED STOCK

The Company's Restated Certificate of Incorporation (the "Certificate") provides that the Company may, by vote of its Board of Directors, designate the numbers, relative rights, preferences, and limitations of one or more series of Preferred Stock and issue the securities so designated. Such provisions may discourage or preclude certain transactions, whether or not beneficial to stockholders, and could discourage certain types of tactics that involve an actual or threatened acquisition or change of control of the Company. This provision does not prevent stockholders from obtaining injunctive or other relief against the directors, nor does it shield directors from liability under federal or state securities laws.

The Company has no current intention to issue any of its unissued, authorized shares of Preferred Stock. However, the issuance of any shares of Preferred Stock in the future could adversely affect the rights of the holders of Common Stock.

## REGISTRATION RIGHTS

The Company and Mr. Colony have entered into a Registration Rights and Non-Competition Agreement, which provides that in the event the Company proposes to file a registration statement under the Securities Act with respect to an offering by the Company for its own account or the account of another person, or both, Mr. Colony shall be entitled to include shares held by him (the "Registrable Shares") in such a registration, subject to the right of the managing underwriter of any such offering to exclude some or all of such Registrable Shares from such registration if and to the extent the inclusion of the shares would adversely affect the marketing of the shares to be sold by the Company. The agreement also provides that, at any time following the closing of an initial public offering of Common Stock, Mr. Colony may require the Company to register under the Securities Act shares having a fair market value of at least \$5.0 million, except that the Company is not required to effect such registration more than twice or at certain times described in the agreement. The

agreement also provides that the Company will pay all expenses incurred in connection with such registration.

#### DELAWARE LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Section 203 of the General Corporation Law of Delaware prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder", other than an "interested stockholder" who is an "interested stockholder" at the time the corporation becomes subject to Section 203, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales, and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. The Certificate provides that the Company will not be subject to the provisions of Section 203. Under Delaware law, this provision will become effective in September 1997.

The Certificate and Bylaws provide for the division of the Board of Directors into three classes as nearly equal in size as possible with staggered three-year terms. See "Management". In addition, the Certificate of Incorporation and Bylaws provide that directors may be removed only for cause by the affirmative vote of the holders of two-thirds of the shares of capital stock of the Company entitled to vote. Under the Certificate and Bylaws, any vacancy on the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may only be filled by vote of a majority of the directors then in office. The classification of the Board of Directors and the limitations on the removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the Company.

The Certificate and Bylaws also provide that any action required or permitted to be taken by the stockholders of the Company at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. The Certificate and Bylaws further provide that special meetings of the stockholders may only be called by the Chairman of the Board of Directors, the Chief Executive Officer, or, if none, the President of the Company or by the Board of Directors. Under the Company's Bylaws, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with certain requirements regarding advance notice to the Company. The foregoing provisions could have the effect of delaying until the next stockholders' meeting stockholder actions which are favored by the holders of a majority of the outstanding voting securities of the Company. These provisions may also discourage another person or entity from making a tender offer for the Common Stock, because such person or entity, even if it acquired a majority of the outstanding voting securities of the Company, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders' meeting, and not by written consent.

The General Corporation Law of Delaware provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's Certificate of Incorporation or Bylaws, unless a corporation's Certificate of Incorporation or Bylaws, as the case may be, require a greater percentage. The Company's Certificate and the Bylaws require the affirmative vote of the holders of at least 75% of the shares of capital stock of the Company issued and outstanding and entitled to vote to amend or repeal any of the provisions described in the prior two paragraphs.

The Certificate contains certain provisions permitted under the General Corporation Law of Delaware relating to the liability of directors. The provisions eliminate a director's liability to the Company or its stockholders for monetary damages for a breach of fiduciary duty, except in circumstances involving certain wrongful acts, such as the breach of a director's duty of loyalty or

acts or omissions which involve intentional misconduct or a knowing violation of law. The Certificate also contains provisions obligating the Company to indemnify its officers and directors to the fullest extent permitted by the General Corporation Law of Delaware. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors.

#### TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is The First National Bank of Boston, Boston, Massachusetts.

#### SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have approximately 8,000,000 shares of Common Stock outstanding. Of these shares, the 2,000,000 shares sold in the offering will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act (an "Affiliate"). Any shares purchased in the offering by an Affiliate of the Company may not be resold except pursuant to an effective registration statement filed by the Company or an applicable exemption from registration, including the exemption under Rule 144. The remaining 6,000,000 shares will be subject to a 180-day lock-up agreement. After the 180-day period, these shares will be eligible for sale subject to compliance with Rule 144 under the Securities Act.

In general, a person (or persons whose shares are aggregated for purposes of such rule) effecting sales under Rule 144 is entitled to sell, within any three-month period, a number of such securities that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock (approximately 80,000 shares immediately after the offering) or the average weekly trading volume in the Company's Common Stock on the Nasdaq National Market or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain restrictions on the manner of sale, notice requirements, and the availability of current public information about the Company. The Company, Mr. Colony, who prior to the completion of this offering is the sole stockholder of the Company, and certain executive officers and employees of the Company who hold options to purchase 558,945 shares of Common Stock, have agreed not to offer or sell or otherwise dispose of any Common Stock until the expiration of 180 days following the date of this Prospectus without the prior written consent of the Representatives of the Underwriters. See "Underwriting".

No precise prediction can be made as to the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. The Company is unable to estimate the number of shares that may be sold in the public market pursuant to Rule 144, since this will depend on the market price of Common Stock, the personal circumstances of the sellers, and other factors. Nevertheless, sales or anticipated sales of significant amounts of the Common Stock of the Company in the public market could adversely affect the market price of the Company's Common Stock.

As of September 23, 1996, options to purchase a total of 728,589 shares of Common Stock were outstanding, of which options to purchase 149,376 shares will become exercisable upon completion of this offering. Of the total shares issuable pursuant to such options 98,595 shares are subject to 180 day lock-up agreements with the representatives of the Underwriters.

The Company intends to file a registration statement on Form S-8 under the Securities Act covering 200,000 shares of Common Stock reserved for issuance under the Stock Purchase Plan prior to the completion of this offering, although shares will not be issuable under the plan until June 30, 1997. In addition, the Company intends to file registration statements on Form S-8 covering 2,900,000 shares of Common Stock reserved for issuance under the Equity Incentive Plan and the

Director Option Plan. See "Management -- Stock Plans". Such registration statements are expected to be filed 90 days after the date of this Prospectus and will automatically become effective upon filing. Accordingly, shares issued pursuant to such registration statements will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market. As of September 23, 1996, options to purchase 728,589 shares were granted and outstanding and holders of options to purchase 558,945 shares are subject to the lock-up agreements discussed above.

#### VALIDITY OF SHARES

The validity of the shares of Common Stock offered by the Company hereby will be passed upon for the Company by Ropes & Gray, Boston, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Hale and Dorr, Boston, Massachusetts.

#### EXPERTS

The Financial Statements of the Company and the Financial Statement Schedule included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports thereto, and are included herein in reliance upon the authority of such firm as experts in giving said reports.

#### ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock, reference is hereby made to the Registration Statement, including exhibits, schedules and reports filed therewith. Statements made in this Prospectus as to the contents of any contract, agreement, or other document referred to above are necessarily incomplete. With respect to each such contract, agreement, or other document filed as an exhibit to the Registration Statement reference is hereby made to the exhibit for a more complete description of the matter involved, and each statement shall be deemed qualified in its entirety by such reference. The Registration Statement, including exhibits and schedules thereto, may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's Regional Offices at Seven World Trade Center, Thirteenth Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies may be obtained at the prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. In addition, material that the Company files electronically with the Commission is available at the Commission's Web site, <http://www.sec.gov>, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

## FORRESTER RESEARCH, INC.

## INDEX TO FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholder of  
Forrester Research, Inc.:

We have audited the accompanying balance sheets of Forrester Research, Inc. (a Delaware corporation) as of December 31, 1994 and 1995 and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrester Research, Inc. as of December 31, 1994 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
July 23, 1996 (except with respect to the matters  
discussed in Note 6, as to which the date is  
September 25, 1996)

## FORRESTER RESEARCH, INC.

## BALANCE SHEETS

|   | DECEMBER 31,  |              | JUNE 30,<br>1996 | PRO FORMA<br>JUNE 30,<br>1996 |
|---|---------------|--------------|------------------|-------------------------------|
|   | 1994          | 1995         |                  |                               |
|   |               |              | (UNAUDITED)      | (UNAUDITED)<br>(NOTE 1)       |
| ASSETS  |               |              |                  |                               |
| Current assets:   |               |              |                  |                               |
| Cash and cash equivalents.....  | \$2,778,725   | \$ 997,567   | \$ 714,780       | \$23,604,780                  |
| Marketable securities.....  | 1,985,355     | 6,520,481    | 8,791,543        | 8,791,543                     |
| Accounts receivable, net of allowance for<br>doubtful accounts of approximately \$88,000,<br>\$120,000, and \$160,000 in 1994, 1995, and<br>1996, respectively..... | 2,872,238     | 5,882,980    | 7,132,036        | 7,132,036                     |
| Deferred commissions.....   | 495,215       | 891,967      | 1,117,058        | 1,117,058                     |
| Prepaid expenses and other current assets....   | 60,960        | 76,542       | 228,421          | 228,421                       |
| Total current assets.....   | 8,192,493     | 14,369,537   | 17,983,838       | 40,873,838                    |
| Property and equipment, at Cost:  |               |              |                  |                               |
| Machinery and equipment.....  | 707,388       | 965,435      | 1,547,615        | 1,547,615                     |
| Furniture and fixtures.....   | 191,510       | 288,532      | 395,887          | 395,887                       |
| Computer software.....  | 35,409        | 206,324      | 238,066          | 238,066                       |
| Vehicles.....   | 30,098        | 30,098       | 30,098           | 30,098                        |
| Leasehold improvements.....   | 38,580        | 59,262       | 416,259          | 416,259                       |
| Total property and equipment.....   | 1,002,985     | 1,549,651    | 2,627,925        | 2,627,925                     |
| Less-Accumulated depreciation and<br>amortization.....  | 411,855       | 493,376      | 700,833          | 700,833                       |
| Property and equipment, net.....  | 591,130       | 1,056,275    | 1,927,092        | 1,927,092                     |
| Total assets.....   | \$8,783,623   | \$15,425,812 | \$19,910,930     | \$42,800,930                  |
|   | =====         | =====        | =====            | =====                         |
| LIABILITIES AND STOCKHOLDER'S EQUITY  |               |              |                  |                               |
| Current liabilities:  |               |              |                  |                               |
| Accounts payable.....   | \$ 41,394     | \$ 377,344   | \$ 637,407       | \$ 637,407                    |
| Customer deposits.....  | --            | 97,329       | 134,824          | 134,824                       |
| Accrued expenses.....   | 525,052       | 1,544,815    | 1,734,034        | 1,734,034                     |
| Deferred revenue.....   | 7,097,574     | 11,359,101   | 14,364,266       | 14,364,266                    |
| Total current liabilities.....  | 7,664,020     | 13,378,589   | 16,870,531       | 16,870,531                    |
| Deferred income tax liability.....  | --            | --           | --               | 400,000                       |
| Commitments (Note 4)  |               |              |                  |                               |
| Stockholder's equity:   |               |              |                  |                               |
| Common stock, \$.01 par value   |               |              |                  |                               |
| Authorized -- 7,000,000 shares  |               |              |                  |                               |
| Issued and outstanding-- 6,000,000 shares<br>at December 31, 1994, 1995, and June 30,<br>1996 and 8,000,000 shares on a Pro Forma<br>Basis.....                     | 60,000        | 60,000       | 60,000           | 80,000                        |
| Additional paid-in capital.....   | --            | --           | --               | 25,070,000                    |
| Retained earnings.....  | 1,059,603     | 1,965,527    | 3,021,545        | 421,545                       |
| Unrealized gain (loss) on marketable<br>securities.....   | --            | 21,696       | (41,146)         | (41,146)                      |
| Total stockholder's equity.....   | 1,119,603     | 2,047,223    | 3,040,399        | 25,530,399                    |
| Total liabilities and stockholder's<br>equity.....  | \$8,783,623.. | \$15,425,812 | \$19,910,930     | \$42,800,930                  |
|   | =====         | =====        | =====            | =====                         |

The accompanying notes are an integral part of these financial statements.

## FORRESTER RESEARCH, INC.

## STATEMENTS OF INCOME

|   | YEAR ENDED DECEMBER 31, |             |              | SIX MONTHS ENDED<br>JUNE 30, |             |
|---|-------------------------|-------------|--------------|------------------------------|-------------|
|   | 1993                    | 1994        | 1995         | 1995                         | 1996        |
|   | (UNAUDITED)             |             |              |                              |             |
| Revenues:   |                         |             |              |                              |             |
| Core research.....  | \$4,690,572             | \$6,363,335 | \$10,149,514 | \$4,393,162                  | \$7,773,834 |
| Advisory services and other...                            | 2,608,545               | 3,335,467   | 4,439,298    | 1,187,813                    | 2,288,014   |
| Total revenues.....                                       | 7,299,117               | 9,698,802   | 14,588,812   | 5,580,975                    | 10,061,848  |
| Operating expenses:                                       |                         |             |              |                              |             |
| Cost of services and fulfillment.....                     | 2,406,311               | 3,423,844   | 5,486,346    | 2,162,662                    | 3,746,335   |
| Selling and marketing.....                                | 2,693,442               | 3,592,853   | 5,643,196    | 2,361,066                    | 3,945,317   |
| General and administrative....                            | 1,147,589               | 1,045,340   | 1,388,868    | 558,282                      | 1,133,374   |
| Depreciation and amortization.....                        | 105,120                 | 150,067     | 286,705      | 127,519                      | 211,857     |
| Total operating expenses.....                             | 6,352,462               | 8,212,104   | 12,805,115   | 5,209,529                    | 9,036,883   |
| Income from operations...                                 | 946,655                 | 1,486,698   | 1,783,697    | 371,446                      | 1,024,965   |
| Interest income, Net.....                                 | 79,343                  | 125,115     | 339,569      | 176,963                      | 231,073     |
| Income before state income tax provision...               | 1,025,998               | 1,611,813   | 2,123,266    | 548,407                      | 1,256,038   |
| State income tax provision.....                           | 46,000                  | 73,000      | 96,000       | 25,000                       | 65,000      |
| Net income.....   | 979,998                 | 1,538,813   | 2,027,266    | 523,407                      | 1,191,038   |
| Pro forma income tax adjustment (Note 3).....             | 365,000                 | 583,000     | 739,000      | 188,000                      | 443,000     |
| Pro forma net income.....                                 | \$ 614,998              | \$ 955,813  | \$ 1,288,266 | \$ 335,407                   | \$ 748,038  |
| Pro forma net income per common share.....                |                         |             | \$ 0.20      |                              | \$ 0.12     |
| Pro forma weighted average common shares outstanding..... |                         |             | 6,291,299    |                              | 6,291,299   |

The accompanying notes are an integral part of these financial statements.

## FORRESTER RESEARCH, INC.

## STATEMENTS OF STOCKHOLDER'S EQUITY

|  | COMMON STOCK        |                 | ADDITIONAL<br>PAID-IN<br>CAPITAL | RETAINED<br>EARNINGS | UNREALIZED<br>GAIN (LOSS) ON<br>MARKETABLE<br>SECURITIES | TOTAL<br>STOCKHOLDER'S<br>EQUITY |
|--|---------------------|-----------------|----------------------------------|----------------------|--|----------------------------------|
|  | NUMBER<br>OF SHARES | \$.01 PAR       |                                  |                      |  |                                  |
| Balance, December 31, 1992.....  | 6,000,000           | \$60,000        | \$ --                            | \$ 635,792           | \$ --  | \$ 695,792                       |
| Distributions.....   | --                  | --              | --                               | (345,000)            | --   | (345,000)                        |
| Net income.....  | --                  | --              | --                               | 979,998              | --   | 979,998                          |
| Balance, December 31, 1993.....  | 6,000,000           | 60,000          | --                               | 1,270,790            | --   | 1,330,790                        |
| Distributions.....   | --                  | --              | --                               | (1,750,000)          | --   | (1,750,000)                      |
| Net income.....  | --                  | --              | --                               | 1,538,813            | --   | 1,538,813                        |
| Balance, December 31, 1994.....  | 6,000,000           | 60,000          | --                               | 1,059,603            | --   | 1,119,603                        |
| Distributions.....   | --                  | --              | --                               | (1,121,342)          | --   | (1,121,342)                      |
| Net income.....  | --                  | --              | --                               | 2,027,266            | --   | 2,027,266                        |
| Unrealized gain on<br>available-for-sale securities....  | --                  | --              | --                               | --                   | 21,696   | 21,696                           |
| Balance, December 31, 1995.....  | 6,000,000           | 60,000          | --                               | 1,965,527            | 21,696   | 2,047,223                        |
| Distributions.....   | --                  | --              | --                               | (135,020)            | --   | (135,020)                        |
| Net income.....  | --                  | --              | --                               | 1,191,038            | --   | 1,191,038                        |
| Unrealized loss on<br>available-for-sale securities....  | --                  | --              | --                               | --                   | (62,842)   | (62,842)                         |
| Balance, June 30, 1996 (Unaudited)....   | 6,000,000           | 60,000          | --                               | 3,021,545            | (41,146)   | 3,040,399                        |
| Pro forma adjustments (Note 1):  |                     |                 |                                  |                      |  |                                  |
| Proceeds from initial public<br>offering, less estimated<br>underwriting discounts and<br>offering expenses..... | 2,000,000           | 20,000          | 25,070,000                       | --                   | --   | 25,090,000                       |
| Distribution of undistributed<br>earnings to S corporation<br>stockholder.....                                   | --                  | --              | --                               | (2,200,000)          | --   | (2,200,000)                      |
| Recognition of deferred income tax<br>liability upon termination of S<br>corporation status (Note 3).....        | --                  | --              | --                               | (400,000)            | --   | (400,000)                        |
| Pro forma balance, June 30, 1996<br>(Unaudited).....   | <u>8,000,000</u>    | <u>\$80,000</u> | <u>\$25,070,000</u>              | <u>\$ 421,545</u>    | <u>\$ (41,146)</u>                                       | <u>\$ 25,530,399</u>             |

The accompanying notes are an integral part of these financial statements.

FORRESTER RESEARCH, INC.  
STATEMENTS OF CASH FLOWS

|  | YEAR ENDED DECEMBER 31, |             |             | SIX MONTHS ENDED<br>JUNE 30, |             |
|--|-------------------------|-------------|-------------|------------------------------|-------------|
|  | 1993                    | 1994        | 1995        | 1995                         | 1996        |
|  | (UNAUDITED)             |             |             |                              |             |
| Cash flows from operating activities:  |                         |             |             |                              |             |
| Net income.....  | \$ 979,998              | \$1,538,813 | \$2,027,266 | \$ 523,407                   | \$1,191,038 |
| Adjustments to reconcile net income to net cash<br>provided by operating activities -- |                         |             |             |                              |             |
| Depreciation and amortization.....   | 105,120                 | 150,067     | 286,705     | 127,519                      | 211,857     |
| Accretion of discount on marketable<br>securities.....                                 | --                      | (24,935)    | (60,377)    | (30,459)                     | (108,791)   |
| Unrealized gain (loss) on<br>available-for-sale securities.....                        | --                      | --          | 21,696      | --                           | (62,842)    |
| Changes in assets and liabilities --   |                         |             |             |                              |             |
| Accounts receivable.....   | (478,464)               | (455,965)   | (3,010,742) | (620,445)                    | (1,249,056) |
| Deferred commissions.....  | (61,610)                | (158,244)   | (396,752)   | (148,251)                    | (225,091)   |
| Prepaid expenses and other current<br>assets.....                                      | (5,766)                 | 5,113       | (15,582)    | (113,129)                    | (156,279)   |
| Accounts payable.....  | (15,618)                | 28,748      | 335,950     | 343,874                      | 260,063     |
| Customer deposits.....   | --                      | --          | 97,329      | --                           | 37,495      |
| Accrued expenses.....  | (99,021)                | 330,913     | 1,019,763   | 419,135                      | 189,219     |
| Deferred revenue.....  | 883,018                 | 2,268,001   | 4,261,527   | 1,474,715                    | 3,005,165   |
| Net cash provided by operating<br>activities.....                                      | 1,307,657               | 3,682,511   | 4,566,783   | 1,976,366                    | 3,092,778   |
| Cash flows from investing activities:  |                         |             |             |                              |             |
| Purchases of property and<br>equipment.....  | (236,314)               | (304,736)   | (751,850)   | (505,958)                    | (1,078,274) |
| Purchase of marketable securities.....   | --                      | (1,960,420) | (9,171,880) | (1,957,270)                  | (5,318,408) |
| Proceeds from sales and maturities<br>of marketable securities.....                    | --                      | --          | 4,697,131   | 2,000,000                    | 3,156,137   |
| Net cash used in investing<br>activities.....  | (236,314)               | (2,265,156) | (5,226,599) | (463,228)                    | (3,240,545) |
| Cash flows used in financing activities:   |                         |             |             |                              |             |
| Distributions to stockholder.....  | (345,000)               | (1,750,000) | (1,121,342) | (348,655)                    | (135,020)   |
| Net increase (decrease) in cash and cash<br>equivalents.....                           | 726,343                 | (332,645)   | (1,781,158) | 1,164,483                    | (282,787)   |
| Cash and cash equivalents, beginning of period....                                     | 2,385,027               | 3,111,370   | 2,778,725   | 2,778,725                    | 997,567     |
| Cash and cash equivalents, end of period.....  | \$3,111,370             | \$2,778,725 | \$ 997,567  | \$3,943,208                  | \$ 714,780  |
| Supplemental disclosures of cash flow information:                                     |                         |             |             |                              |             |
| Cash paid during the period for income taxes...  | \$ 42,320               | \$ 18,961   | \$ 44,893   | \$ 22,500                    | \$ 80,000   |

The accompanying notes are an integral part of these financial statements.

FORRESTER RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
(INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Forrester Research, Inc. (the Company) creates, publishes, and sells technology research reports and provides advisory services and technology conferences. The Company is incorporated under the laws of the State of Delaware and grants credit to its customers with locations throughout the world.

The preparation of the accompanying financial statements required the use of certain estimates by management in determining the Company's assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

The accompanying financial statements reflect the application of certain significant accounting policies as described below and elsewhere in the accompanying financial statements and notes.

Interim Financial Statements

The accompanying balance sheet as of June 30, 1996, and the statements of income and cash flows for the six months ended June 30, 1995 and June 30, 1996, and the statement of stockholder's equity for the six months ended June 30, 1996, are unaudited, but in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of results for these interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. The results of operations for the six months ended June 30, 1996, are not necessarily indicative of the results to be expected for the entire fiscal year.

Pro Forma Presentation (Unaudited)

The unaudited pro forma balance sheet, as of June 30, 1996, reflects (i) the sale of 2,000,000 shares of common stock at an assumed initial public offering price of \$14.00 per share (less estimated underwriting discounts and offering expenses), (ii) distribution of previously undistributed S corporation earnings taxed or taxable to the Company's sole stockholder of approximately \$2.2 million based on earnings through June 30, 1996, but does not include the amount to be distributed for S corporation earnings from July 1, 1996 through the termination of the Company's S corporation election upon completion of this offering, and (iii) termination of the Company's S corporation election and the recognition of a deferred income tax liability of approximately \$400,000 as of June 30, 1996 (see Note 3).

Upon completion of an initial public offering, the Company will no longer be treated as an S corporation and will be subject to federal and state income taxes at prevailing corporate rates. Accordingly, the accompanying statements of income include a pro forma income tax adjustment reflecting the Company's income tax expense assuming the Company had been a C corporation (see Note 3).

Revenue Recognition

The Company invoices its core research, advisory, and other services when an order is received, at which time the gross amount is recorded as deferred revenue. Core research is recorded as revenue ratably over the term of the agreement as the research is delivered. Advisory and other services are recognized during the period in which the services are performed.

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

Deferred Commissions

Commissions incurred in acquiring new or renewal business are deferred and amortized as the related revenue is recognized.

Pro Forma Net Income Per Common Share

Pro forma net income per common share is computed by dividing pro forma net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the period, adjusted for the reincorporation discussed in Note 6. Common stock equivalents consist of common stock issuable on the exercise of outstanding options. In accordance with Securities and Exchange Commission requirements, all common stock and common stock equivalents issued during the twelve months preceding the proposed date of Registration Statement relating to an initial public offering have been included in the net income per share computation as if they were outstanding for all periods using the Treasury Stock method. Historical net income per share data are not presented because the information is not considered meaningful.

Depreciation

The Company provides for depreciation, computed using the straight-line method, by charges to income in amounts that allocate the costs of these assets over their estimated useful lives as follows:

|                              | ESTIMATED<br>USEFUL LIFE<br>----- |
|------------------------------|-----------------------------------|
| Machinery and equipment..... | 5 Years                           |
| Furniture and fixtures.....  | 7 Years                           |
| Computer software.....       | 3 Years                           |
| Vehicles.....                | 5 Years                           |
| Leasehold improvements.....  | Life of lease                     |

Product Development

All costs incurred in the development of new products and services are expensed as incurred.

Concentration of Credit Risk

Statement of Financial Accounting Standards (SFAS) No. 105, Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentration of Credit Risk, requires disclosure of any significant off-balance-sheet and credit risk concentrations. Financial instruments, which potentially subject the Company to concentrations of credit risk, are principally cash and cash equivalents, investments and accounts receivable. The Company places its investments in highly rated institutions. No single customer accounted for greater than 10% of revenues in any of the years presented.

Financial Instruments

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure about fair value of financial instruments. Financial instruments consist of cash equivalents, marketable securities, and accounts receivable. The estimated fair value of these financial instruments approximates their carrying value and, except for accounts receivable, is based primarily on market quotes. The Company's cash equivalents and marketable securities are generally obligations of the federal

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

government or municipal issuers. The Company, by policy, limits the amount of credit exposure to any one financial institution.

(2) CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all short-term, highly liquid investments with original maturities of 90 days or less to be cash equivalents.

The Company accounts for investments in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, securities that the Company has the positive intent and ability to hold to maturity are reported at amortized cost and are classified as held-to-maturity. At December 31, 1994 and 1995 and June 30, 1996, held-to-maturity securities consisted of investments in U.S. treasury bills. These investments are classified as current as they mature within one year. Securities purchased to be held for indefinite periods of time and not intended at the time of purchase to be held until maturity are classified as available-for-sale securities. At December 31, 1995 and June 30, 1996, these securities consisted of investments in federal and state government obligations, which were recorded at fair market value, with any unrealized gains and losses reported as a separate component of stockholder's equity. These investments were classified as marketable securities at December 31, 1995 and June 30, 1996 as it is the Company's intent to hold these securities less than one year. There were no available-for-sale securities as of December 31, 1994. Securities that are bought and held principally for the purpose of selling in the near term are classified as trading securities. There were no trading securities as of December 31, 1994 and 1995 and June 30, 1996.

At December 31, 1994 and 1995 and June 30, 1996 marketable securities consist of the following:

|                                 | DECEMBER 31, |             | JUNE 30,    |
|---------------------------------|--------------|-------------|-------------|
|                                 | 1994         | 1995        | 1996        |
| U.S. treasury bills.....        | \$1,985,355  | \$3,876,100 | \$2,639,127 |
| U.S. treasury notes.....        | --           | 613,456     | 2,136,912   |
| Federal agency obligations..... | --           | 309,255     | 845,649     |
| State and municipal bonds.....  | --           | 1,721,670   | 3,169,855   |
|                                 | -----        | -----       | -----       |
|                                 | \$1,985,355  | \$6,520,481 | \$8,791,543 |
|                                 | =====        | =====       | =====       |

The following table summarizes the maturity periods of marketable securities as of December 31, 1995:

|                                 | LESS THAN 1<br>YEAR | 1 TO 5<br>YEARS | 5 TO 10<br>YEARS | TOTAL       |
|---------------------------------|---------------------|-----------------|------------------|-------------|
| U.S. treasury bills.....        | \$3,876,100         | \$ --           | \$ --            | \$3,876,100 |
| U.S. treasury notes.....        | --                  | 457,314         | 156,142          | 613,456     |
| Federal agency obligations..... | --                  | 148,982         | 160,273          | 309,255     |
| State and municipal bonds.....  | --                  | 585,181         | 1,136,489        | 1,721,670   |
|                                 | -----               | -----           | -----            | -----       |
|                                 | \$3,876,100         | \$1,191,477     | \$1,452,904      | \$6,520,481 |
|                                 | =====               | =====           | =====            | =====       |

Gross realized gains and losses on sales of marketable securities for the years ended December 31, 1994 and 1995 and the six months ended June 30, 1995 and 1996, which were calculated based on specific identification, were not material.



FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

## (3) INCOME TAXES

The Company has elected to be taxed, since January 1, 1987, under Subchapter S of the Internal Revenue Code of 1986, as amended, whereby the sole stockholder is liable for individual federal and state income taxes on the Company's taxable income. Payments to the stockholder to cover the tax liabilities as a result of the Company's taxable income are recorded as distributions in the accompanying statements of stockholder's equity.

The Company's state income tax provision for each of the fiscal years presented consists of corporate-level state income taxes that are levied against the Company as an S corporation.

The Company accounts for income taxes, including pro forma computations, in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS 109 prescribes an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred state taxes as of December 31, 1994 and 1995 and June 30, 1996 were immaterial.

Upon completion of an initial public offering, the Company will terminate its S corporation election and will be subject to federal and state income taxes at prevailing corporate rates. Accordingly, the accompanying statements of income for each of the three years in the period ended December 31, 1995 and the six months ended June 30, 1995 and 1996 include a pro forma income tax adjustment for the income taxes that would have been recorded if the Company had been a C corporation for the periods presented.

The pro forma income tax adjustment is computed as follows:

|   | YEAR ENDED<br>DECEMBER 31, |           |           | SIX MONTHS<br>ENDED JUNE 30, |           |
|---|----------------------------|-----------|-----------|------------------------------|-----------|
|   | 1993                       | 1994      | 1995      | 1995                         | 1996      |
| Pro Forma provision for income taxes:             |                            |           |           |                              |           |
| Current-  |                            |           |           |                              |           |
| Federal.....                                      | \$229,000                  | \$482,000 | \$592,000 | \$128,000                    | \$367,000 |
| State.....  | 71,000                     | 149,000   | 183,000   | 39,000                       | 113,000   |
|   | 300,000                    | 631,000   | 775,000   | 167,000                      | 480,000   |
| Deferred-   |                            |           |           |                              |           |
| Federal.....                                      | 85,000                     | 19,000    | 46,000    | 35,000                       | 22,000    |
| State.....  | 26,000                     | 6,000     | 14,000    | 11,000                       | 6,000     |
|   | 111,000                    | 25,000    | 60,000    | 46,000                       | 28,000    |
| Total required provision for<br>income taxes..... | 411,000                    | 656,000   | 835,000   | 213,000                      | 508,000   |
| Less: Actual State income tax<br>provision.....   | 46,000                     | 73,000    | 96,000    | 25,000                       | 65,000    |
| Pro forma income tax adjustment.....              | \$365,000                  | \$583,000 | \$739,000 | \$188,000                    | \$443,000 |

The combined provision for income taxes and pro forma income tax adjustment do not materially differ from the Company's combined federal and state statutory rate of 40%.

Upon termination of the S corporation election, deferred income taxes will be recorded for the tax effect of cumulative temporary differences between the financial reporting and tax bases of certain assets and liabilities, primarily deferred commissions, accrued expenses and cumulative tax depreciation in excess of financial reporting allowances. If the S corporation election had been terminated at June 30, 1996, these temporary differences would have resulted in a net deferred

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

income tax liability of approximately \$400,000. The Company will record this tax liability as a one-time increase in the tax provision in the period in which the S corporation election is terminated. As this is a nonrecurring charge it has been excluded from the pro forma income tax adjustment.

(4) COMMITMENTS

The Company leases its office space under an operating lease. The Company will also make lease payments on its previous facility through January 1997. The excess of the payments on its old facility over anticipated sublease income has been accrued as of December 31, 1995 and June 30, 1996.

Minimum rentals due in future years under these operating leases are approximately as follows:

|                                    | AMOUNT      |
|------------------------------------|-------------|
|                                    | -----       |
| Year ending December 31, 1996..... | \$1,002,000 |
| 1997.....                          | 1,011,000   |
| 1998.....                          | 1,001,000   |
| 1999.....                          | 1,007,000   |
| 2000.....                          | 1,012,000   |
| Thereafter.....                    | 262,000     |
|                                    | -----       |
| Total minimum lease payments.....  | \$5,295,000 |
|                                    | =====       |

Rent expense was approximately \$257,000, \$369,000, and \$663,000 for the years ended December 31, 1993, 1994, and 1995, respectively.

In connection with its facility leases, the Company has outstanding letters of credit of approximately \$73,000.

(5) 401(K) PLAN

The Company has a 401(k) savings and profit sharing plan covering substantially all eligible employees. The Plan is a qualified defined contribution plan in accordance with Section 401(k) of the Internal Revenue Code and is funded entirely through employee contributions.

(6) STOCKHOLDER'S EQUITY

(a) Reincorporation

In February 1996, in connection with the Company's reincorporation in Delaware, the Company increased the number of authorized shares of common stock to 7,000,000, and each outstanding share of common stock was exchanged for 1,000 shares of common stock in the reincorporated entity. The accompanying financial statements and notes have been retroactively adjusted to reflect this transaction. In September 1996, the Board of Directors voted to amend the Company's Certificate of Incorporation and Bylaws to increase the number of authorized shares of common stock to 25,000,000.

(b) Stock Option Plans

In February 1996, the Company adopted the Forrester Research, Inc. 1996 Equity Incentive Plan, which was amended in September 1996 (the Plan). The Plan provides for the issuance of incentive stock options (ISOs) and nonqualified stock options (NSOs) to purchase up to 2,750,000 shares of common stock. Under the terms of the Plan, ISOs may not be granted at less than fair market value on the date of grant (and in no event less than par value). ISO grants to holders of 10% of the combined voting power of all classes of Company stock must be granted at an exercise

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

price of not less than 110% of the fair market value at the date of grant. The fair market value of \$5.50 per share for the options granted in February 1996 was based on an independent appraisal. Options vest ratably over three years and expire after 10 years. Options granted under the Plan immediately vest upon certain events, as defined.

Stock option activity since the Plan's inception to June 30, 1996 was as follows:

|                                   | NUMBER<br>OF SHARES | EXERCISE PRICE<br>PER SHARE |
|-----------------------------------|---------------------|-----------------------------|
|                                   | -----               | -----                       |
| Granted.....                      | 461,311             | \$5.50                      |
| Canceled.....                     | 18,555              | 5.50                        |
|                                   | -----               | -----                       |
| Outstanding at June 30, 1996..... | 442,756             | \$5.50                      |
|                                   | =====               | =====                       |
| Exercisable at June 30, 1996..... | --                  | \$ --                       |
|                                   | =====               | =====                       |

Upon consummation of the proposed offering, 149,376 ISOs will vest immediately. Subsequent to June 30, 1996, options to purchase an additional 12,800 shares of common stock at \$5.50 per share were cancelled. On July 10, 1996, the Company granted ISOs to purchase 50,464 shares of common stock at \$11.00 per share. On September 11, 1996, the Company granted ISOs to purchase 248,169 shares of common stock at \$13.00 per share. Options available for future grant under the Plan are 2,021,411.

In September 1996, the Company adopted the 1996 Stock Option Plan for Non-Employee Directors (the Director's Plan) which provides for the issuance of options to purchase up to 150,000 shares of common stock. The Director's Plan provides that non-employee directors who have agreed to serve as directors of the Company will receive, on the date that the Company first files a registration statement under the Securities Act of 1933 covering the Common Stock, an option to purchase 6,000 shares of the Company's common stock at an exercise price of \$13.00 per share. Such options will vest in three equal installments commencing on the date of completion of the initial public offering of the common stock and on the first and second anniversaries of such date. Each non-employee director elected thereafter shall be awarded options to purchase 6,000 shares of common stock, at an exercise price equal to the fair market value of the common stock, upon his or her election as a director, which will vest in three equal installments commencing on the date of grant and on the first and second anniversaries of the date of grant. Each non-employee director will also receive an option to purchase 4,000 shares of common stock, at an exercise price equal to the fair market value of the common stock, each year immediately following the Company's annual stockholders meeting, which will vest in three equal installments on the first, second and third anniversaries of the date of grant. The Compensation Committee of the Board of Directors also has the authority under the Director's Plan to grant options to non-employee directors in such amounts and on such terms as set forth in the Director's Plan as it shall determine at the time of grant.

In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123. The Company will be required to disclose the pro forma net income or loss and per share amounts in the notes to the financial statements using the fair-value-based method beginning in the year ending December 31, 1996, with comparable disclosures for the year ended December 31, 1995. The Company has not determined the impact of these pro forma adjustments.

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

## (c) Employee Stock Purchase Plan

In September 1996, the Company adopted the 1996 Employee Stock Purchase Plan (the Stock Purchase Plan) that provides for the issuance of up to 200,000 shares of common stock. The Stock Purchase Plan is administered by the Board of Directors. With certain limited exceptions, all employees of the Company employed more than 30 hours per week, including officers and directors who are employees, are eligible to participate in the Stock Purchase Plan. The Stock Purchase Plan consists of semiannual offerings on January 1 and July 1 of each year. The first offering under the Stock Purchase Plan will commence on the first day the Company's common stock is publicly traded on the Nasdaq National Market and will end on June 30, 1997. Each subsequent offering under the Stock Purchase Plan will be six months in length and will commence on each successive July 1 and January 1. During each offering under the Plan, the maximum number of shares of common stock that may be purchased by an employee is determined on the first day of the offering period under a formula whereby an amount equal to that percentage of the employee's regular salary that he or she has elected to have withheld is divided by 85% of the market value of a share of common stock on the first day of the offering period. An employee may elect to have up to a maximum of 10% deducted from his or her regular salary for the purpose of purchasing shares under the Stock Purchase Plan. The price at which the employee's shares are purchased is the lower of (a) 85% of the closing price of the common stock on the day that the offering commences, or (b) 85% of the closing price of the common stock on the day that the offering terminates. No shares have been purchased under the Stock Purchase Plan.

## (d) Preferred Stock

In September 1996, the Board of Directors voted to amend the Company's Certificate of Incorporation to permit the issuance of up to 500,000 shares of \$.01 par value preferred stock. The Board of Directors has full authority to issue this stock and to fix the voting powers, preferences, rights, qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences and the number of shares constituting any series or designation of such series.

## (7) NET SALES BY GEOGRAPHIC DESTINATION

Net sales by geographic destination and as a percentage of total sales are as follows:

|                    | YEAR ENDED DECEMBER 31, |             |              | SIX MONTHS<br>ENDED JUNE 30, |              |
|--------------------|-------------------------|-------------|--------------|------------------------------|--------------|
|                    | 1993                    | 1994        | 1995         | 1995                         | 1996         |
| United States..... | \$6,180,336             | \$8,103,708 | \$12,025,529 | \$4,531,342                  | \$ 7,966,400 |
| Europe.....        | 357,365                 | 629,208     | 1,066,314    | 407,555                      | 1,080,580    |
| Other.....         | 761,416                 | 965,886     | 1,496,969    | 642,078                      | 1,014,868    |
|                    | \$7,299,117             | \$9,698,802 | \$14,588,812 | \$5,580,975                  | \$10,061,848 |
| United States..... | 85%                     | 84%         | 82%          | 81%                          | 79%          |
| Europe.....        | 5                       | 6           | 8            | 7                            | 11           |
| Other.....         | 10                      | 10          | 10           | 12                           | 10           |
|                    | 100%                    | 100%        | 100%         | 100%                         | 100%         |

FORRESTER RESEARCH, INC.  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 (INCLUDING DATA APPLICABLE TO UNAUDITED PERIODS)

## (8) ACCRUED EXPENSES

Accrued expenses consist of the following:

|                          | DECEMBER 31,     |                    | JUNE 30,           |
|--------------------------|------------------|--------------------|--------------------|
|                          | 1994             | 1995               | 1996               |
| Payroll and related..... | \$ 23,709        | \$ 802,673         | \$ 832,945         |
| Other.....               | 501,343          | 742,142            | 901,089            |
|                          | <u>\$525,052</u> | <u>\$1,544,815</u> | <u>\$1,734,034</u> |

## UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of such Underwriters, for whom Goldman, Sachs & Co. and Robertson, Stephens & Company LLC are acting as representatives, has severally agreed to purchase from the Company, the respective number of shares of Common Stock set forth opposite its name below:

| UNDERWRITER                            | NUMBER OF SHARES<br>OF COMMON STOCK |
|--|-------------------------------------|
| -----                                  | -----                               |
| Goldman, Sachs & Co.....               |                                     |
| Robertson, Stephens & Company LLC..... |                                     |
|  | -----                               |
| Total.....                             | 2,000,000                           |
|  | =====                               |

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the shares offered hereby, if any are taken.

The Underwriters propose to offer the shares of Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus and in part to certain securities dealers at such price less a concession of \$            per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$            per share to certain brokers and dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Company has granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of 300,000 additional shares of Common Stock to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the 2,000,000 shares of Common Stock offered.

The Company, Mr. Colony, who prior to the completion of the offering is the sole stockholder of the Company, and directors, certain executive officers, and other employees of the Company who hold options to purchase 582,945 shares of Common Stock have agreed that, during the period beginning from the date of this Prospectus and continuing to and including the date 180 days after the date of this Prospectus, they will not offer, sell, contract to sell, or otherwise dispose of any securities of the Company (other than pursuant to employee stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus) which are substantially similar to the shares of Common Stock or which are convertible into or exchangeable for securities which are substantially similar to the shares of Common Stock without the prior written consent of the representatives, except for the shares of Common Stock offered in connection with this offering.

The representatives of the Underwriters have informed the Company that they do not expect sales to accounts over which the Underwriters exercise discretionary authority to exceed five percent of the total number of shares of Common Stock offered by them.

Prior to this offering, there has been no public market for the shares. The initial public offering price will be negotiated among the Company and the representatives. Among the factors to be considered in determining the initial public offering price of the Common Stock, in addition to prevailing market conditions, will be the Company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management, and the consideration of the above factors in relation to market valuation of companies in related businesses.

Application has been made for quotation of the Common Stock on the Nasdaq National Market under the symbol "FORR".

The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act.

[Corporate Logo]



NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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THROUGH AND INCLUDING , 1996 (THE 25TH DAY AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

2,000,000 SHARES

FORRESTER RESEARCH, INC.

COMMON STOCK  
(PAR VALUE \$.01 PER SHARE)

LOGO

GOLDMAN, SACHS & CO.

ROBERTSON, STEPHENS & COMPANY  
REPRESENTATIVES OF THE UNDERWRITERS

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

| ITEM                                    | AMOUNT    |
|---|-----------|
| SEC Registration Fee.....               | \$ 11,897 |
| NASD Filing Fee.....                    | \$ 3,950  |
| Nasdaq National Market Listing Fee..... | \$ 46,000 |
| Blue Sky Fees and Expenses.....         | \$ 15,000 |
| Transfer Agent and Registrar Fees.....  | \$ 12,500 |
| Accounting Fees and Expenses.....       | \$200,000 |
| Legal Fees and Expenses.....            | \$275,000 |
| Printing Expenses.....                  | \$125,000 |
| Premium for D&O Insurance.....          | \$225,000 |
| Miscellaneous.....                      | \$ 35,653 |
|   | -----     |
| Total.....                              | \$950,000 |
|   | =====     |

## ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Certificate of Incorporation provides that the Registrant's Directors shall not be liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that the exculpation from liabilities is not permitted under the Delaware General Corporation Law as in effect at the time such liability is determined. The Bylaws provide that the Registrant shall indemnify its directors and officers to the full extent permitted by the laws of the State of Delaware.

## ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In the three years preceding the filing of this Registration Statement, the Registrant has not sold any securities which were not registered under the Securities Act of 1933, as amended (the "Securities Act").

The Registrant has awarded to employees and directors options to purchase 752,589 shares of Common Stock, none of which have become exercisable prior to the date hereof. The Registrant also issued 6,000,000 shares of Common Stock to its sole stockholder in February 1996 in connection with its reincorporation merger in Delaware. Such transaction was not a "sale" because it fit within the exemption under Rule 145(a)(2) under the Securities Act.

## ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following is a list of exhibits filed as a part of this registration statement.

## (a) Exhibits

| EXHIBIT NUMBER | DESCRIPTION   |
|----------------|---|
| 1              | Form of Underwriting Agreement among the Underwriters named therein and the Company.*   |
| 3.1            | Restated Certificate of Incorporation of the Company.*  |
| 3.2            | Bylaws of the Company, as amended.*   |
| 4              | Specimen Certificate for shares of Common Stock, \$.01 par value, of the Company.   |
| 5              | Opinion of Ropes & Gray.*   |
| 10.1           | Form of Registration Rights and Non-Competition Agreement.  |
| 10.2           | Form of Tax Indemnification Agreement.*   |
| 10.3           | 1996 Amended and Restated Equity Incentive Plan.  |
| 10.4           | 1996 Employee Stock Purchase Plan.  |
| 10.5           | 1996 Director Option Plan for Non-Employee Directors.   |
| 10.6           | Lease dated May 1, 1995 between Advent Realty Limited Partnership II and the Company for the premises located at 1033 Massachusetts Avenue, Cambridge, Massachusetts. |
| 11             | Statement Regarding Computation of Pro Forma Per Share Earnings.  |
| 23.1           | Consent of Ropes & Gray (contained in its opinion filed as Exhibit 5 hereto).   |
| 23.2           | Consent of Arthur Andersen LLP.   |
| 24             | Power of Attorney (included in the signature page of this Registration Statement).  |
| 99.1           | Consent of Robert M. Galford.*  |
| 99.2           | Consent of George R. Hornig.*   |
| 99.3           | Consent of Christopher W. Mines.*   |
| 99.4           | Consent of Michael H. Welles.*  |

\* To be filed by amendment.

## (b) Financial Statement Schedules

## Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in Regulations S-X of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

## ITEM 17. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the provisions described under "Item 14 -- Indemnification of Directors and Officers" above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes that:

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

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

The undersigned Company hereby undertakes to provide at the closing of this offering to the Underwriters specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cambridge, Commonwealth of Massachusetts, on this 26th day of September, 1996.

FORRESTER RESEARCH, INC.

By: /s/ GEORGE F. COLONY

-----  
 Name: George F. Colony  
 Chairman of the Board, President,  
 and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Forrester Research, Inc., hereby severally constitute George F. Colony, Susan M. Whirty, and Ann L. Milner, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Registration Statement filed herewith and any and all amendments to said Registration Statement (or any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and generally to do all such things in our names and in our capacities as officers and directors to enable Forrester Research, Inc. to comply with the provisions of the Securities Act of 1933, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Registration Statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-1 has been signed by the following persons in the capacities of Forrester Research, Inc. on the dates indicated.

| SIGNATURE   | TITLE   | DATE               |
|---|---|--------------------|
| /s/ GEORGE F. COLONY<br>-----<br>George F. Colony | Chief Executive Officer,<br>President and Director<br>(Principal Executive<br>Officer)  | September 26, 1996 |
| /s/ SUSAN M. WHIRTY<br>-----<br>Susan M. Whirty   | Director, Operations, General<br>Counsel, Treasurer and<br>Secretary (Principal<br>Financial Officer and<br>Accounting Officer) | September 26, 1996 |

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To the Stockholder of  
Forrester Research, Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements of Forrester Research, Inc. included in this registration statement and have issued our report thereon dated July 23, 1996 (except with respect to matters discussed in Note 6, as to which the date is September 25, 1996). Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 16(b) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
July 23, 1996

S-1

## SCHEDULE II

FORRESTER RESEARCH, INC.

## VALUATION AND QUALIFYING ACCOUNTS

| ALLOWANCE FOR<br>DOUBTFUL ACCOUNTS | ADDITIONS                          |                                  |                           | BALANCE,<br>END<br>OF<br>PERIOD |
|------------------------------------|------------------------------------|----------------------------------|---------------------------|---------------------------------|
|                                    | BALANCE,<br>BEGINNING<br>OF PERIOD | CHARGED<br>TO COST OR<br>EXPENSE | DEDUCTIONS<br>(WRITEOFFS) |                                 |
| Fiscal 1993.....                   | \$ --                              | \$158,624                        | \$(125,290 )              | \$ 33,334                       |
| Fiscal 1994.....                   | 33,334                             | 108,644                          | (53,519 )                 | 88,459                          |
| Fiscal 1995.....                   | 88,459                             | 62,245                           | (30,784 )                 | 119,920                         |

## EXHIBIT INDEX

| EXHIBIT<br>NUMBER | DESCRIPTION   | PAGE |
|-------------------|---|------|
| 1                 | Form of Underwriting Agreement among the Underwriters named therein and the Company.*   |      |
| 3.1               | Restated Certificate of Incorporation of the Company.*  |      |
| 3.2               | Bylaws of the Company, as amended.*   |      |
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| 10.3              | 1996 Amended and Restated Equity Incentive Plan.  |      |
| 10.4              | 1996 Employee Stock Purchase Plan.  |      |
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| 99.1              | Consent of Robert M. Galford.*  |      |
| 99.2              | Consent of George R. Hornig.*   |      |
| 99.3              | Consent of Christopher W. Mines.*   |      |
| 99.4              | Consent of Michael H. Welles.*  |      |

\* To be filed by amendment.



INCORPORATED UNDER THE LAWS OF DELAWARE

NUMBER

SHARES

-0-

0

FORRESTER RESEARCH, INC.  
Common Stock  
\$.01 Par Value

SPECIMEN

This Certifies that \_\_\_\_\_ is the owner of Zero (0) Shares of the  
Capital Stock of

FORRESTER RESEARCH, INC.

transferable only on the books of the Corporation by the holder hereof in  
person or by Attorney upon surrender of this Certificate properly endorsed.

IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be  
signed by its duly authorized officers and its Corporate Seal to be hereunder  
affixed this \_\_\_\_\_ day of \_\_\_\_\_ A.D., 19\_\_.

\_\_\_\_\_  
President

\_\_\_\_\_  
Treasurer

FORRESTER RESEARCH, INC

Common Stock  
\$.01 Par Value

Certificate  
FOR  
0  
Shares  
of  
Capital Stock  
Issued to

SPECIMEN

DATED

For Value Received, \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_  
\_\_\_\_\_ Shares  
of the Capital Stock represented by the within Certificate, and do hereby  
irrevocably constitute and appoint \_\_\_\_\_  
\_\_\_\_\_ to transfer the said Stock on the books of the within  
named Corporation with full power of substitution in the premises.

Dated \_\_\_\_\_, 19\_\_

in presence of \_\_\_\_\_  
\_\_\_\_\_

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS  
WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT  
ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

FORRESTER RESEARCH, INC.  
REGISTRATION RIGHTS AND NONCOMPETITION AGREEMENT

THIS REGISTRATION RIGHTS AND NONCOMPETITION AGREEMENT (the "Agreement") is made as of the \_\_\_th day of \_\_\_\_\_, 1996, between Forrester Research, Inc. ("Forrester") and George F. Colony (the "Stockholder").

RECITALS

WHEREAS, Forrester desires that the Stockholder agree to the provisions of Sections 2 and 3 hereof to protect the confidential information and other goodwill of Forrester; and

WHEREAS, the Stockholder desires that Forrester grant him the registration rights set forth in Section 1 and agree to comply with the other provisions set forth herein;

NOW THEREFORE, in consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Forrester and the Stockholder agree as follows:

AGREEMENT

1. REGISTRATION RIGHTS.

(a) Piggyback Registration Rights. At any time following the closing of the initial public offering of Forrester's common stock, \$.01 par value per share (the "Common Stock"), whenever Forrester proposes to register any of its Common Stock for its own or others' account under the Securities Act of 1933, as amended (the "1933 Act"), for a public offering for cash, other than a registration relating to employee benefit plans, Forrester will give the Stockholder prompt written notice of its intent to do so. Upon the written request of the Stockholder given within ten (10) days after receipt of such notice, Forrester will use its best efforts to cause to be included in such registration all of the Common Stock owned by that one Stockholder which he requests be included. If Forrester is advised in writing in good faith by any managing underwriter of the offering that the number of shares to be sold by persons other than Forrester is greater than the number of such shares which can be offered without adversely affecting the offering, Forrester may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person), including the Stockholder, to a number deemed satisfactory by such managing underwriter.

(b) Demand Registrations. At any time following six months after the closing of the initial public offering of the Common Stock, the Stockholder may request, in writing, that Forrester effect the registration of a number of shares having a fair market value at such time of no less than five million dollars (\$5,000,000). If the Stockholder intends to distribute the shares in an underwritten offering, he shall so advise Forrester in his request. Forrester shall, as expeditiously as possible, use its best efforts to effect the registration of all such shares. Forrester shall not be required to effect more than two registrations pursuant to this Section 1(b). In addition, Forrester shall not be required to effect any registration within six months after the effective date of any other registration statement filed by Forrester with the Securities and Exchange Commission (the "Commission") for a public offering and sale of securities of the Company (other than a registration statement on Form S-8 or Form S-4, or their successors, or any other form for a limited purpose, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another corporation).

(c) Registration Procedures. Forrester shall bear expenses incurred in connection with the registrations under this Agreement (including all registration, filing, qualification, printer's and accounting fees, but excluding underwriting commissions and discounts). In connection with each registration pursuant to paragraph (b) of this Section 1, Forrester shall (i) use its best efforts to prepare and file with the Commission as soon as reasonably practicable, a registration statement with respect to the Common Stock and use its best efforts to cause such registration statement to promptly become and remain effective for a period of at least one-hundred twenty (120) days (or such shorter period during which the Stockholder shall have sold all shares which he requested to be registered); (ii) use its best efforts to register and qualify the Common Stock covered by such registration statement under applicable state securities laws as the Stockholder shall reasonably request for the distribution of the Forrester Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

(d) Underwriting Arrangement. In connection with each registration pursuant this Section 1 for an underwritten public offering, Forrester and the Stockholder agree to enter into a written agreement with the managing underwriter in such form and containing such provisions as are customary in the securities business for such an arrangement between such underwriter and companies of Forrester's size and investment stature, including indemnification and contribution provisions.

(e) Availability of Rule 144. Forrester shall not be obligated to register shares of Common Stock held by the Stockholder at any time when the resale

provisions of Rule 144 promulgated under the 1933 Act are available to the Stockholder without limitation as to volume.

(f) Market Standoff. In consideration of the granting to the Stockholder of the registration rights under this Agreement, the Stockholder agrees that he will not sell, transfer or otherwise dispose of, including without limitation through put or short sale arrangements, shares of Forrester Stock in the ten (10) days prior to the effectiveness of any registration of Forrester Stock for sale to the public and for up to ninety (90) days following the effectiveness of such registration, provided that all directors, executive officers and holders of more than five percent (5%) of the outstanding Common Stock agree to the same restrictions.

2. CONFIDENTIALITY.

(a) Nondisclosure and Nonuse of Confidential Information. The Stockholder acknowledges that Forrester continually develops Confidential Information, that the Stockholder may develop Confidential Information (as defined in Section 4 below) for Forrester, and that the Stockholder may learn of Confidential Information during the course of the Stockholder's employment with Forrester. The Stockholder agrees to comply with Forrester's policies and procedures for protecting Confidential Information and except as required by the proper performance of the Stockholder's duties, the Stockholder agrees never, directly or indirectly, to use or disclose any Confidential Information without the prior written consent of Forrester's Board of Directors or an officer of Forrester designated by the Board of Directors. This restriction shall continue to apply after the Stockholder's employment terminates.

(b) Use and Return of Property and Documents. The Stockholder agrees to protect the integrity of Confidential Information and keep confidential (a) all documents, records, tapes, and other media ("Documents") in which Confidential Information may be contained, (b) all Confidential Information in electronic form ("Electronic Information"), and (c) all other Confidential Information not reduced to written or electronic form. The Stockholder will not copy any Documents or Electronic Information except as required by the nature of the Stockholder's duties. The Stockholder will not remove any Documents or copies from Forrester's premises, or transmit any Electronic Information outside of Forrester's internal electronic network, unless authorized by Forrester's Board of Directors or an officer of Forrester designated by the Board of Directors. The Stockholder will return to Forrester immediately after the Stockholder's employment terminates all Documents and copies thereof, all Electronic Information (in whatever form), and any other property of Forrester then in the Stockholder's possession or control.

(c) Assignments of Rights. The Stockholder agrees to disclose promptly and fully all Intellectual Property (as defined in paragraph (a) of Section 4 to Forrester. The Stockholder hereby assigns and agrees to assign to Forrester (or as otherwise directed by Forrester) the Stockholder's full right, title, and interest to all Intellectual Property. The Stockholder agrees to execute any and all applications for domestic and foreign patents, copyrights, or other proprietary rights and do such other acts (including, among others, the execution and delivery of instruments of further assurance or confirmation) requested by Forrester to assign the Intellectual Property to Forrester and to permit Forrester to enforce any patents, copyrights, or other proprietary rights in the Intellectual Property. The Stockholder will not charge Forrester for the Stockholder's time spent in complying with these obligations. All copyrightable works that the Stockholder creates shall be considered "works made for hire."

3. NONCOMPETITION, ETC.

(a) Non-Recruitment. For a period of one (1) year after the Stockholder's employment with Forrester terminates, the Stockholder agrees that he will not, and will not assist anyone else to (i) hire or attempt to hire any employee of Forrester, (ii) encourage any employee of Forrester to discontinue employment or any former employee to become employed in any business directly or indirectly competitive with Forrester's business, or (iii) encourage any independent contractor or supplier of Forrester to discontinue its relationship or violate any agreement with Forrester.

(b) Restricted Activities. The Stockholder agrees that some restrictions on the Stockholder's activities during and after the Stockholder's employment are necessary to protect the goodwill, Confidential Information, and other legitimate interests of Forrester. While the Stockholder is employed by Forrester, the Stockholder agrees not to undertake any planning for any outside business competitive with Forrester. During the Stockholder's employment and for a period of one (1) year after the Stockholder's employment terminates, (the "Restriction Period"), the Stockholder will not compete, directly or indirectly, with Forrester in the Territory described below, whether as an employee, consultant, agent, partner, owner, investor, or otherwise. Specifically, but without limiting the foregoing, the Stockholder agrees not to engage in any manner in any activity that is directly or indirectly competitive or potentially competitive with the business of Forrester as conducted or under consideration at any time during the Stockholder's employment. The Stockholder further agrees that during the Restriction Period, the Stockholder will not accept employment or a consulting position with any person who is, or at any time within one (1) year prior to termination of the Stockholder's employment was,

a customer of Forrester if such employment or consulting position involves the rendering of services by the Stockholder that are similar to any Products (as defined in paragraph (a) of Section 4) of the type offered by Forrester to such customer. For purposes of this provision, the business of Forrester shall include all Products offered by Forrester in any manner or under development, and the Stockholder's undertaking shall encompass all items, products, and services that may be used in substitution for Products. The foregoing restrictions shall not prevent the Stockholder from owning one percent (1%) or less of the equity securities of any publicly traded company. The Stockholder acknowledges that Forrester's business is global in scope and therefore that the "Territory" referred to above shall include the entire world.

(c) Notification Requirement. Until six (6) months after the Restriction Period set forth in Section 3(b), the Stockholder agrees to notify Forrester in writing of any change in the Stockholder's address and of each new job or other business activity in which the Stockholder plans to engage, at least thirty (30) days prior to beginning such job or activity. Such notice shall state the name and address of any new employer and the nature of the Stockholder's position.

#### 4. MISCELLANEOUS.

(a) Definitions. For the purposes of this Agreement, the following definitions shall apply:

Forrester as used in Sections 2, 3 and 4 means Forrester Research, Inc., a Delaware corporation, and all subsidiaries and other companies owned or controlled by it.

Products shall mean all products and product packaging (written, electronic, consultative, event, or otherwise) which are researched, developed, planned, published, sold, licensed, or otherwise distributed or put into use by Forrester, including, without limitation, all research published or planned by Forrester, all research groups created or planned by Forrester, and all services and events provided or planned by Forrester, during the term of the Stockholder's employment.

Intellectual Property means inventions, discoveries, developments, improvements, methods, processes, compositions, works, concepts, and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed, or reduced to practice by the Stockholder (whether alone or with others, and whether or not during normal business hours or on or off Forrester premises) during the

Stockholder's employment that relate to either the Products or any prospective activity of Forrester known to the Stockholder as a result of the Stockholder's employment.

Confidential Information shall mean any and all information of Forrester that is not generally known by others with whom Forrester does or plans to compete or do business. The Confidential Information includes, without limitation, such information, whether written, electronic, or oral, relating to (i) the development, research, and sales and marketing activities of Forrester; (ii) the Products; (iii) the financial information of Forrester, including without limitation actual and forecasted bookings, revenues, expenses, profit and prices; (iv) the strategic plans of Forrester; (v) the identity and special needs of the customers and prospective customers of Forrester; and (vi) people and organizations with whom Forrester has business relationships and (vii) those relationships. Confidential Information includes information in electronic form, including, without limitation, information on Forrester's electronic network and files, and other information that is not reduced to writing. Confidential Information also includes such information that Forrester may receive or has received belonging to customers or others who do business with Forrester and, except to the extent disclosed by Forrester on a nonconfidential basis, the Intellectual Property.

(b) Successors and Assigns. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns, any successor of Forrester by reorganization, merger, consolidation, or liquidation, any assigns of substantially all of the business or assets of Forrester or of any division or line of business of Forrester with which the Stockholder is at any time associated, and the heirs, devisees and legal representatives of the Stockholder.

(c) Entire Agreement and Amendments. This Agreement constitutes the entire agreement and understanding between the Stockholder and Forrester and supersedes any prior or contemporaneous agreement or understanding relating to the subject matter of this Agreement. This Agreement may be modified or amended only by a written instrument executed by the Stockholder and Forrester (acting through its officers, duly authorized by its Board of Directors).

(d) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.



(e) Notices. All notices or communications required or permitted hereunder shall be in writing and may be given (i) by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, (ii) by a reputable overnight courier service, (iii) by facsimile (immediately confirmed by telephone) or (iv) by delivering the same in person to an officer or agent of such party. Notices shall be deemed to have been given (a) if sent by United States mail, on the fourth day following mailing, (b) if sent by overnight courier, on the day following delivery by the sending party to the courier service and (c) if sent by facsimile, on the day the facsimile is confirmed as having been received. Notices shall be addressed as follows:

If to Forrester Research, Inc.

1033 Massachusetts Avenue  
Cambridge, Massachusetts 02138  
Attention: General Counsel  
Telephone: 617-497-7090  
Telecopy: 617-491-2863

with a copy to:

Ropes & Gray  
One International Place  
Boston, Massachusetts 02110-2624  
Attention: Ann L. Milner, Esq.  
Telephone: 617-951-7000  
Telecopy: 617-951-7050

If to the Stockholder:

George F. Colony  
Forrester Research, Inc.  
1033 Massachusetts Avenue  
Cambridge, MA 02138

(f) Governing Law and Consent to Jurisdiction. This Agreement shall take effect as an instrument under seal and shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts. In the event of any alleged breach of this Agreement, the Stockholder hereby consents and submits to the jurisdiction of the federal and state courts in and of (i) The Commonwealth of Massachusetts and (ii) the states in which any subsequent employer may be incorporated or have its principal office. The Stockholder

will accept service of process by registered or certified mail or the equivalent directed to the Stockholder's last known address on the books of Forrester or by whatever other means are permitted by such court.

(g) Remedies. The Stockholder acknowledges that, were the Stockholder to breach the provisions of this Agreement, the harm to Forrester would be irreparable. The Stockholder therefore agrees that, in addition to damages and attorneys' fees, Forrester shall be entitled to obtain (and the Stockholder will not contest) preliminary and permanent injunctive relief against any such breach, without having to post a bond.

(h) Interpretation. If any provision in this Agreement should, for any reason, be held invalid or unenforceable in any respect, it shall not affect any other provisions and shall be construed by limiting it so as to be enforceable to the maximum extent compatible with applicable law.

(i) Waiver of Breach. The waiver by Forrester of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

FORRESTER RESEARCH, INC.

By: \_\_\_\_\_  
Title:

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George F. Colony

Amended and Restated  
as of September 11, 1996

AMENDED AND RESTATED FORRESTER RESEARCH, INC.  
1996 EQUITY INCENTIVE PLAN

1. Purpose. The purpose of the Forrester Research, Inc. 1996 Equity Incentive Plan (the "Plan") is to secure for Forrester Research, Inc. (the "Company") the benefits of the additional incentive inherent in the ownership of the Company's Common Stock, par value \$.01 per share (the "Common Stock"), by officers, directors, and selected key employees of the Company or its subsidiaries and other persons who are important to the success and growth of the business of the Company, and to help the Company and its subsidiaries secure and retain the services of such key persons. Options granted under the Plan will be either "incentive stock options," intended to qualify as such under the provisions of section 422A of the Internal Revenue Code of 1986, as from time to time amended (the "Code"), or "non-qualified stock options." For purposes of the Plan, the term "subsidiary" shall mean "subsidiary corporation," as such term is defined in section 424(f) of the Code.

2. The Committee.

2.1. Administration. The Plan shall be administered by a committee (the "Committee") appointed by the Board of Directors of the Company (the "Board"). Any member of the Committee may be removed at any time, either with or without cause, by resolution adopted by the Board; and any vacancy on the Committee, whether due to action of the Board or due to any other cause, shall be filled by resolution adopted by the Board.

2.2. Procedures. The Committee shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings and the administration of the Plan.

2.3. Interpretation. The Committee shall have full power and authority to interpret the provisions of the Plan, and its decisions shall be final and binding on all interested parties.

3. Shares Subject to Awards.

3.1. Number of Shares. Subject to the provisions of Paragraph 13 hereof (relating to adjustments upon changes in capitalization), the aggregate number of shares of Common Stock which may be issued under options exercised under the Plan or otherwise awarded under the Plan shall not exceed 2,750,000. If, and to the extent, that options granted under the Plan terminate, expire, or are canceled without having been exercised, or shares of restricted stock are forfeited, new awards may be granted under the Plan with respect to the shares of Common Stock covered by such terminated, expired, canceled, or forfeited awards; provided that the granting and terms of such new awards shall in all respects comply with the provisions of the Plan.

3.2. Character of Shares. Shares of Common Stock delivered under the Plan may be authorized and unissued Common Stock, issued Common Stock held in the Company's treasury, or both.

3.3. Reservation of Shares. There shall be reserved at all times for award under the Plan an aggregate number of shares of Common Stock (authorized and unissued Common Stock, issued Common Stock held in the Company's treasury, or both) equal to the maximum number of shares which may be purchased pursuant to options granted or that may be granted under the Plan, less the number of shares which have been awarded as Restricted Stock and purchased pursuant to stock options granted under the Plan.

4. Grant of Awards. The Committee shall determine, within the limitations of the Plan, the persons to whom awards are to be granted, the number of shares covered by such awards, and, in the case of options, the option price, and shall designate options at the time of grant as either "incentive stock options" or "non-qualified options." In determining the persons to whom awards shall be granted and the number of shares to be covered by each such grant, the Committee shall take into consideration such person's present and potential contribution to the success of the Company and subsidiaries as the case may be, and such other factors as the Committee may deem proper and relevant. Each award granted under the Plan shall be evidenced by a written agreement between the Company and the grantee thereof in such form, not inconsistent with the provisions of the Plan, or with section 422A of the Code for incentive stock options, as the Committee shall provide.

#### 5. Eligibility.

5.1. Persons Eligible. Incentive stock options may be granted under the Plan to any key employee or any officer of the Company or any of its subsidiaries, and non-qualified options and restricted stock awards may be granted under the Plan to any key employee or any officer or director of, or consultant or advisor to, the Company or any of its subsidiaries.

5.2. Ten Percent Stockholders. No incentive stock option may be granted under the Plan to any person who owns, directly or indirectly (within the meaning of sections 422A(b)(6) and 425(d) of the Code), at the time the stock option is granted, stock possessing more than 10% of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries, unless the option price is at least 110% of the "Fair Market Value" (as defined below) of the shares subject to the option determined on the date of the grant, and the option by its terms is not exercisable after the expiration of five years from the date such option is granted.

5.3. Participants. An individual receiving any award under the Plan is hereinafter referred to as a "participant." Any reference herein to the employment of a participant by the Company shall include his or her employment by the Company or any of its subsidiaries and may, in the Committee's discretion, include continued services as a director or consultant.

6. Option Price. Subject to Paragraphs 5 and 13 herein, the option price of each share of Common Stock purchasable under any stock option granted under the Plan shall be not less than the par value of such share of Common Stock at the time the option is granted. The option price of an option issued in a transaction described in section 424(a) of the Code shall be an amount which conforms to the requirements of that section and the regulations thereunder.

The "Fair Market Value" of a share of Common Stock as of a specified date shall mean the average of the high and low sale prices of a share of Common Stock on the principal securities exchange or market on which such shares are traded on the day immediately preceding the date as of which Fair Market Value is being determined, or on the next preceding date on which such shares are traded if no shares were traded on such immediately preceding day; or if sale prices for the shares are not publicly quoted, Fair Market Value shall be deemed to be the average of the high bid and low asked prices of the shares in the over-the-counter market on the day immediately preceding the date as of which Fair Market Value is being determined.

If the shares are not publicly traded, Fair Market Value shall be determined by the Committee in its sole discretion. In no case shall Fair Market Value be less than the par value of a share of Common Stock.

7. Expiration and Termination of the Plan. Awards may be granted under the Plan at any time and from time to time on or prior to the tenth anniversary of the effective date of the Plan as set forth in Paragraph 15 herein (the "Expiration Date"), on which date the Plan will expire except as to awards then outstanding under the Plan. Such outstanding awards shall remain in effect until they have been exercised, terminated, or have expired. The Plan may be terminated, modified, or amended by the Board at any time on or prior to the Expiration Date, except with respect to any awards then outstanding under the Plan.

8. Exercisability and Duration of Options.

8.1. Determination of the Committee; Acceleration. Each option granted under the Plan shall vest and shall be exercisable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee may provide. Subsequent to the grant of an option which is not immediately vested or exercisable in full, the Committee, at any time before complete termination of such option, may accelerate the time or times at which such option may vest or may be exercised in whole or in part.

8.2. Automatic Termination of Options. Unless the Committee determines otherwise, either at the time of grant or thereafter, any portion of an option that has not vested on the date a participant's employment with the Company or its subsidiaries terminates shall automatically be canceled. Unless the Committee determines otherwise, either at the time of grant or thereafter, the unexercised portion of any option granted under the Plan shall

automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(a) The expiration of 10 years from the date on which such option was granted, except as otherwise provided in Paragraph 5.2 hereof;

(b) The expiration of three months from the date of termination of the participant's employment by the Company or any of its subsidiaries, as the case may be (other than a termination described in subparagraph (c), (d), or (e) below); provided that if the participant shall die during such three-month period, the time of termination of the unexercised portion of any such option shall be determined under the provisions of subparagraph (d) below;

(c) The expiration of one year from the date of termination of the participant's employment, due to permanent and total disability within the meaning of section 22(e)(3) of the Code (other than a termination described in subparagraph (e) below);

(d) The expiration of six months following the issuance of letters testamentary or letters of administration to the executor or administrator of a deceased participant if the participant's death occurs either during his employment or during the three-month period following the date of termination of such employment (other than a termination described in subparagraph (e) below), but in no event later than one year after the participant's death; or

(e) The termination of the participant's employment by the Company or any of its subsidiaries, as the case may be, if such termination constitutes or is attributable to a breach by the participant of an employment agreement with the Company or any of its subsidiaries, as the case may be, or if the participant is discharged for cause. The Committee shall have the right to determine whether the participant has been discharged for breach or for cause and the date of such discharge, and such determination of the Committee shall be final and conclusive.

#### 9. Exercise of Option.

9.1. Exercise. Options granted under the Plan shall be exercised by the participant (or by his or her executors or administrators, as provided in Paragraph 10 hereof) as to all or part of the shares covered thereby, by the giving of written notice of exercise to the Company, specifying the number of shares to be purchased, accompanied by payment of the full purchase price for the shares being purchased. Payment of such purchase price shall be made (a) by check payable to the Company, or (b) if so permitted by the Committee (i) through the delivery of shares of Common Stock (which, in the case of Common Stock acquired from the Company, shall have been held for at least six months prior to delivery) having a Fair Market Value on the last business day preceding the date of exercise equal to the purchase price or (ii) by delivery of a promissory note of the participant to the Company, such note to be payable on such terms as are specified by the Committee or (iii) at such time as the Common Stock is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by

delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price or (iv) by any combination of the permissible forms of payment. Such notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. No participant or other person exercising an option shall have any of the rights of a stockholder of the Company with respect to shares subject to an option granted under the Plan until certificates for such shares shall have been issued following the exercise of such option as the case may be. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance. In no event may any option granted hereunder be exercised for a fraction of a share.

9.2. Tax Withholding.

(a) Payment. The Company shall notify a participant of any income tax withholding requirements arising as a result of the exercise of a stock option or the vesting of restricted stock. The Company shall have the right to require the participant to pay such withholding taxes. At the election of the participant, payment of such withholding taxes may be made in either of the following two ways:

(i) Cash. Such payment may be made in cash, through withholding from the participant's salary or otherwise; or

(ii) Common Stock. Subject to the approval of the Committee, such payment may be made in whole or in part, in shares of Common Stock.

(b) Payment in Shares of Common Stock. Payment of withholding taxes in shares of Common Stock may be made in any of the following two ways, at the election of the participant subject to the approval of the Committee, or by a combination of any of such ways:

(i) Surrender of Options. A participant may have shares withheld from shares otherwise issuable to him in connection with the exercise of a stock option; or

(ii) Tender Back of Shares. A participant may tender shares to the Company from shares owned by such participant and acquired other than in connection with the award that gave rise to tax withholding.

(c) Valuation. Shares so withheld, delivered, or tendered shall be valued at their Fair Market Value on the date on which the amount of tax to be withheld is determined (the "Tax Date"). The tax withholding obligations that may be paid by such withholding of shares otherwise issuable in connection with a stock option, or the delivery of shares held by such participant for less than six months, may not exceed the minimum withholding requirements

imposed by law. The tax withholding obligations that may be paid by the tender back of shares held by the participant for six months or longer may exceed the participant's tax obligations associated with the transaction, including any related FICA obligations, determined based upon the participant's maximum marginal tax rate.

(d) Election. A participant's election to have withheld shares of Common Stock that are otherwise issuable or to tender back shares, shall be in writing, shall be irrevocable, and shall be delivered to the Company prior to the Tax Date. Such election shall be subject to the approval of the Committee.

9.3. Restrictions on Delivery of Shares. Each award under the Plan is subject to the conditions that if at any time the Committee, in its discretion, shall determine that the listing, registration, or qualification of the shares covered by such award upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such award or the purchase or delivery of shares thereunder, the delivery of any or all such shares may be withheld unless and until such listing, registration or qualification shall have been effected. The Committee may require, as a condition to the issuance of any shares, that the participant represent, in writing, that the shares received are being acquired for investment and not with a view to distribution and agree that the shares will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel satisfactory to the Company that such disposition is exempt from such requirement under the Securities Act of 1933. The Company may endorse on certificates representing shares issued, such legends referring to the foregoing representations or any applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

10. Non-Transferability of Options. Unless the Committee otherwise determines, no option granted under the Plan or any right evidenced thereby shall be transferable by the participant other than by will or by the laws of descent and distribution, and an option may be exercised, during the lifetime of a participant, only by such participant. In the event of a participant's death during his or her employment by the Company or any of its subsidiaries as the case may be, or during the three-month period following the date of termination of such employment, his or her option shall thereafter be exercisable, during the period specified in Paragraph 8.2(d) hereof, by his or her executors or administrators.

11. Right to Terminate Employment. Nothing in the Plan, or in any award made under the Plan, shall confer upon any participant the right to continue in the employment of the Company, or any of its subsidiaries, as the case may be, or affect the right of the Company, or any of its subsidiaries, as the case may be, to terminate such participant's employment at any time, subject, however, to the provisions of any agreement of employment between such participant and the Company, or any of its subsidiaries, as the case may be.

12. Restricted and Unrestricted Stock.



12.1. Nature of Restricted Stock Award. A Restricted Stock Award entitles the recipient to acquire, for a purchase price to be specified by the Committee but in no event less than par value, shares of Common Stock subject to the restrictions described in Paragraph 12.4 below ("Restricted Stock").

12.2. Acceptance of Award. A participant who is granted a Restricted Stock Award will have no rights with respect to such Restricted Stock Award unless the participant accepts the Restricted Stock Award by written instrument delivered or mailed to the Company accompanied by payment in full of the specified purchase price, if any, of the shares covered by the Restricted Stock Award. Payment may be by certified or bank check or other instrument acceptable to the Committee.

12.3. Rights as a Stockholder. A participant who receives a Restricted Stock Award will have all the rights of a stockholder with respect to the Common Stock, including voting and dividend rights, subject to the restrictions described in Paragraph 12.4 below and any other conditions imposed by the Committee at the time of grant. Unless the Committee otherwise determines, certificates evidencing shares of Restricted Stock will remain in the possession of the Company until such shares are free of all restrictions under the Plan.

12.4. Restrictions. Except as otherwise specifically provided by the Committee, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of, and if the participant ceases to be an employee of the Company or any of its subsidiaries for any reason, must be offered to the Company for purchase for the amount of cash paid for the Restricted Stock, or forfeited to the Company if no cash was paid. These restrictions will lapse at such time or times, and on such conditions, as the Committee may specify. Upon lapse of all restrictions, Restricted Stock will cease to be restricted for purposes of the Plan. The Committee may at any time accelerate the time at which the restrictions on all or any part of the shares will lapse.

12.5. Notice of Election. Any participant making an election under section 83(b) of the Code with respect to Restricted Stock must provide a copy thereof to the Company within 10 days of the filing of such election with the Internal Revenue Service.

12.6. Unrestricted Stock. The Committee may, in its sole discretion, approve the sale to any participant of shares of Common Stock free of restrictions under the Plan for a price which is not less than the par value of the Common Stock.

### 13. Recapitalizations, Reorganizations, and the Like.

13.1. Adjustment Upon Changes in Capitalization, etc.. In the event of any stock split, stock dividend, reclassification, or recapitalization which changes the character or amount of the Company's outstanding Common Stock while any portion of any option theretofore granted under the Plan is outstanding but unexercised, the Committee shall make

such adjustments in the character and number of shares subject to such options and in the option price, as shall be equitable and appropriate in order to make the option, as nearly as may be practicable, equivalent to such option immediately prior to such change; provided, however, that no such adjustment shall give any participant any additional benefits under his or her option; provided further, that with respect to any outstanding incentive stock option, if any such adjustment is made by reason of a transaction described in section 242(a) of the Code, it shall be made so as to conform to the requirements of that section and the regulations thereunder. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the option. Any fractional shares or other securities which may be payable upon exercise of the option shall be payable in cash in an amount equal to such fraction multiplied by the then Fair Market Value of such fractional shares at the date of exercise.

If any transaction (other than a change specified in the preceding paragraph) described in section 424(a) of the Code affects the Company's Common Stock subject to any unexercised option theretofore granted under the Plan (hereinafter for purpose of this Paragraph 13.1 referred to as the "old option"), the Board or any surviving or acquiring corporation may take such action as it deems appropriate, and in conformity with the requirements of that section and the regulations thereunder, to substitute a new option for the old option, in order to make the new option, as nearly as may be practicable, equivalent to the old option, or to assume the old option.

If any such change or transaction shall occur, the number and kind of shares for which awards may thereafter be granted under the Plan shall also be adjusted to give effect thereto.

13.2. Mergers, etc. In the event of a consolidation or merger in which the Company is not the surviving corporation or which results in the acquisition of substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of substantially all the Company's assets, all outstanding awards shall become automatically terminated, provided that at least 20 days prior to the effective date of any such merger, consolidation or sale of assets, all outstanding awards shall become automatically exercisable, and all the restrictions on any Restricted Stock Award, shall be canceled immediately prior to consummation of such merger, consolidation or sale of assets unless the Committee shall have arranged, subject to consummation of the merger, consolidation or sale of assets, to have the surviving or acquiring corporation or an affiliate of that corporation grant to participants replacement awards, which awards in the case of incentive options shall satisfy, in the determination of the Committee, the requirements of section 424(a) of the Code.

The Committee may grant awards under the Plan in substitution for awards held by directors, employees, consultants, or advisers of another corporation who concurrently become directors, employees, consultants, or advisers of the Company or a subsidiary of the Company as the result of a merger or consolidation of that corporation with the Company or a subsidiary of the Company, or as the result of the acquisition by the Company or a subsidiary of the

Company, or as the result of the acquisition by the Company or a subsidiary of the Company of property or stock of that corporation. The Company may direct that substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

14. Amendments. The Committee may at any time or times amend the Plan or any outstanding award for any purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further awards, provided that (except to the extent expressly required or permitted by the Plan) no such amendment will adversely affect the rights of any participant under any outstanding award without such participant's consent.

15. Effective Date of Plan. The Plan shall become effect upon the date of approval of the Plan by the Company's stockholder(s), but awards may be made prior to such date subject to stockholder approval.

## FORRESTER RESEARCH, INC.

## 1996 EMPLOYEE STOCK PURCHASE PLAN

## SECTION 1. PURPOSE OF PLAN

The Forrester Research, Inc. 1996 Employee Stock Purchase Plan (the "Plan") is intended to provide a method by which eligible employees of Forrester Research, Inc. ("Forrester ") and of such of Forrester 's subsidiaries as Forrester's Board of Directors (the "Board of Directors") may from time to time designate (such subsidiaries, together with Forrester, being hereinafter referred to as the "Company") may use voluntary, systematic payroll deductions to purchase shares of the Common Stock of Forrester (the "Stock") and thereby acquire an interest in the future of the Company. For purposes of the Plan, a "subsidiary" is any corporation in which Forrester owns, directly or indirectly, stock possessing 50% or more of the total combined voting power of all classes of stock.

## SECTION 2. OPTIONS TO PURCHASE STOCK

Under the Plan, there is available an aggregate of not more than 200,000 shares of Stock (subject to adjustment as provided in Section 15) for sale pursuant to the exercise of options ("Options") granted under the Plan to employees of the Company ("Employees") who meet the eligibility requirements set forth in Section 3 hereof ("Eligible Employees"). The Stock to be delivered upon exercise of Options under the Plan may be either shares of authorized but unissued Stock or previously issued shares acquired by the Company and held in treasury, as the Board of Directors may determine.

## SECTION 3. ELIGIBLE EMPLOYEES

Except as otherwise provided below, each Employee who both (a) has completed six months or more of continuous service in the employ of the Company and (b) is employed by the Company on a regular basis (and not a temporary basis) for the Company for at least 30 hours per week will be eligible to participate in the Plan.

(a) Any Employee who immediately after the grant of an Option to him or her would (in accordance with the provisions of Sections 423 and 424(d) of the International Revenue Code of 1986, as amended (the "Code")) own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the employer corporation or of its

parent or subsidiary corporations, as defined in Section 424 of the Code, will not be eligible to receive an Option to purchase stock pursuant to the Plan.

(b) No Employee will be granted an Option under the Plan which would permit his or her rights to purchase shares of stock under all employee stock purchase plans of Forrester and parent and subsidiary corporations to accrue at a rate which exceeds \$25,000 in fair market value of such stock (determined at the time the option is granted) for each calendar year during which any such Option granted to such Employee is outstanding at any time, as provided in Sections 423 and 424(d) of the Code.

(c) For purposes of determining eligibility hereunder, the Board of Directors, acting by and through the Director, Operations or any other authorized officer, may grant past service credit to Employees of the Company in a uniform and non-discriminatory manner for periods of continuous service provided with respect to any company acquired (whether by asset or stock purchase) of the Company.

#### SECTION 4. METHOD OF PARTICIPATION

The first stock option period (the "Initial Option Period") for which Options may be granted hereunder shall commence on the date of the prospectus used in connection with Forrester's initial public offering and end on June 30, 1997. The Initial Option Period and each subsequent six-month period following the end of the Initial Option Period shall be referred to as an "Option Period". Each person who will be an Eligible Employee on the first day of any Option Period may elect to participate in the Plan by executing and delivering, at least 15 days prior to such day, a payroll deduction authorization in accordance with Section 5. Such Eligible Employee will thereby become a participant ("Participant") on the first day of such Option Period and will remain a Participant until his or her participation is terminated as provided in the Plan.

#### SECTION 5. PAYROLL DEDUCTION

The payroll deduction authorization will request withholding at a rate (in whole percentages) of not less than 2% nor more than 10% from the Participant's Compensation by means of substantially equal payroll deductions over the Option Period. In no event shall more than \$10,000 be withheld with respect to any Participant for any Option Period. For purposes of the Plan, "Compensation" will mean all compensation paid to the Participant by the Company and currently includible in his or her income, including bonuses, commissions and other amounts includible in the definition of compensation provided in the Treasury Regulations promulgated under Section 415 of the Code, plus any amount that would be so included but for the fact that it was contributed to a qualified plan pursuant to an elective deferral under Section 401(k) of the Code, but not including payments under stock option plans and other employee benefit plans or any other amounts excluded from the definition of

compensation provided in the Treasury Regulations under Section 415 of the Code. A Participant may reduce the withholding rate of his or her payroll deduction authorization by one or more whole percentage points (but not to below 2%) at any time during an Option Period by delivering written notice to the Company, such reduction to take effect prospectively as soon as practicable, as determined by the Board of Directors acting by and through the Director Operations or any other authorized officer, following receipt of such notice by the Company]. A Participant may increase or reduce the withholding rate of his or her payroll deduction authorization for a future Option Period by written notice delivered to the Company at least 15 days prior to the first day of the Option Period as to which the change is to be effective. All amounts withheld in accordance with a Participant's payroll deduction authorization will be credited to a withholding account for such Participant.

#### SECTION 6. GRANT OF OPTIONS

Each person who is a Participant on the first day of an Option Period will as of such day be granted an Option for such Period. Such Option will be for the number of whole shares (not in excess of the share maximum as hereinafter defined) of Stock to be determined by dividing (i) the balance in the Participant's withholding account on the last day of the Option Period, by (ii) the purchase price per share of the Stock determined under Section 7. For purposes of the preceding sentence, the share maximum with respect to any Option for any Option Period shall be the largest number of shares which, when multiplied by the fair market value of a share of Stock at the beginning of the Option Period, produces a dollar amount of \$12,500 or less. The number of shares of Stock receivable by each Participant upon exercise of his or her Option for an Option Period will be reduced, on a substantially proportionate basis, in the event that the number of shares then available under the Plan is otherwise insufficient.

#### SECTION 7. PURCHASE PRICE

The purchase price of Stock issued pursuant to the exercise of an Option will be 85% of the fair market value of the Stock at (a) the time of grant of the Option or (b) the time at which the Option is deemed exercised, whichever is less. Fair market value on any given day will mean the Closing Price of the Stock on such day or, if there was no Closing Price on such day, the latest day prior thereto on which there was a Closing Price. The "Closing Price" of the Stock on any business day will be the last sale price as reported on the principal market on which the Stock is traded or, if no last sale is reported, then the fair market value as determined by the Board of Directors. A good faith determination by the Board of Directors as to fair market value shall be final and binding.

## SECTION 8. EXERCISE OF OPTIONS

Each Employee who is a Participant in the Plan on the last day of an Option Period will be deemed to have exercised on the last day of the Option Period the Option granted to him or her for that Option Period. Upon such exercise, the balance of the Participant's withholding account will be applied to the purchase of the number of whole shares of Stock determined under Section 6 and as soon as practicable thereafter certificates for said shares will be issued and delivered to the Participant. In the event that the balance of the Participant's withholding account following an Option Period is in excess of the total purchase price of the shares so issued, the balance of the account shall be returned to the Participant; provided, however, that if the balance left in the account consists solely of an amount equal to the value of a fractional share it will be retained in the withholding account and carried over to the next Option Period. The entire balance of the Participant's withholding account following the final Option Period shall be returned to the Participant. No fractional shares will be issued hereunder.

Notwithstanding anything herein to the contrary, Forrester's obligation to issue and deliver shares of Stock under the Plan is subject to the approval required of any governmental authority in connection with the authorization, issuance, sale or transfer of said shares, to any requirements of any national securities exchange applicable thereto, and to compliance by the Company with other applicable legal requirements in effect from time to time, including without limitation any applicable tax withholding requirements.

## SECTION 9. INTEREST

No interest will be payable on withholding accounts.

## SECTION 10. CANCELLATION AND WITHDRAWAL

A Participant who holds an Option under the Plan may at any time prior to exercise thereof under Section 8 cancel such Option as to all (but not less than all) the Shares subject or to be subject to such Option by written notice delivered to the Company. Upon such cancellation, the Participant's withholding account balance will be returned to him or her.

A Participant may terminate a payroll deduction authorization as of any date by written notice delivered to the Company and will thereby cease to be a Participant as of such date. Any Participant who voluntarily terminates a payroll deduction authorization prior to the last business day of an Option Period will be deemed to have cancelled the related Option.

Any Participant who cancels an Option or terminates a payroll deduction authorization may at any time thereafter again become a Participant in accordance with Section 4.

**SECTION 11. TERMINATION OF EMPLOYMENT**

Subject to Section 12, any person will cease to be a Participant upon termination of employment with the Company for any reason, and any Option held by such Participant under the Plan will be deemed cancelled. The Company will return the balance of the withholding account to the Participant, who will have no further rights under the Plan.

**SECTION 12. DEATH OF PARTICIPANT**

A Participant may file a written designation of beneficiary specifying who is to receive any Stock and/or cash credited to the Participant under the Plan in the event of the Participant's death, which designation will also provide for the Participant's election to either (i) cancel the Participant's Option upon his or her death, as provided in Section 10 or (ii) apply as of the last day of the Option Period the balance of the deceased Participant's withholding account at the time of death to the exercise of the related Option, pursuant to Section 8 of the Plan. In the absence of a valid election otherwise, a Participant's death will be deemed to effect a cancellation of the Option. A designation of beneficiary and election may be changed by the Participant at any time, by written notice. In the event of the death of a Participant and receipt by the Company of proof of the identity and existence at the Participant's death of a beneficiary validly designated by him or her under the Plan, the Company will deliver to such beneficiary such Stock and/or cash to which the beneficiary is entitled under the Plan. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such Stock and/or cash to the executor or administrator of the estate of the Participant, if the Company is able to identify such executor or administrator. If the Company is unable to identify such administrator or executor, the Company, in its discretion, may deliver such stock and/or cash to the spouse or to any one or more dependents of a Participant as the Company may determine. No beneficiary will, prior to the death of the Participant by whom he has been designated, acquire any interest in any Stock or cash credited to the Participant under the Plan.

**SECTION 13. PARTICIPANT'S RIGHTS NOT TRANSFERABLE**

All Participants will have the same rights and privileges under the Plan. All rights and privileges under any Option may be exercisable during a Participant's lifetime only by the Participant, and may not be sold, pledged, assigned, or transferred in any manner. In the event any Participant violates the terms of this Section, any Option held by him or her may be terminated by the Company and upon return to the Participant of the balance of his or her withholding account, all his or her rights under the Plan will terminate.



## SECTION 14. EMPLOYMENT RIGHTS

Nothing contained in the provisions of the Plan will be construed to give to any Employee the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge any Employee at any time.

## SECTION 15. CHANGE IN CAPITALIZATION

In the event of any change in the outstanding Stock of Forrester by reason of a stock dividend, split-up, recapitalization, merger, consolidation, reorganization, or other capital change, after the effective date of this Plan, the aggregate number of shares available under the Plan, the number of shares under Options granted but not exercised, and the Option price will be appropriately adjusted.

## SECTION 16. ADMINISTRATION OF PLAN

The Plan will be administered by the Board of Directors, which will have the right to determine any questions which may arise regarding the interpretation and application of the provisions of the Plan and to make, administer, and interpret such rules and regulations as it will deem necessary or advisable. The Board of Director's determinations hereunder shall be final and binding.

## SECTION 17. AMENDMENT AND TERMINATION OF PLAN

Forrester reserves the right at any time or times to amend the Plan to any extent and in any manner it may deem advisable by vote of the Board of Directors; provided, however, that any amendment relating to the aggregate number of shares which may be issued under the Plan (other than an adjustment provided for in Section 15) or to the Employees (or class of Employees) eligible to receive Options under the Plan will have no force or effect unless it is approved by the shareholders within twelve months before or after its adoption.

The Plan shall terminate automatically following the end of the first Option Period beginning in 2006; provided, however, that the Board of Directors in its discretion may extend the Plan for one or more Option Periods. The Plan may be earlier suspended or terminated by the Board of Directors, but no such suspension or termination will adversely affect the rights and privileges of holders of outstanding Options. The Plan will terminate in any case when all or substantially all the Stock reserved for the purposes of the Plan has been purchased.

## SECTION 18. APPROVAL OF SHAREHOLDERS

The Plan is subject to the approval of the shareholders of Forrester, which approval must be secured within twelve months before or after the date the Plan is adopted by the Board of Directors, and any Option granted hereunder prior to such approval is conditioned on such approval being obtained prior to the exercise thereof.

## FORRESTER RESEARCH, INC.

## 1996 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

## 1. PURPOSE

The purpose of this 1996 Stock Option Plan for Non-Employee Directors (the "Plan") is to advance the interests of Forrester Research, Inc. (the "Company") by enhancing the ability of the Company to attract and retain non-employee directors who are in a position to make significant contributions to the success of the Company and to reward directors for such contributions through the awarding of options ("Options") to purchase shares of the Company's common stock (the "Stock").

## 2. ADMINISTRATION

The Plan shall be administered by a committee (the "Committee") of the Board of Directors (the "Board") of the Company designated by the Board for that purpose. Unless and until a Committee is appointed the Plan shall be administered by the entire Board, and references in the Plan to the "Committee" shall be deemed references to the Board. The Committee shall have authority, not inconsistent with the express provisions of the Plan, (a) to grant Options in accordance with the Plan to such directors as are eligible to receive Options; (b) to prescribe the form or forms of instruments evidencing Options and any other instruments required under the Plan and to change such forms from time to time; (c) to adopt, amend and rescind rules and regulations for the administration of the Plan; and (d) to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations of the Committee shall be conclusive and shall bind all parties.

## 3. EFFECTIVE DATE AND TERM OF PLAN

The Plan shall become effective on the date on which the Plan is approved by the Board of Directors of the Company, subject to approval by the shareholders of the Company. No Option shall be granted under the Plan after the completion of ten years from the date on which the Plan was adopted by the Board, but Options previously granted may extend beyond that date.

#### 4. SHARES SUBJECT TO THE PLAN

(a) Number of Shares. Subject to adjustment as provided in Section 4(c), the aggregate number of shares of Stock that may be delivered upon the exercise of Options granted under the Plan shall be 150,000. If any Option granted under the Plan terminates without having been exercised in full, the number of shares of Stock as to which such Option was not exercised shall be available for future grants within the limits set forth in this Section 4(a).

(b) Shares to be Delivered. Shares delivered under the Plan shall be authorized but unissued Stock or, if the Board so decides in its sole discretion, previously issued Stock acquired by the Company and held in treasury. No fractional shares of Stock shall be delivered under the Plan.

(c) Changes in Stock. In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capital stock, after the effective date of the Plan, the number and kind of shares of stock or securities of the Company subject to Options then outstanding or subsequently granted under the Plan, the maximum number of shares or securities that may be delivered under the Plan, the exercise price, and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons.

#### 5. ELIGIBILITY FOR OPTIONS

Directors eligible to receive Options under the Plan ("Eligible Directors") shall be those directors who are not employees of the Company or of any subsidiary of the Company.

#### 6. TERMS AND CONDITIONS OF OPTIONS

##### (a) Formula Options.

On the date that the Company first files a registration statement under the Securities Act of 1933 covering shares of Stock, each person who has agreed to serve as a director and who, upon commencing such service, would be an Eligible Director shall be awarded on such date an Option covering 6,000 shares of Stock. Each Eligible Director elected for the first time thereafter shall also be awarded on the date of his or her first election an Option covering 6,000 shares of Stock. In addition, immediately

following the annual meeting of shareholders, each Eligible Director shall be awarded an Option covering 4,000 shares of Stock. The Options awarded under this paragraph (a) are referred to as "Formula Options."

(b) Discretionary Options. The Committee shall also have the authority under this Plan to award Options to purchase Stock to Eligible Directors in such amounts and on such terms not inconsistent with this Plan as it shall determine at the time of the award. The Options awarded under this paragraph (b) are referred to herein as "Discretionary Options."

(c) Exercise Price. The exercise price of each Formula Option shall be (i) in the case of Options granted prior to the Company's initial public offering, the low end of the estimated price range reflected in the registration statement and (ii) 100% of the fair market value per share of the Stock at the time the Option is granted. The exercise price of each Discretionary Options shall be set by the Committee. In no event, however, shall the Option price be less, in the case of an original issue of authorized stock, than par value per share. For purposes of this paragraph, the fair market value of a share of Stock will be the mean between the high and low sale prices as reported on the principal market on which the Stock is traded or, if no sales are reported, the fair market value as determined in good faith by the Committee.

(d) Duration of Options. The latest date on which an Option may be exercised (the "Final Exercise Date") shall be the date which is ten years from the date the Option was granted.

(e) Exercise of Options.

- (1) Each Formula Option shall become exercisable as to one third of the shares covered thereby on each anniversary of the date of the grant; provided, however, that the initial Formula Option for 6,000 shares shall become exercisable as to one third of the shares on the date of the award (or on the date of Company's initial public offering in the case of such options granted prior to the Company's initial public offering) and as to one third of the shares on each of the next two anniversaries of that date. Each Discretionary Option shall become exercisable at such time or times as the Committee shall determine.
- (2) Any exercise of an Option shall be in writing, signed by the proper person and delivered or mailed to the Company, accompanied by (i) any documentation required by the Committee and (ii) payment in full for the number of shares for which the Option is exercised.

- (3) If an Option is exercised by the executor or administrator of a deceased director, or by the person or persons to whom the Option has been transferred by the director's will or the applicable laws of descent and distribution, the Company shall be under no obligation to deliver Stock pursuant to such exercise until the Company is satisfied as to the authority of the person or persons exercising the Option.

(f) Payment for and Delivery of Stock. Stock purchased under the Plan shall be paid for as follows: (i) in cash or by check (acceptable to the Company in accordance with guidelines established for this purpose), bank draft or money order payable to the order of the Company or (ii) if so permitted by the terms of the Option, (A) through the delivery of shares of Stock (which, in the case of shares of Stock acquired from the Company, have been outstanding for at least six months) having a fair market value on the last business day preceding the date of exercise equal to the purchase price or (B) by having the Company hold back from the shares transferred upon exercise Stock having a fair market value on the last business day preceding the date of exercise equal to the purchase price or (C) by delivery of a promissory note of the Option holder to the Company, such note to be payable on such terms as are specified or (D) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price or (E) by any combination of the permissible forms of payment; provided, that if the Stock delivered upon exercise of the Option is an original issue of authorized Stock, at least so much of the exercise price as represents the par value of such Stock shall be paid other than with a personal check or promissory note of the Option holder.

An Option holder shall not have the rights of a shareholder with regard to awards under the Plan except as to Stock actually received by him or her under the Plan.

The Company shall not be obligated to deliver any shares of Stock (a) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, and (b) if the outstanding Stock is at the time listed on any stock exchange, until the shares to be delivered have been listed or authorized to be listed on such exchange upon official notice of issuance, and (c) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Option, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such Stock bear an appropriate legend restricting transfer.

(g) Nontransferability of Options. Except as the Committee shall otherwise provide, no Option may be transferred other than by will or by the laws of descent and distribution, and during a director's lifetime an Option may be exercised only by him or her.

(h) Death. Except as the Committee shall otherwise provided, upon the death of any director granted Options under this Plan, all Options not then exercisable shall terminate. All Options held by the director that are exercisable immediately prior to death may be exercised by his or her executor or administrator, or by the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, at any time within one year after the director's death (subject, however, to the limitations of Section 6(d) regarding the maximum exercise period for such Option). After completion of that one-year period, such Options shall terminate to the extent not previously exercised.

(i) Other Termination of Status of Director. Except as the Committee shall otherwise provided, if a director's service with the Company terminates for any reason other than death, all Options held by the director that are not then exercisable shall terminate. Options that are exercisable on the date of termination shall continue to be exercisable for a period of three months (subject to Section 6(d)). After completion of that three-month period, such Options shall terminate to the extent not previously exercised, expired or terminated.

(j) Mergers, etc. In the event of a consolidation or merger in which the Company is not the surviving corporation (other than a consolidation or merger in which the holders of Stock of the Company acquire a majority of the voting stock of the surviving corporation) or which results in the acquisition of substantially all the Company's outstanding Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of a sale or transfer of substantially all of the Company's assets or a dissolution or liquidation of the Company, all Options hereunder will terminate; provided, that 20 days prior to the effective date of any such merger, consolidation, sale, dissolution, or liquidation, all Options outstanding hereunder that are not otherwise exercisable shall become immediately exercisable. Notwithstanding the foregoing, in the event that a transaction covered by this Section 6(j) is a merger or consolidation intended to qualify as a pooling of interests for accounting purposes, then the acquiring or surviving corporation shall assume, or otherwise provide replacement options for, all Options outstanding under this Plan, with such adjustments to the number of shares covered by such Option and the exercise price thereof as may be necessary to reflect the exchange ratio provided for in the merger or consolidation. Such substitute options shall otherwise be on terms and conditions substantially equivalent to those set forth in this Plan, shall be immediately exercisable

and, except as to Eligible Directors who become directors of the acquiring or surviving corporation, shall terminate on the 180th day following the consummation of the merger or consolidation. Options held by Eligible Directors who become directors of the acquiring or surviving corporation shall be governed, mutatis mutandis, by the provisions of this Plan and the agreement evidencing the Option surrendered in substitution.

7. EFFECT, DISCONTINUANCE, CANCELLATION, AMENDMENT,  
TERMINATION AND EFFECTIVENESS

Neither adoption of the Plan nor the grant of Options to a director shall affect the Company's right to grant to such director Options that are not subject to the Plan, to issue to such directors Stock as a bonus or otherwise, or to adopt other plans or arrangements under which Stock may be issued to directors.



1033 Massachusetts Avenue  
Cambridge, Massachusetts

LEASE DATED MAY 1, 1995

ARTICLE 1  
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REFERENCE DATA  
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1.1 SUBJECTS REFERRED TO  
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Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Article.

LANDLORD: Advent Realty Limited Partnership II, a Delaware limited partnership

LANDLORD'S ORIGINAL ADDRESS: 45 Milk Street, Boston,  
Massachusetts

TENANT: Forrester Research, Inc., a Massachusetts corporation

TENANT'S ORIGINAL ADDRESS: One Brattle Square, Cambridge,  
Massachusetts

TERM COMMENCEMENT DATE: See Section 2.4

TERM EXPIRATION DATE: Five years and seven months following the Term Commencement Date; provided however if the Term Expiration Date as stated above shall fall on other than the last day of a calendar month, then the Term Expiration Date shall be deemed to be the last day of such calendar month.

ANNUAL BASIC RENT:

|               |  |
|---------------|--|
| Months 1-6:   | \$293,019.65 (\$17.05 x 13,223) + (\$9.10 x 7,425) |
| Months 7-24:  | \$352,048.40 (\$17.05 x 20,648)                    |
| Months 25-48: | \$362,785.36 (\$17.57 x 20,648)                    |
| Months 49-67: | \$371,457.52 (\$17.99 x 20,648)                    |

TENANT ELECTRICITY COST PER SQUARE FOOT: \$1.00

BASE OPERATING EXPENSES PER RENTABLE SQUARE FOOT: Landlord's Operating Expenses per Rentable Square Foot for 1995

LAND: The land bounded by Massachusetts Avenue and Ellery Street in Cambridge, Massachusetts shown as Lot 14 and 15 on a plan

entitled "Plan of Dana Estate" recorded with the Middlesex South District Registry of Deeds in Plan Book 16A as Plan 16, known as and number 1033 Massachusetts Avenue, Cambridge.

BUILDING: The entire office building on the Land.

TOTAL RENTABLE FLOOR AREA OF THE BUILDING: 85,741

PREMISES: The space in the Building described on Exhibit A.

RENTABLE FLOOR AREA OF THE PREMISES: 20,648 Square Feet

PERMITTED USES: General office uses consistent with a first-class office building, Landlord warranting that the Premises may lawfully be used for general office purposes.

SECURITY DEPOSIT: \$29,000 (subject to Article X below)

PARKING: Twenty (20) spaces

PUBLIC LIABILITY INSURANCE: \$1,000,000

LANDLORD'S MANAGING AGENT: Graystone Corporation

ADDRESS OF LANDLORD'S  
MANAGING AGENT: 1100 Massachusetts Avenue Cambridge,  
Massachusetts 02138

BROKER: Fallon Hines & O'Connor and Hammond Ingram Rettig & Beaty

TENANT'S AUTHORIZED REPRESENTATIVE: George F. Colony

TENANT'S FINISH  
REPRESENTATIVE: Susan Whirty

LANDLORD'S AUTHORIZED  
REPRESENTATIVE: Thomas H. Dupree or Frederick Dupree

LANDLORD'S FINISH  
WORK REPRESENTATIVE: John Kiger

ARTICLE II

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PREMISES, TERM, RENT, OPERATING

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EXPENSES AND TAXES

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2.1 Premises and Exclusions.

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Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises. The Premises generally exclude common areas and facilities of the Building and Land. The Premises specifically exclude, without limitation, exterior faces of exterior walls, the common stairways and stairwells, Building entranceways and entrance lobbies elevators and elevator wells, mechanical rooms and areas, fan rooms, electric and telephone closets, Building superintendent's or supervisor's office, janitor closets, freight elevator vestibules, Building storage areas, and pipes, ducts, conduits, wires and appurtenant fixtures serving other parts of the Building (exclusively or in common) and other common areas and facilities. If the Premises include less than the entire rentable area of any floor, then the Premises also exclude the common corridors, elevator lobby and toilets located on such floor.

This Lease is subject to all easements, restrictions, agreements, and encumbrances of record to the extent in force and applicable, none of which will materially and adversely affect Tenant's rights under this Lease and there are no existing mortgages or groundleases relating to the Premises, Building or Land except only for the groundlease referred to in the form of Non-Disturbance Agreement hereto attached as Exhibit B.

2.2 APPURTENANT RIGHTS

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Tenant shall have, as appurtenant to the Premises, rights to use the common areas described in Section 2.1 in common with Landlord and other Building tenants (subject to reasonable rules of general application promulgated from time to time by Landlord, existing rules and regulations are set forth in Exhibit C hereto attached) . Tenant shall be sent notice of changes in the rules and regulations. Tenant shall also have the right to use the common corridors, elevator lobby and common toilets on any floor on which the Premises are located if the Premises include less than the entire rentable area of such floor.

2.3 RESERVATIONS

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Landlord reserves the right from time to time, without unreasonable interference with Tenant's use and upon reasonable prior notice to Tenant (except in the case of an emergency): (a) to install, use, maintain, repair, replace and relocate for

service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises or Building; and (b) to alter or relocate any other common facility. Installations, replacements and relocations referred to in clause (a) above shall be located as far as practicable in the central core area of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises.

#### 2.4 TERM

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The Term shall begin at 12:01 a.m. on the earlier to occur of the following (a) or (b), and shall end at 12:00 midnight on the Term Expiration Date set forth in Section 1.1.

(a) The date Tenant enters into possession of all or any portion of the Premises for the conduct of its business. (The event described in the prior sentence shall not be deemed to occur by virtue of the installation, testing and initial operation of computers or other equipment or the installation or placement of other property of Tenant in the Premises provided the Premises or significant portions thereof are not generally in use.), or

(b) Substantial completion of the Landlord's Work, as defined in Section 3.2.

Landlord and Tenant shall, at the request of either after the beginning of the Term, execute an acknowledgment, in recordable form, specifying the Term Commencement Date and Term Expiration Date.

#### 2.5 ANNUAL FIXED RENT

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Tenant covenants and agrees to pay Annual Fixed Rent to Landlord in advance in equal monthly installments on the first day of each calendar month during the Term. All payments shall be due without billing or demand and without deduction, set-off or counterclaim. Tenant shall make payment for any portion of a month at the beginning or end of the Term. All payments shall be payable to Landlord at its Address, as specified in Section 1.1 or to such other entities at such other places as Landlord may from time to time designate. Annual Fixed Rent shall be the sum of Annual Basic Rent plus any Tenant Electricity Cost at the rates specified in Section 1.1 (if either or both of Annual Basic Rent or Tenant Electricity Cost is expressed as a rate per square foot, such figure(s) shall be multiplied by the Rentable Floor Area of the Premises).

2.6 ADDITIONAL RENT - TAXES AND OPERATING EXPENSES  
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2.6.1 ADDITIONAL RENT - GENERAL COVENANT. Tenant covenants and agrees to pay to Landlord, as additional rent, an amount equal to the product of (a) the Rentable Floor Area of the Premises and (b) the excess (if any) of Landlord's Operating Expenses per rentable square foot allocable, to Tenant over Base Operating Expenses Per Rentable Square Foot (as specified in Section 1.1). Except as provided in the next sentence, Landlord's Operating Expenses per square foot allocable to Tenant for any period shall be the total amount of Landlord's Expenses for such period (actual or extrapolated as described herein) divided by 100% of the Total Rentable Floor Area of the Building provided that if less than 95% of the Total Rentable Floor Area of the Building is occupied at any time during such period, Landlord may extrapolate components of Landlord's Operating Expenses as though the Total Rentable Floor Area of the Building had been occupied at all times during such period. No payments with respect to Landlord's Operating Expenses are due with respect to the period prior to January 1, 1996, and, for purposes of calculating Tenant's obligation with respect to escalations in Landlord's Operating Expenses, Base Operating Expenses per Rentable Square Foot shall be not less than \$9.50.

If Landlord furnishes electricity, cleaning and janitorial services or any other item of the type described herein as a Landlord's Operating Expense to only a portion of the rentable areas of the Building (any such item is hereinafter referred as a "restricted item"), Landlord's Operating Expenses per rentable square foot allocable to Tenant for any period shall be the sum of the following amounts (x) and (y):

(x) For each restricted item included in Landlord's Operating Expenses and furnished to the Premises, the cost of such item for the period divided by the total Rentable Floor Area of all premises to which the item is then furnished.

(y) For all other items included in Landlord's Operating Expenses, the amount per square foot thereof allocable to Tenant in accordance with the second sentence of this Section 2.6.1. Landlord represents that occupants of retail space in the Building pay for their own electricity and cleaning services, and the costs thereof shall not be included in Landlord's Operating Expenses.

Appropriate adjustments shall be made for any portion of a year at the beginning or end of the Term or for any year during which changes occur in the percentage of occupancy of the Building or in the Rentable Floor Area to which Landlord furnishes restricted items.

2.6.2 PAYMENT. Additional rent for Landlord's Operating Expenses under this Section 2.6 shall be paid in monthly installments on the first day of each calendar month in amounts reasonably estimated by Landlord for the then current year, and pro-rata for the portion of a month. Upon reasonable notice to Tenant, Landlord may from time to time revise such estimates based on available information relating to Landlord's Operating Expenses. Within 90 days after the end of each calendar year, Landlord will provide Tenant with an accounting, certified by a representative of Landlord, of Landlord's Operating Expenses and other data necessary to calculate additional rent hereunder prepared by Landlord in accordance herewith and otherwise in accordance with generally accepted accounting principles. Upon issuance thereof, there shall be adjustments between Landlord and Tenant for the calendar year covered by such accounting to the end that Landlord shall have received the exact amount of additional rent due hereunder. Any overpayments by Tenant hereunder shall be credited against the next payments of additional rent due under this Section 2.6.2, subject to the last sentence of this Section 2.6.2. Any underpayments by Tenant shall be due and payable within 30 days following receipt by Tenant of such accounting by Landlord. With respect to the calendar year in which the Term ends, the adjustments shall be pro rated for the portion of the year included in the Term, but shall take place nevertheless at the times provided in the preceding sentences; and any overpayments by Tenant in such year shall be promptly refunded upon such adjustment, less outstanding amounts due Landlord under this Lease at such time. Tenant shall have the right to audit Landlord's books and records concerning Landlord's Operating Expenses (at Tenant's expense but without charge by Landlord), provided Tenant exercises such right by written notice to Landlord within sixty (60) days following receipt of Landlord's certification statement, and Tenant shall conduct such audit within 180 days after Tenant's receipt thereof, time being of the essence. Landlord's annual statement shall be conclusive, final and binding if Tenant does not raise any objection thereto within the 180 day period set forth above. Any such audit shall be performed during usual business hours at the office of Landlord's Managing Agent. Tenant shall have the right to audit each certification only once.

2.6.3 "LANDLORD'S OPERATING EXPENSES" - DEFINITION. "Landlord's Operating Expenses" means all reasonable and customary costs of Landlord in owning or leasing (as the case may be), servicing, operating, managing, maintaining, and repairing the Building and Land, and providing services to tenants, including, without limitation, the costs of the following: (i) supplies, materials and equipment purchased or rented and total wage and salary costs paid to and on account of all persons engaged in the operating, maintenance, security, cleaning and repair of the Building and Land, including employment taxes and so-called "fringe benefits" (such personnel expenses to be

limited to expenses reasonably allocable to the Building unless such personnel are employed solely with respect to the Building; (ii) building services furnished to tenants of the Building at Landlord's expense (including the types of services furnished to Tenant pursuant to Section 4.1 hereof) and maintenance of and services provided to or on behalf of the Building performed by Landlord's employees or by other persons under contract with Landlord or Landlord's Managing Agent; (iii) utilities consumed and expenses incurred in the operation and maintenance of the Building and Land including, without limitation, oil, gas, electricity (including electricity serving Tenant in the Premises and other tenants in their premises), water, sewer and snow removal; (iv) insurance; (v) management fees plus an imputed cost of any space in the Building occupied without charge by the Landlord's managing agent (Landlord's management fees shall be computed on the basis of an amount not to exceed 6% of gross rents throughout the Term, including the calculation for Base Operating Expenses), and (vi) "Landlord's Taxes" as defined below. If Landlord, in its sole discretion, installs a new or replacement capital item in the Building or on the Land for the purpose of reducing or conserving the use of energy in the Building, reducing Landlord's Operating Expenses, or to comply with applicable laws, rules or regulations enacted or promulgated after the date of this Lease, the amount of such expenditure or the cost of such item shall be amortized over the useful life of such item in accordance with generally accepted accounting principles, with interest at the so-called base rate from time to time announced by the Bank of Boston at its head office in Boston, Massachusetts, and the amount included in Landlord's Operating Expenses for any calendar year shall be limited to the annual amortized charge (including interest), provided that in the case of a capital item for the purpose of reducing or conserving energy or reducing Operating Expenses, said annual charge shall not exceed the annual savings resulting from such capital item. Landlord's Operating Expenses shall not include any costs or expenses incurred by Landlord in the construction and development of the Building; payments of principal, interest or other charges on mortgages and ground rent; and salaries of executives or principals of Landlord (except as the same may be reflected in the management fee for the Building or attributable to actual Building operations). The cost of all of Landlord's services provided by Landlord or its affiliates (i.e. not provided by arms-length third parties) shall not exceed the commercially competitive rates for such services to similar first-class buildings in Cambridge.

Notwithstanding the foregoing, Landlord's Operating Expenses shall not include (i) costs billed to and paid by specific tenants as opposed to tenants generally, (ii) the cost of repairs or replacements resulting from casualty losses or eminent domain takings; (iii) depreciation or amortization of the Building or any part thereof, except as specifically set forth above; (iv)

replacement or contingency reserves, except as specifically set forth above; (v) ground lease rents or payments of any debt or equity obligations; (vi) legal and other professional fees relating to leasing, financing or other services not related to the normal operation, maintenance, cleaning, repair and protection of the Building; (vii) brokerage fees and commissions; (viii) promotion, advertising or public relations expenses; and (ix) services provided for a particular tenant, and not tenants in general. Operating Expenses shall be reduced by the net amount of any proceeds, awards, payments, guarantees, credits or reimbursements which Landlord actually receives and which are applicable to Operating Expenses less the cost incurred in recovering such amount. Operating Expenses shall not include payment to affiliates of Landlord to the extent such payments exceed customary charges for the goods or services provided by such affiliate.

"Landlord's Taxes" means all taxes, assessments and similar charges assessed or imposed by any governmental authority upon the Building and Land (and upon personal property situated thereon or therein and used in the operation and maintenance of the Building and Land), reduced by any net amounts received as an abatement or reduction of taxes. If any such abatement or reduction of taxes has the effect of reducing Landlord's Operating Expenses which make up Base Operating Expenses Per Rentable Square Foot, then payments of additional rent under Sections 2.6.1 and 2.6.3 hereof shall be recalculated reflecting the corrected Base Operating Expenses per Square Foot, and any overpayments or underpayments will be dealt with in accordance with Section 2.6.2. The amount of special taxes or special assessments included in Landlord's Taxes for any year shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax or special assessment required to be paid during or with respect to the year in question. Landlord's Taxes include expenses, including reasonable fees of attorneys, appraisers and other consultants, incurred in connection with any efforts to obtain abatements or reductions or to assure maintenance of Landlord's Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings. Landlord's Taxes exclude income taxes of general application and all estate, succession, inheritance and transfer taxes, as well as any interest, penalties and costs attributable to delayed payment of Landlord's Taxes where such delay is not the result of any actions by or omissions of Tenant. If at any time during the Term the present system of ad valorem taxation of real property shall be changed so that, in lieu of the whole or any part of the ad valorem tax on real property there shall be assessed on Landlord a capital levy or other tax on the gross rents or other measures of building operations, or a governmental income, franchise, excise or similar tax,



assessment, levy, charge of fee (distinct from any such tax now in effect in the jurisdiction in which the Building is located measured by or based, in whole or in part, upon gross rents or other measures of building operations or benefits of or governmental services furnished to the Building or Land, then any and all of such taxes, assessments, levies, charges and fees, to the extent so measured or based, shall be included within the term Landlord's Taxes, but only to the extent that the same would be payable if the Building and Land were the only property of Landlord.

Except as herein specifically provided, Landlord shall have the sole and exclusive right to attempt to obtain an abatement or other reduction or review of Landlord's Taxes (an "Appeal"). Subject to the terms and conditions hereof, Tenant shall have right to pursue an Appeal during such time as Tenant occupies more than fifty percent (50%) of the Total Rentable Floor Area of the Building. If Tenant occupies more than fifty percent (50% of the Total Rentable Floor Area of the Building, and Tenant desires to pursue an Appeal, it shall so notify Landlord in writing on or before thirty (30) days prior to the last day for filing said Appeal. Landlord shall notify Tenant within fifteen (15) days after receiving said notice if Landlord desires to pursue said Appeal in lieu of Tenant. If Landlord notifies Tenant that Landlord does not intend to pursue said Appeal or if Landlord fails to respond to Tenant within said fifteen (15) period, Tenant shall be free to pursue said Appeal. Tenant shall so consult with Landlord prior to filing an Appeal and give due consideration to Landlord's opinion if Landlord does not in good faith believe an Appeal should be pursued. If Tenant does file an Appeal, Tenant shall prosecute the same to final determination with due diligence and shall not, without the written consent of Landlord (which shall not be unreasonably withheld or delayed), settle, compromise or discontinue the Appeal. If Tenant pursues an Appeal over the good faith objection of Landlord, and as a result of the prosecution of said Appeal, the Landlord's Taxes for any tax year shall be increased over the tax year for which the Appeal was sought (a "Tax Increase"), then Tenant shall save Landlord harmless and indemnified against such Tax Increase, it being the intention of the parties hereto that the prosecution of an Appeal by Tenant over the good faith objection of Landlord shall be "at risk" for Tenant. Tenant shall bear the entire cost and expense of any Appeal undertaken by Tenant, but, such cost and expense, including reasonable attorney's fees, shall be reimbursed to Tenant from any amount received as a result of such Appeal.

## ARTICLE III

## CONSTRUCTION OF BUILDING; FINISH WORK

## 3.1 CONSTRUCTION OF BUILDING

Landlord has constructed the Building on the Land.

3.2 LANDLORD'S WORK. Landlord shall, at its cost except as otherwise provided below, cause the completion of certain work in the Premises in accordance with "Tenant's Plans" as set forth on Exhibit D hereto (the "Landlord's Work"). Landlord shall use diligent efforts to substantially complete Landlord's Work by June 30, 1995, as such date shall be extended as a result of any "Tenant Delay" (as hereinafter defined) or any delays which result from fire, casualty or other causes beyond Landlord's reasonable control. If Landlord fails to substantially complete Landlord's Work and deliver the Premises to Tenant, and Tenant is unable to use and occupy the Premises for the reasonable conduct of its business, on or before August 31, 1995, as such date shall be extended as a result of any Tenant Delay, Tenant shall have the right to terminate this Lease by giving Landlord written notice thereof within ten (10) business days following such date. For the purposes hereof, a "Tenant Delay" shall mean any delay to Landlord's Work caused by Tenant or any of its agents, employees or contractors, including without limitation, (i) delays caused by material changes, alterations or additions to Tenant's Plans by Tenant or other material change orders or modifications requested by Tenant during the progress of Landlord's Work, (ii) delays caused by the failure of Tenant's Plans to comply with applicable laws, or (iii) delays caused by Tenant's interference with Landlord's Work. Landlord and Tenant acknowledge that, depending upon the nature of the Tenant Delay, it may have a more or less significant effect on the construction schedule, but Tenant shall be responsible and liable for any Tenant Delay hereunder only to the extent that such Tenant Delay actually delays the progress of Landlord's Work. If the substantial completion of Landlord's Work shall be delayed due to any Tenant Delay, the rent payable hereunder shall be calculated as though the Term Commencement Date were deemed to have occurred on the date Landlord's Work would have been substantially complete but for such Tenant Delay. Landlord shall use good faith efforts to promptly notify Tenant of any event which Landlord deems to constitute a Tenant Delay, but Landlord shall not be liable for any failure to so notify Tenant.

Landlord shall perform and complete the Landlord's Work in a good and workmanlike manner using first-class materials and in compliance with applicable construction laws. The Landlord's Work shall be deemed "substantially complete" when the same is complete in accordance with Exhibit D and the provisions hereof,

as certified by Landlord's general contractor and Tenant's space planner/architect, except only for a so-called "punch-list" signed by Landlord's Finish Work Representative and Tenant's Finish Representative containing items which would customarily be considered punch-list items, the delayed completion of which will not substantially interfere with Tenant's use of the Premises as contemplated hereby, and all building operating systems are fully operational.

Landlord will obtain and deliver to Tenant, as soon as practicable after substantial completion of Landlord's Work, a Certificate of Occupancy from the Cambridge Department of Inspectional Services, subject only to Tenant's completion of any work in the Premises other than Landlord's Work which must be completed before a Certificate of Occupancy will be issued.

Tenant shall ensure that Tenant's Plans and any specifications prepared by Tenant or Tenant's architect conform with all building codes and other legal requirements applicable thereto. Landlord hereby approves Tenant's Plans for the purposes of this Lease, provided such approval shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Landlord has informed Tenant of certain respects in which the Building may not currently comply with the requirements of the Americans With Disabilities Act (42 USC Sec. 12101 et seq.) ("ADA"). However, Landlord will ensure that the common areas and facilities of the Building comply with the ADA in accordance with a reasonable schedule consistent with the requirements of ADA. Landlord further agrees to ensure that the Premises comply with applicable fire, safety and similar codes which relate to the use of the Premises for general office purposes. Tenant shall ensure that Tenant's Plans include all installations and fixtures required under, and shall thereafter ensure that the Premises comply with, the ADA and applicable fire, safety and similar codes with respect to any special requirements of Tenant (not typically contemplated by the phrase "general office purposes") or its agents, employees or invitees or as a result of any act or omission by Tenant or its agents, employees or invitees.

The Premises are leased to Tenant in "as-is" condition, subject to the completion of Landlord's Work in accordance with the provisions hereof and delivery of the Premises free and clear of tenants and occupants. Landlord represents that the present condition of the common areas and building operating systems is consistent with that of a first-class office building in Cambridge, Massachusetts, and to the best of Landlord's knowledge (without undertaking any environmental investigation for the purposes of making this representation), the Premises contain no "hazardous substance/material or oil" as defined in Article XIV

below which would adversely effect Tenant's use of the Premises. Landlord will not knowingly permit any hazardous substance/material or oil which would adversely effect Tenant's use of the Premises to be used in the Building by any other tenant, except "accepted materials" as defined in Article XIV.

Landlord shall remedy any substantial defect of materials or workmanship in Landlord's Work of which Tenant gives notices to Landlord within six (6) months after the date that Landlord's Work is substantially complete and shall, to the extent legally possible, assign to Tenant the benefit of all warranties and guarantees from manufacturers, vendors, suppliers, and subcontractors whose products or services are incorporated into Landlord's Work and, to the extent not possible, exercise its diligent efforts to enforce the same.

Tenant shall reimburse Landlord, within thirty (30) days after the later (i) substantial completion of the Landlord's Work and (ii) receipt from Landlord of an itemized invoice showing all costs and expenses associated with the completion of Landlord's Work, in an amount equal to the amount by which any and all such costs, together with the cost of any change orders requested by Tenant or any costs resulting from any Tenant Delays, exceed \$134,212.00 (the "Buildout Allowance"). If the cost of completing Landlord's Work shall be less than the Buildout Allowance, Tenant may use the unexpended portion thereof, if any, only as herein provided. Landlord and Tenant acknowledge that the estimated cost of Landlord's Work based on Tenant's Plans (without specifications) is approximately \$98,000. Tenant shall not be required to pay any fees of Landlord's architects or construction personnel with respect to preparation of specifications or construction drawings.

Landlord shall allow Tenant and its employees, agents and contractors to enter the Premises as soon as reasonably practicable during the progress of Landlord's Work and prior to the substantial completion thereof to permit Tenant to perform Tenant's Work if, as long as, and provided that, Tenant does not interfere in any way with the progress and completion of Landlord's Work.

Landlord shall inform Tenant's Finish Representative from time to time regarding the status of performance of the Landlord's Work, and shall provide at least seven (7) days notice of the date (as such date may be advanced or delayed) on which Landlord's Work is scheduled to be substantially completed. The substantial completion of Landlord's Work shall not be deemed to have occurred until Tenant has received such notice.

Landlord shall reimburse Tenant for Tenant's reasonable documented costs of moving its business to the Premises and preparing the Tenant's Plans, in the aggregate amount up to but

not exceeding \$41,296.00 ("Moving/Plans Allowance"), within thirty (30) days following Landlord's receipt of Tenant's billing therefor which shall include reasonable substantiating documentation, such as copies of bills and invoices and the like. If Landlord fails to make such reimbursement, Tenant may deduct from the rents payable hereunder any portion of the requested reimbursement amount (but not exceeding \$41,296, less any sums reimbursed by Landlord) which was not theretofore contested in good faith by Landlord by notice to Tenant.

If prior to that date which is twenty (20) months before the expiration of the Term then in effect, Tenant gives notice to Landlord requesting that Landlord construct leasehold improvements in the Premises (consistent with the leasehold improvements constructed pursuant to Landlord's Work), Landlord agrees to construct such improvements upon submission by Tenant, at Tenant's cost and expense, of plans and specifications reasonably acceptable to Landlord. Landlord agrees to obtain at least three bids for construction of such improvements following procedures similar to those which were acceptable to Tenant for the purposes of completion of the Landlord's Work. The provisions of this Section 3.2 shall apply to such construction, which shall also be deemed "Landlord's Work" for the purposes of Section 3.2, except that:

(a) the completion date for the Landlord's Work shall be mutually agreed by Landlord and Tenant;

(b) Tenant shall reimburse Landlord, within thirty (30) days after the later of (i) substantial completion of the Landlord's Work and (ii) receipt from Landlord of an itemized invoice showing all costs associated with completion of the Landlord's Work, the amount of such costs minus the unexpended portion of the Buildout Allowance (if any);

(c) there shall be no termination right for untimely completion of the Landlord's Work; and

(d) there shall be no Moving/Plans Allowance with respect to the Landlord's Work.

ARTICLE IV  
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LANDLORD'S COVENANTS  
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4.1 LANDLORD'S COVENANTS  
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4.1.1 BUILDING SERVICES. Landlord shall furnish services, utilities, facilities and supplies set forth in this Section 4.1.1. Tenant may obtain additional services, utilities, facilities and supplies from time to time upon reasonable advance

request or Landlord may furnish the same without request if Landlord reasonably determines that Tenant's use or occupancy of the Premises necessitates the same, and, in either case, the cost of the same (including related expenses such as costs for meter installation and maintenance) at reasonable rates from time to time established by Landlord shall constitute a restricted item allocable to the Premises under Section 2.6.1. All building services contemplated by this Section 4.1.1. shall be comparable to those provided in first-class office buildings in Cambridge.

4.1.1.1 WATER CHARGES. Landlord shall furnish hot and cold water for ordinary office cleaning, toilet, lavatory and drinking purposes. If Tenant requires, uses or consumes water for any other purpose, Landlord may either assess on Tenant reasonable charges for additional water, or install a water meter to measure Tenant's consumption. (The cost of installation and maintenance of any such meter shall be borne by Tenant.) If Tenant's water consumption is measured by a separate meter, Tenant shall pay for all water so consumed together with the sewer charges based on said meter charges as and when bills are rendered. All piping and other equipment and facilities for use of water outside the Building core will be installed and maintained by Landlord at Tenant's cost and expense. Water usage in connection with coffee stations, two small employee kitchen areas and for employee showers in the Premises shall not be assessed as additional expense but shall be treated as a Landlord Operating Expense.

4.1.1.2 ELEVATOR, HEAT, ELECTRICITY AND CLEANING. Landlord, at its expense, shall: (i) provide at lease the existing elevator facilities on Mondays through Fridays excepting legal holidays from 8:00 a.m. to 6:00 p.m. (such hours on such days being referred to as "business days") and have at least one elevator in operation available for Tenant's non-exclusive use at all other times; (ii) furnish heat to the Premises during the normal heating season on business days; (iii) furnish electricity to the Premises sufficient for normal office uses but excluding special uses such as main-frame computers and other machinery with high electrical consumption (Landlord will furnish electricity for such special uses provided Tenant pays extra costs associated therewith); and (iv) cause the office areas of the Premises to be kept reasonably clean, the same to be maintained and kept in good order by Tenant. Cleaning standards for the Building are set forth in Exhibit C hereto attached.

4.1.1.3 AIR-CONDITIONING. Landlord shall, through the Building air-conditioning system, furnish to and distribute in the Premises air-conditioning as normal seasonal changes may require on business days when air-conditioning may reasonably be required for the comfortable occupancy of the Premises by Tenant. If Tenant requires additional air-conditioning for business machines, meeting rooms or other purposes, or because of occupancy or unusual electrical loads, any additional air-

conditioning units, chillers, condensers, compressors, ducts, piping and other equipment will be installed and maintained by Landlord at Tenant's sole cost and expense, but only to the extent that the same are compatible with the Building and its mechanical systems.

4.1.1.4. ENERGY CONSERVATION. Tenant agrees to cooperate with Landlord and to abide by all Building regulations which Landlord may, from time to time, prescribe for the proper functioning and protection of the heating and air-conditioning systems and in order to maximize the effect thereof and to conserve heat and air-conditioning. Notwithstanding anything to the contrary in this Section 4.1.1 or otherwise in this Lease, Landlord may institute such policies, programs and measures as may be in Landlord's judgment necessary, required or expedient for the conservation or preservation of energy or energy services, (provided that the same are not inconsistent with policies, programs and measures generally applied in other first-class office buildings in Cambridge) or as may be necessary to comply with applicable codes, rules, regulations or standards; provided, however, that nothing in this Section 4.1.1.4 shall allow Landlord to (i) reduce or limit the quality or quantity of services to be provided by Landlord hereunder, or (ii) increase Landlord's Operating Expenses above the level that would have existed in the absence of such energy conservation measures.

4.1.2 REPAIRS. Except as otherwise provided in this Lease, and except for repairs to items referred to below necessitated Tenant's act or neglect (which shall be Tenant's repair obligation under Section 5.2, unless caused by a casualty loss covered by Landlord's insurance), Landlord shall make such repairs, in a good and workmanlike manner and using first-class materials, to the roof, exterior walls, floor slabs, windows in the Premises, common areas and facilities as may be necessary to keep them in good condition consistent with a first-class office building.

4.1.3 OFFICE IDENTIFICATION. Landlord shall provide and install at Tenant's expense, if requested, letters or numerals on entry doors to the Premises to identify Tenant's official name and Building address; all such letters and numerals shall be in the Building standard graphics and no others shall be used or permitted on the exterior of the Premises, except that Landlord shall provide and install at Tenant's expense, if requested, appropriate outside signage identifying Tenant at the entrance to the Building and Tenant may install signage in the elevator lobbies on any floor occupied by Tenant. The design, location and installation of such signage shall be subject to Landlord's reasonable approval, which such approval shall not be unreasonably withheld or delayed, or, in accordance with Exhibit E. Tenant will be listed in the lobby directory, consistent with listing for other tenants of the building.

4.1.4 QUIET ENJOYMENT. Landlord covenants that Tenant, on paying the rent and performing the tenant obligations in this Lease, shall peacefully and quietly have, hold and enjoy the Premises, subject to all of the terms and provisions hereof.

#### 4.2. INTERRUPTION

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Except as otherwise provided herein, Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of inconvenience or annoyance or for loss of business arising from the necessity of Landlord or its agents entering the Premises for any of the purposes authorized in this Lease or for repairing the Premises or from repairs by Landlord of any portion of the Building however the necessity may occur. Except as otherwise provided herein, in case Landlord is prevented or delayed in making any repairs, alterations or improvements, or furnishing any services or performing any other covenant or duty to be performed on Landlord's part, by reason of any cause reasonably beyond Landlord's control, Landlord shall not be liable to Tenant therefor, nor, except as otherwise provided in Section 6.1, shall Tenant be entitled to any abatement or reduction of rent by reason thereof, nor shall the beginning of the Term be delayed under Section 2.4(b) (once substantial completion has occurred), nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Premises. Landlord shall use reasonable efforts to avoid or minimize interference with Tenant's use and occupancy of the Premises. In no event shall Landlord be liable for indirect or consequential damages.

Landlord reserves the right to stop any service or utility system, when necessary by reason of accident or emergency, or until necessary repairs have been completed; provided, however, that in each instance of stoppage, Landlord shall exercise reasonable diligence to eliminate the cause thereof. Except in case of emergency repairs Landlord will give Tenant reasonable advance notice of any contemplated stoppage and will use reasonable efforts to avoid unnecessary inconvenience to Tenant by reason thereof.

Notwithstanding anything contained herein to the contrary, in the event of interruption of any utility service required to be provided by the Landlord, where the interruption is not the result of any act or omission or default of this Lease by Tenant or its agents, employees or contractors, and the restoration of such service is within the Landlord's reasonable control, Tenant shall be entitled to an equitable abatement of Annual Fixed Rent and all other charges payable hereunder, according to the nature and extent of the interference with Tenant's use and occupancy, commencing on the thirtieth (30th) day following any such interruption.



## ARTICLE V

## TENANT'S COVENANTS

## 5.1 RENT, UTILITIES

Tenant covenants and agrees to pay when due all Annual Basic Rent and additional rent and all charges for utilities and services rendered to the Premises and for all other matters for which Tenant is responsible hereunder.

## 5.2 MAINTENANCE AND REPAIR

Except for damage by fire or casualty and reasonable wear, damage caused by the act or neglect of Landlord and other repairs for which Landlord is responsible under this Lease, Tenant shall at all times keep the Premises clean and in as good repair, order and condition as the same are at the beginning of the Term or may be put in thereafter.

## 5.3 USE, WASTE AND NUISANCE

Throughout the Term, Tenant shall use the Premises for the Permitted Uses only. Tenant shall not injure, overload, deface or commit waste in the Premises or any part of the Building or anywhere on the Land, nor permit the occurrence of any nuisance therein or the emission therefrom of any objectionable noise or odor, nor use or permit any use of the Premises, Building or Land which is improper, offensive, contrary to law or ordinance or which is liable to invalidate or increase the premium for any insurance on the Building or its contents or which is liable to render necessary any alterations or additions in the Building, nor obstruct in any manner any portion of the Building or the Land. If Tenant's use of the Premises results in an increase in the premium for any insurance on the Building or its contents, Landlord shall notify Tenant of such increase and Tenant shall pay same as additional rent. Tenant may not without Landlord's consent install in the Premises any water fountains, water-connected coffee makers, water-connected refrigerators, sinks or cooking equipment provided that Landlord's consent will not be unreasonably withheld with respect to items designed for the convenience of Tenant's employees and further provided that Landlord determines that special venting or other matters are not required in connection therewith.

## 5.4 RULES AND REGULATIONS

Tenant shall conform to all reasonable rules and regulations of general applicability now or hereafter promulgated by Landlord for the care and use of the Premises, the Building and the Land. Existing rules and regulations are hereto attached as Exhibit C.

5.5 SAFETY APPLIANCES  
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Tenant shall keep the Premises equipped with all safety appliances and permits which, as a result of Tenant's particular activities, are required by law or ordinance or any order or regulation of any public authority, shall keep the Premises equipped at all times with adequate fire extinguishers and other such equipment reasonably required by Landlord; and, upon notice by Landlord, shall make all repairs, alterations, replacements or additions so required as a result of Tenant's particular activities or the special requirements of Tenant, its agents, employees or invitees other than general office use. The Landlord shall be responsible for any such items to the extent they relate to the use of the Premises for general office purposes.

5.6. INDEMNIFICATION AND INSURANCE  
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Subject to the provisions of Section 8.12 below, Tenant shall save Landlord, its partners, officers, directors, agents employees, mortgagees and ground lessors (collectively the "Indemnitees") harmless and indemnified (and shall defend the Indemnitees with counsel reasonably approved by the Indemnitee against any claim or loss arising out of any injury, loss or damage to any person or property while on or in the Premises is not due to negligence or willful misconduct of the Indemnities and to any person or property anywhere in the Building or on the Land occasioned by any act, omission, neglect or default of Tenants or of employees, agents, independent contractors or invitees of Tenant (collectively, the "Indemnified Obligations"). In addition to the foregoing, Landlord may make all repairs and replacements to the Building resulting from acts or omissions Tenant's employees, agents, independent contractors or invitee (including damage and breakage occurring when Tenant's property is being moved into or out of the Building) and Landlord may recover all costs and expenses thereof from Tenant as additional rent. Tenant shall maintain in a responsible company or companies approved by Landlord, liability insurance in form satisfactory to Landlord (Landlord's approval as to Tenant's insurer and the form of policy not to be withheld unreasonably or delayed), insuring the Landlord, its ground lessor and (if requested) its mortgagee (collectively, "Landlord Insureds"), Tenant as their respective interests may appear, against all claims, demands or actions for injury, death, and property damage in connection with the Indemnified Obligations in amounts not less than those specified in Section 1.1 (as such amounts may, from time to time, be reasonably increased by Landlord on a basis consistent with other first class office buildings in Cambridge. Such insurance shall provide that it will not be subject to cancellation, termination, or change except after at least 30 days' prior written notice to Landlord Insureds (ten (10) days prior written notice in case of cancellation due to nonpayment

insurance premium). The policy or policies, or a duly executed certificate or certificates for the same, together with satisfactory evidence of the payment of the premium thereon, shall be deposited with the Landlord Insureds at the beginning of the Term and, upon renewals of such policies, not less than 30 days prior to the expiration of the term of such coverage. If Tenant fails to comply with any of the foregoing requirements, Landlord may, after written, telephone or facsimile notice to Tenant, obtain such insurance on behalf of Tenant and may keep the same in effect, and Tenant shall pay Landlord, as additional rent, the premium cost thereof upon demand.

#### 5.7 TENANT'S PROPERTY

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All furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming through Tenant which from time to time may be on the Premises or elsewhere in the Building or in transit thereto or therefrom shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or be borne by the Indemnities, except that the Indemnities shall in no event be indemnified or held harmless or exonerated from any liability to Tenant or to any other person, for any injury, loss, damage or liability to the extent such indemnity, hold harmless or exoneration is prohibited by law or to the extent the loss or liability is due to the negligence or willful act of the Indemnities, their agents or employees.

#### 5.8 ENTRY FOR REPAIRS AND INSPECTIONS

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Tenant shall permit Landlord and its agents to enter and examine the Premises at reasonable times and, if Landlord shall so elect, to make any repairs or replacements Landlord may deem necessary, to remove at Tenant's expense, any alterations, additions, signs, curtains, blinds, shades, awnings, aerial flagpoles, or the like not consented to in writing, (Landlord agreeing to use reasonable efforts to avoid or minimize interference with Tenant's use and occupancy of the Premises) and to show the Premises to prospective tenants during the nine (9) months preceding expiration of the Term and to prospective purchasers and mortgagees at all reasonable times. Except in the case of emergencies and for purposes of cleaning, entry by Landlord shall be made only after such notice as is reasonable under the circumstances.

#### 5.9 EXPENSES AND ATTORNEYS' FEES

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Tenant shall pay as additional rent Landlord's expenses, including reasonable attorneys' fees, incurred in successfully

enforcing any obligations of Tenant under this Lease with which Tenant has failed to comply. Landlord shall reimburse Tenant for Tenant's expenses, including reasonable attorneys fees, incurred in successfully enforcing any obligations of Landlord under this Lease with which Landlord has failed to comply.

#### 5.10 ASSIGNMENT, SUBLETTING

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Tenant shall not assign this Lease, or sublet or license the Premises or any portion thereof or permit the occupancy of all or any portion of the Premises by anybody other than Tenant (all or any of the foregoing actions are referred to as "assignments," and all of the occupants of the Premises resulting from any such assignment are referred to as "assignees") without obtaining, on each occasion, the prior consent of the Landlord, which shall not be unreasonably withheld or delayed. If Landlord has space in the Building which Landlord is then marketing for occupancy to a party other than Tenant, Tenant shall not offer to make or enter into negotiations with respect to any assignment to any of the following (each, a "Restricted Party"): (i) a tenant in the Building or (ii) any party with whom Landlord or any affiliate of Landlord is then negotiating with respect to other space in the Building. Upon written notice from Tenant identifying a Restricted Party with whom Tenant wishes to negotiate an assignment and the nature of the proposed assignment ("Tenant's Restricted Party Notice"), Landlord will promptly notify Tenant as to whether Landlord is negotiating or intends to negotiate with such party. If (i) Landlord fails to so notify Tenant within ten (10) business days of Landlord's receipt of Tenant's Restricted Party Notice, or (ii) Landlord notifies Tenant that it is not negotiating or does not intend to negotiate with such Restricted Party, Tenant shall be free to negotiate with such Restricted Party, but only with respect to the then proposed assignment by Tenant.

Landlord shall respond to Tenant's request for consent to an assignment within ten (10) business days following Landlord's receipt thereof. Landlord's response shall state whether Landlord requires additional information as hereinafter provided and, if so, Landlord shall respond to Tenant's request within five (5) business days after receipt of such additional information. Landlord's withholding of consent shall be deemed reasonable if (i) the proposed assignee has a business reputation or business activities which are inconsistent with a first class office building or, (ii) except in the case of an assignment whereby the named Tenant, Forrester Research, Inc., or a Permitted Assignee will remain in occupancy of at least 50% of the Premises, the proposed assignee has an uncreditworthy financial condition or its history do not provide Landlord with reasonable assurance of the full and prompt payment and performance of the Tenant's obligations hereunder,

notwithstanding that the original Tenant is required to remain primarily liable therefor hereunder.

An assignment shall include, without limitation, any transfer of Tenant's interest in this Lease by operation of law, merger or consolidation of Tenant into any other entity, the corporate reorganization of Tenant as a business entity (except a reorganization due to bankruptcy or insolvency), the sale of substantially all Tenant's assets, or the transfer or sale of a controlling interest in Tenant, whether by sale of its capital stock or otherwise (a "Corporate Event").

Landlord's consent shall not be required with respect to an assignment to any entity controlling, controlled by or under common control with Tenant (and provided Tenant and such affiliated entity remain affiliated) or pursuant to a Corporate Event, PROVIDED THAT Tenant or the surviving or succeeding entity holding Tenant's interest in this lease shall (a) engage in activities consistent with a first class office building, and (b) either (i) at the time of such assignment have a net worth equal to or greater than the net worth of the Tenant named herein, Forrester Research, Inc., as of the date of this Lease, or (ii) have a "cash flow" equal to or greater than one hundred fifty percent (150%) of the Annual Basic Rent and other recurring charges due hereunder (a "Permitted Assignment" and any assignee or sublessee pursuant thereto, being a "Permitted Assignee"). For the purposes hereof, "cash flow" shall be determined pursuant to the following formula: Net Income Before Taxes + Amortization + Depreciation + Rent. Tenant shall give Landlord not less than ten (10) business days prior written notice of any proposed Permitted Assignment

Tenant's request for consent to an assignment and Tenant's notice to Landlord of a proposed Permitted Assignment shall include a copy of the proposed instrument of assignment, if available, and a statement of the proposed assignment in detail reasonably satisfactory to Landlord, together with reasonably detailed financial, business and other information about the proposed assignee and, in the case of a Permitted Assignment, the relationship of the proposed assignee to Tenant.

Except in the case of a Permitted Assignment, if Tenant proposes to (x) assign this Lease or (y) sublet any portion of the Premises for the balance of the Term of this Lease (not including unexercised extension periods under this Lease), Landlord shall have the option (but not the obligation) to terminate the Lease (but only with respect to the portion of the Premises which Tenant proposes to sublet in the case of a proposed subletting) effective upon the date of the proposed assignment and continuing for the proposed term thereof by giving Tenant notice of such termination within ten (10) business days after Landlord's receipt of Tenant's request; provided however

that if Landlord gives such termination notice, Tenant shall have the right, by written notice to Landlord within five (5) business days thereafter, to rescind such termination by notifying Landlord that Tenant will not consummate such proposed assignment or subletting, whereupon such termination shall be null and void and of no further force or effect. If Landlord exercises its right to terminate this Lease with respect to a portion of the Premises (and Tenant does not rescind such termination as hereinabove provided), Landlord will have the right to demise such space and provide access thereto for the purpose of leasing such space.

If Tenant does make an assignment or sublease other than pursuant to a Permitted Assignment, Tenant shall pay to Landlord, as additional rent, fifty percent (50%) of the amount by which the aggregate rent and other charges payable to Tenant under and in connection with such assignment or subletting (including without limitation any amounts paid for leasehold improvements) exceed the rent and other charges paid hereunder, provided Tenant shall first be permitted to recover the reasonable costs incurred in connection such assignment or subletting.

Tenant shall pay to Landlord, as additional rent, Landlord's reasonable legal fees and other expenses incurred in connection with any proposed assignment, including fees for review of documents and investigations of proposed assignees.

Notwithstanding any such assignment, the original Tenant named herein shall remain directly and primarily obligated under this Lease.

If an assignment occurs hereunder, the assignee shall be deemed to have agreed directly with Landlord to be liable, jointly and severally with Tenant, to the extent of the obligations undertaken by or attributable to such assignee, for the performance of all Tenant's agreements under this Lease (including payment of rent). Every sublease and other assignment document shall contain the following language, modified only as necessary to identify properly the instruments and parties:

"If Prime Landlord is entitled to terminate the Prime Lease pursuant to Section 7.1 thereof due to a default on the part of Prime Tenant, Prime Landlord may at its election, collect rent and other charges directly from the subtenant (or assignee) and such subtenant (or assignee) shall be directly liable to Prime Landlord for performance of all obligations under the sublease (or assignment) as the same incorporates the terms of the Prime Lease."

The net amount of any rent collected from an assignee shall be applied to the rent and other charges hereunder, but no such assignment or collection shall be deemed a waiver of the

provisions of Section 5.10, or the acceptance of the assignee, as a tenant, or a release of Tenant from direct and primary liability for the further performance of Tenant's covenants hereunder. The consent by Landlord to a particular assignment shall not relieve Tenant from the requirement of obtaining the consent of Landlord to any further assignment.

#### 5.11 ALTERATIONS, ADDITIONAL HEAVY EQUIPMENT, ETC.

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Tenant shall not make any alterations or additions in or to the Premises, nor erect or paint any sign or other identification on any window or Premises entry door without obtaining Landlord's prior consent which consent shall not be unreasonably withheld or delayed. Tenant will not bring into or install in the Premises any safes, or bulky or heavy furnishings, equipment, or machines without the prior approval of Landlord as to methods of transportation and installation (Landlord may prohibit installation if the weight of any such item will exceed 100 pounds per square foot on the ground floor or 50 pounds per square foot on upper floors, or if Landlord decides that the same will cause vibration or noise to be transmitted to the Building structure or to areas outside the Premises), nor shall Tenant move any furniture, furnishings, equipment or machines into or out of the Building except by prior arrangement with and approval of Landlord, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Tenant shall have the right to make interior non-structural alterations, subject to Landlord's prior written approval, which approval shall not be unreasonably withheld or delayed.

#### 5.12 SURRENDER AND LIEN FOR RENT

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At the expiration of the Term or earlier termination of this Lease, Tenant shall peaceably give up and surrender the Premises without the requirement of any notice, including all work performed by Tenant (such work to be in conformity with the provisions hereof) and all replacements thereof, including carpeting, any water or electricity meters, and all fixtures and work (including partitions) in anyway bolted or otherwise attached to the Premises (which shall become the property of Landlord) except such non-building standard equipment, fixtures, work and the like (other than any of the same installed by Landlord) as Landlord shall direct Tenant to remove, the Premises and improvements to be in good order, repair and condition, damage by fire, casualty and reasonable wear excepted. Tenant shall, at the time of termination, remove the goods, effects and fixtures which Tenant is directed or permitted to remove in accordance with the provisions of this Section making any repairs to the Premises and other areas necessitated by such removal and leaving the Premises clean and tenantable. Should Tenant fail to remove any of such goods, effects, and fixtures, Landlord may have them removed forcibly, if necessary, and store any of

Tenant's property in a public warehouse at the risk of Tenant; the expense of such removal, storage and reasonable repairs necessitated by such removal shall be borne by Tenant or reimbursed by Tenant to Landlord.

Notwithstanding anything contained herein to the contrary, Tenant shall not be required to remove any items which were installed by Landlord or Tenant with the approval of Landlord and which are (i) comparable in nature to any existing improvements in the Premises or Building, including items installed as part of the Landlord's Work, and (ii) reasonably related to the use of the Premises for general office purposes.

5.13 PAYMENT FOR TENANT WORK  
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Tenant shall pay from time to time the entire cost of any work undertaken by Tenant in the Premises, including equipment, furnishings and fixtures, so that the Premises shall always be free of liens for labor or materials. Tenant shall obtain all permits or licenses for such work. Tenant shall also indemnify and save the Indemnities harmless from all injury, loss, claims, liens or damage to any person or property occasioned by or arising from such work. If any mechanic's lien (which term shall include all similar liens relating to the furnishing of labor and materials) is filed against the Premises or the Building or any part thereof which is claimed to be attributable to Tenant, its agents, employees or contractors, Tenant shall promptly discharge the same by payment thereof or filing any necessary bond. Tenant may dispute in good faith payments due with respect to any work contemplated by this Section, as long as Tenant provides Landlord with adequate security therefore by bonding off the lien or otherwise.

5.14 PERSONAL PROPERTY TAXES  
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Tenant shall pay promptly when due all taxes (and charges in lieu thereof) imposed upon personal property in the Premises, no matter to whom assessed (including without limitation fixtures, equipment and any improvements which are in excess of Building Standard).

ARTICLE VI  
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CASUALTY AND TAKING  
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6.1 DAMAGE BY FIRE OR CASUALTY  
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Landlord shall at all times maintain insurance covering the Building and the leasehold improvements within the Premises to the extent they are customarily insured as part of the Building on an all-risk basis with an extended coverage endorsement, in an amount not less than full replacement cost of the Building. if



the Premises or any part thereof shall be damaged by fire or other insured casualty, then, subject to the following paragraphs of this Section 6.1, Landlord shall proceed with diligence, subject to the then applicable statutes, building codes, zoning ordinances and regulations of any governmental authority, and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord by any mortgagee of the Building) to repair or cause to be repaired such damage, provided, however, in respect of such alterations, decorations, additions and improvements, originally made or installed by Tenant at Tenant's expense, as shall have been damaged by such fire or other casualty and which (in the judgment of Landlord) can more effectively be repaired as an integral part of the work on the Premises, than the repairs to such Tenant's alterations, decorations, additions and improvements shall be performed by Landlord but at Tenant's expense, unless such items were installed by Landlord or its contractors. All repairs to and replacements of property which Tenant is entitled to remove shall be made by and at the expense of Tenant, unless such items were installed by Landlord or its contractors. If the Premises or any part thereof shall have been rendered unfit for use and occupation hereunder (or access thereto unavailable, without reasonable substitute access having been made available) by reason of such damage the Fixed Rent and all other charges payable by Tenant hereunder, or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered unfit or access made unavailable, shall be suspended or abated until the Premises (except as to the property which is to be repaired by or at the expense of Tenant) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty. Landlord shall not be liable for delays in the making of any such repairs which are due to government regulation, casualties and strikes, unavailability of labor and materials, and other causes beyond the reasonable control of Landlord, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage.

If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last eighteen (18) months of the Term that the time to repair such damage is reasonably estimated to exceed the lesser of (a) six (6) months or (b) the remaining balance of the Term (ii) if at any time the Building (whether or not including any portion of the Premises) is so damaged by fire or other casualty (whether or not insured) that reconstruction or demolition of 50% or more of the floor area of the Building shall in Landlord's judgment be required, or (iii) if at any time damage to the Building in excess of \$100,000 occurs by fire or other insured casualty and any mortgagee or ground lessor shall refuse to permit insurance proceeds to be utilized for the repair or replacement of such

property and Landlord determines not to repair such damage, then and in any of such events, this Lease and the term hereof may be terminated at the election of Landlord by a notice from Landlord to Tenant within sixty (60) days, or such longer period as is required to complete arrangements with any mortgagee or ground lessor regarding such situation, following such fire or other casualty, the effective termination date which shall be not less than thirty (30) days after the day on which such termination notice is received by Tenant (provided that in the case of a termination by Landlord pursuant to subsection (i) above, Tenant may void such termination by exercising any then exercisable extension option within twenty (20) days following receipt of Landlord's termination notice). In the event of any termination, this Lease and the Term hereof shall expire as of such effective termination date as though that were the date originally stipulated in Section 1.1. for the end of the Term and the Fixed Rent shall be apportioned as of such date.

Notwithstanding the foregoing, Tenant shall have the right to terminate this Lease following a fire or other insured casualty: (i) if the Premises or the common areas or operating systems of the Building that Tenant has the right to use cannot reasonably be expected to be substantially complete for Tenant's use (or access thereto made available, as the case may be) within nine (9) months; or (ii) if the Premises or the common areas or operating systems of the Building that Tenant has the right to use are not substantially completed to its condition before such fire or other casualty within nine (9) months after such fire or other casualty. Tenant may exercise such termination right, if at all, by giving written notice to Landlord within thirty (30) days following the accrual of such right, which notice shall specify a termination date not more than sixty (60) days nor less than thirty (30) days after the day on which such termination notice is received, and the termination shall be effective as of such date (provided the Premises are not substantially restored or access made available prior thereto). Failure of Tenant to exercise said election within said period shall constitute Tenant's agreement to accept delivery of the Premises under this Lease, provided Landlord thereafter pursues reconstruction or restoration diligently to completion, subject to delays beyond Landlord's reasonable control.

#### 6.2 CONDEMNATION - EMINENT DOMAIN

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In case during the Term all or any substantial part of the Premises or the Building are taken by eminent domain or Landlord receives compensable damage by reason of anything lawfully done in pursuance of public or other authority, this Lease shall automatically terminate. The effective date of termination shall not be less than 15 nor more than 30 days after the effective date of the taking or other such exercise of authority. If by mutual agreement of the parties hereto the Lease is not

terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect following any such taking, subject, however, to the following provisions. If in any such case the Premises are rendered unfit for use and occupation and this Lease is not terminated, Landlord shall use due diligence to put the Premises, or what may remain thereof (excluding any items installed or paid for by Tenant which Tenant may be required to remove pursuant to Section 5.12), into proper condition for use and occupation and a just proportion of the Fixed Rent and additional rent according to the nature and extent of the injury shall be abated until the Premises or such remainder shall have been put by Landlord in such condition; and in case of a taking which permanently reduces the area of the Premises, a just proportion of the Fixed Rent and additional rent shall be abated for the remainder of the Term.

#### 6.3 EMINENT DOMAIN AWARD

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Except for Tenant's relocation expenses (specifically so designated), Landlord reserves to itself any and all rights to receive awards made for damages to the Premises, Building and Land and the leasehold hereby created, or any one or more of them, accruing by reason of exercise of eminent domain or by reason of anything lawfully done in pursuance of public or other authority. Tenant hereby releases and assigns to Landlord all Tenant's rights to such awards, and covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request, hereby irrevocably designating and appointing Landlord as its attorney-in-fact to execute and deliver in Tenant's name and behalf all such further assignments thereof. Notwithstanding the foregoing, Tenant shall be entitled no any taking award specifically allocable to trade fixtures installed by or at the expense of Tenant, provided that such award does not reduce the award to which Landlord is otherwise entitled hereunder.

#### 6.4 TEMPORARY TAKING

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In the event of any taking of the Premises or any part thereof for temporary use, Annual Fixed Rent and additional rent according to the nature and extent of the injury to the Premises shall be abated during the period of such temporary taking. Notwithstanding the foregoing, in the event that any such temporary taking is for a period of nine (9) months or more, then Tenant shall have the right, by written notice to Landlord given within 21 days following notice of such taking, to terminate this Lease.

ARTICLE VII

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DEFAULT

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7.1 TERMINATION FOR DEFAULT OR INSOLVENCY

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This Lease is upon the condition that (1) if Tenant shall fail to perform or observe any of Tenant's covenants, and if such failure shall continue, in the case of rent or payments of any sum due Landlord hereunder, for more than ten (10) days, after delivery of notice thereof to Tenant (as the word "delivery") or "delivered" is defined in Section 8.4 below) or in any other case, after notice, for more than thirty (30) days (provided that if correction of any such matter reasonably requires longer than 30 days and Tenant so notifies Landlord within 20 days together with an estimate of time required for such cure, Tenant shall be allowed such longer period, but only if such delay does not increase the risk of damage to person or property), or (2) if three or more notices under clause (1) hereof are given in any twelve month period (excluding notices given in error, i.e. no default existed), or (3) if the leasehold hereby created shall be taken on execution, or by other process of law, or if any assignment shall be made of Tenant's property for the benefit of creditors, or (4) if a receiver, guardian, conservator, trustee in bankruptcy or similar officer shall be appointed by a court of competent jurisdiction to take charge of all or any part of Tenant's property and such appointment is not discharged within 90 days thereafter or if a petition including, without limitation, a petition for reorganization or arrangement is filed by Tenant under any bankruptcy law or is filed against Tenant and, in the case of a filing against Tenant only, the same shall not be dismissed within 90 days from the date upon which it is filed, then, and in any of said cases, Landlord may, immediately or at any time thereafter, elect to terminate this Lease by notice of termination to Tenant at the Premises and to recover possession of the Premises under and by virtue of the provisions of the laws of the Commonwealth of Massachusetts. Upon termination of this Lease, Landlord shall be entitled to recover possession of the Premises from Tenant and those claiming through or under the Tenant. Such termination of this Lease and repossession of the Premises shall be without prejudice to any remedies which Landlord might otherwise have for arrears of rent or for a prior breach of the provisions of this Lease.

7.2 REIMBURSEMENT OF LANDLORD'S EXPENSES

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In the case of termination of this Lease pursuant to Section 7.1, Tenant shall reimburse Landlord for all reasonable costs incurred in collecting amounts due from Tenant under this Lease including attorneys' fees, costs of litigation and the like); all reasonable expenses incurred by Landlord in attempting to

relet the Premises or parts thereof (including advertisements, brokerage commissions, Tenant's allowances, costs of preparing space, and the like); and to the extent they are direct and proximate reasonable expenses to which a Landlord may be entitled under applicable Massachusetts law for breach of this Lease, all Landlord's other reasonable expenditures necessitated by the termination. The reimbursement from Tenant shall be due and payable immediately from time to time upon notice from Landlord that an expense has been incurred, without regard to whether the expense was incurred before or after the termination.

### 7.3 DAMAGES

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Landlord may elect by written notice to Tenant within 4 months following such termination to be indemnified for loss of rent by a lump sum payment representing the amount of rent which would have been paid in accordance with this Lease for the remainder of the Term minus the aggregate fair market rent payable for the Premises for the remainder of the Term (if less than the rent payable hereunder), estimated as of the date of the termination, and taking into account reasonable projections of vacancy and time required to lease, discounted to present value at then base rate of interest charged by the First National Bank of Boston (or its successor) at an interest rate consistent with then present value discounting under first-class office leases. (For the purposes of calculating the rent which would have been paid hereunder for the lump sum payment calculation described herein, the last full year's additional rent under Section 2.6 is to be deemed constant for each year thereafter.) Should the parties be unable to agree on a fair market rent, the matter shall be submitted, upon the demand of either party, to the Boston, Massachusetts office of the American Arbitration Association, with a request for arbitration in accordance with the rules of the Association by a single arbitrator who shall be an MAI appraiser with at least ten years experience as an appraiser of suburban commercial real estate in the Greater Boston Area. The parties agree that a decision of the arbitrator shall be conclusive and binding upon them. Should Landlord fail to make the election provided for in this Section 7.3, Tenant shall indemnify Landlord for the loss of rent by a payment at the end of each month which would have been included in the Term, representing the difference between the rent which would have been paid in accordance with this Lease (Annual Fixed Rent under Section 2.5, and additional rent which would have been payable under Section 2.6 to be ascertained monthly) and the rent actually derived from the Premises by Landlord for such month (the amount of rent deemed derived shall be the actual amount less any portion thereof attributable to Landlord's reletting expenses described in Section 7.2 which have not been reimbursed by Tenant thereunder). In no event shall Tenant be liable for indirect or consequential damages.

## 7.4 MITIGATION

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Any obligation imposed by law upon Landlord to relet the Premises shall be subject to the reasonable requirements of Landlord to develop the Building in a harmonious manner with an appropriate mix of terms and floor areas, etc.

## 7.5 CLAIMS IN BANKRUPTCY

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Nothing herein shall limit or prejudice the right of Landlord to prove and obtain in a proceeding for bankruptcy insolvency, arrangement or reorganization, by reason of the termination, an amount equal to the maximum allowed by a statute of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount is greater to, equal to, or less than the amount of the loss or damage which Landlord has suffered.

## 7.6 LATE CHARGE

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If any payment of Fixed Rent, additional rent, or other payment due from Tenant to Landlord is not paid when due, then Landlord may, at its option, without notice and in addition to all other remedies hereunder, impose a late charge on Tenant equal to the corporate rate of the First National Bank of Boston (or its successor) from time to time in effect plus four percent (4%) for each month and part thereof during which said delinquency continues. Such late charge shall constitute additional rent hereunder payable upon demand.

## ARTICLE VIII

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## MISCELLANEOUS

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## 8.1 MEASUREMENT OF FLOOR AREA

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The Rentable Floor Areas of the Premises and Building shall be conclusive as stated in Section 1.1. In calculating any other floor areas, Landlord shall employ a method consistent with the original method of calculation.

## 8.2 HOLDOVER

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If Tenant continues in occupancy of the Premises after the expiration or earlier termination of the Term, such occupancy shall be deemed a tenancy of sufferance, terminable at Landlord's election without notice to Tenant or anyone claiming under Tenant, whether or not Landlord receives any payments for use and occupancy of the Premises during such tenancy. Tenant's liability for use and occupancy during any such holdover shall be the fair rental value of the Premises, but not less than 1.5 times the monthly installment of Annual Fixed Rent and additional

rent due hereunder for the last month of the Term (the "Holdover Rent"), and otherwise subject to all the covenants and conditions (including obligations to pay additional rent under Section 2.6 of this Lease.)

### 8.3 ESTOPPEL CERTIFICATES

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At the request of either party, from time to time, Landlord and Tenant agree to execute and deliver to the other a certificate which acknowledges tenancy and possession of the Premises and recites such other facts concerning any provision of the Lease or payments made under the Lease which a mortgagee or lender or a purchaser or prospective purchaser of the Building or any interest therein or any other party may reasonably request.

### 8.4 NOTICE

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Any notice approval and other like communication hereunder from Landlord to Tenant or from Tenant to Landlord shall be given in writing and shall be deemed duly given and delivered as set forth in the last sentence of this Section. Communications to Tenant shall be addressed to Tenant, Attention: President at the Original Address of Tenant set forth in Section 1.1 prior to the Term Commencement Date and thereafter at the Premises and to Tenant's attorney, Joseph M. Eagan, Esq., Ropes & Gray, One International Place, Boston, MA 02110. Communications to Landlord shall be addressed to the Address of Landlord's Managing Agent set forth in Section 1.1, except communications regarding Finish Work which shall be addressed to Landlord's Finish Work Representative at the address set forth in Section 1.1. Either party may from time to time designate other addresses within the continental United States by notice to the other. Notices shall be deemed delivered and given on the earliest of (i) the date of receipt, or (ii) the date of delivery if hand delivered, or (iii) two (2) days after mailing if sent by Federal Express or some other overnight courier, or (iv) three (3) days after mailing if sent by prepaid certified mail, return receipt requested.

### 8.5 RIGHT TO CURE

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Without thereby affecting any other right or remedy of Landlord hereunder Landlord may, at its option, cure for Tenant's account any default by Tenant hereunder which remains uncured after the expiration of any applicable notice and cure period. If Tenant shall fail to reimburse Landlord for the reasonable costs and expenses incurred by Landlord in effectuating such cure within thirty (30) days after receipt by Tenant of an invoice from Landlord, Landlord may add such amounts to the next monthly installment of Annual Basic Rent due from Tenant; provided, however, that Landlord may not thus add any amounts being disputed by Tenant in good faith.

Without thereby affecting any other right or remedy of Tenant hereunder, Tenant may, at its option, cure for Landlord's account any default by Landlord hereunder which remains uncured after thirty (30) days written notice of default from Tenant to Landlord (or such longer period as may be reasonably required to effect the cure thereof, as long as such cure is commenced within said thirty (30) days period and thereafter diligently pursued to completion). If Landlord shall fail to reimburse Tenant for the reasonable costs and expenses incurred by Tenant in effectuating such cure within thirty (30) days after receipt by Landlord of an invoice from Tenant, Tenant may sue Landlord to recover such costs. In no event shall Tenant deduct such amounts from the Annual Basic Rent or other charges due from Tenant hereunder.

#### 8.6 SUCCESSORS AND ASSIGNS

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This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord, its successors and assigns, and shall be binding upon Tenant, its successors and assigns, and shall inure to the benefit of Tenant and only such assignees of Tenant as are permitted hereunder. The term "Landlord" means the original Landlord named herein, its successors and assigns. The term "Tenant" means the original Tenant named herein and its permitted successors and assigns.

#### 8.7 BROKERAGE

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Each party warrants that it has had no dealings with any broker or agent in connection with this Lease except for any broker designated in Section 1.1, and covenants to pay, hold harmless and indemnify the other party from and against any and all costs, expense or liability for any compensation, commissions and charges claimed by any broker or agent other than any such broker with respect to this Lease or the negotiation thereof arising from a breach of the foregoing warranty. Landlord shall be responsible for payment of any brokerage commission to the Broker designated in Section 1.1.

#### 8.8 WAIVER

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The failure of Landlord or of Tenant to seek redress for violation of, or to insist upon strict performance of, any covenant or condition of this Lease, or, with respect to such failure of Landlord, any of the rules and Regulations referred to in Section 5.4, whether heretofore or hereafter adopted by Landlord, shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation, nor shall the failure of Landlord to enforce any of said Rules and Regulations against any other tenant of the Building be deemed a waiver of any such Rules or Regulations. The receipt by Landlord of Fixed Rent or additional rent with



knowledge of the breach of any covenant of this Lease shall not be deemed waiver of such breach. No provision of this Lease shall be deemed to have been waived by Landlord, or by Tenant, unless such waiver be in writing signed by the party to be charged. No consent or waiver, express or implied, by Landlord or Tenant to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

#### 8.9 ACCORD AND SATISFACTION

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No acceptance by Landlord of a lesser sum than the Fixed Rent and additional rent then due shall be deemed to be other than an account of the earliest installment of such rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installments or pursue any other remedy provided in this Lease. The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not operate as a termination of this Lease or a surrender of the Premises.

#### 8.10 REMEDIES CUMULATIVE

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The specific remedies to which Landlord may resort under the Terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, Landlord shall be entitled to seek the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions.

#### 8.11 PARTIAL INVALIDITY

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If any term of this Lease, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

#### 8.12 WAIVERS OF SUBROGATION

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Landlord and Tenant each hereby release the other from any liability for any loss or damage to the Premises, the Building, the Land and any property therein whether or not caused by the

negligence or other fault of Landlord, Tenant or their respective agents, employees, subtenants, licensees, invitees or assignee, and any casualty insurance maintained by Landlord and Tenant with respect to such losses shall include a clause or endorsement denying to the insurer rights of subrogation against the other party to the extent waived herein; provided, however, that this release (i) shall apply notwithstanding the indemnities set forth in Section 5.6 and (ii) shall be in effect only to the extent and so long as the applicable insurance policies provide that this release and the inclusion of a waiver of subrogation clause in such policies shall not affect the right of the insureds to recover thereunder.

8.13 ENTIRE AGREEMENT  
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Reference is made to a certain side letter agreement between Landlord and Tenant of even date herewith (the "Side Letter"). This Lease, together with the Side Letter, contains all of the agreements between Landlord and Tenant with respect to the Premises and supersedes all prior dealings between them with respect thereto.

8.14 NO AGREEMENT UNTIL SIGNED  
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The submission of this Lease or a summary of some or all of its provisions for examination does not constitute a reservation of or option for the Premises or an offer to lease and no legal obligations shall arise with respect to the Premises or other matters herein until this Lease is executed and delivered by Landlord and Tenant.

8.17 NOTICE OF LEASE  
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Landlord and Tenant agree not to record this Lease. Both parties will, at the request of either, execute, acknowledge and deliver a Notice of Lease in recordable form. Such notice shall contain only the information required by law for recording.

8.18 TENANT AS BUSINESS ENTITY  
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If either Landlord or Tenant is a business entity, then the person or persons executing this Lease on behalf of either such party warrant and represent that (a) either Landlord or Tenant is duly organized and validly existing under the laws of the jurisdiction in which such entity was organized; and (b) either Landlord or Tenant has duly executed and delivered this Lease.

8.19 MISCELLANEOUS PROVISIONS  
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This Lease may be executed in counterparts and shall constitute the agreement of Landlord and Tenant whether or not their signatures appear in a single copy hereof. This Lease

shall be construed as a sealed instrument in accordance with the laws of the Commonwealth of Massachusetts. The titles are for convenience only and shall not be considered a part of the Lease. The enumeration of specific examples of or inclusions in a general provision shall not be construed as a limitation of the general provision. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent, or of partners or joint venturers or any relationship, other than landlord and tenant. This lease and all consents, notices, approvals and all other documents relating hereto may be reproduced by any party by photographic, microfilm, microfiche or other reproduction process and the originals thereof may be destroyed; and each party agrees that any reproductions shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not reproduction was made in the regular course of business) and that any further reproduction of such reproduction shall likewise be admissible in evidence.

Reference in this Lease to the act or neglect of a party shall include the act or neglect of those for whom Landlord or Tenant, as the case may be, is legally responsible.

#### ARTICLE IX

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#### LANDLORD'S LIABILITY AND ASSIGNMENT FOR FINANCING

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##### 9.1 LANDLORD'S AND TENANT'S LIABILITY

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Tenant agrees from time to time to look only to Landlord's interest in the Building for satisfaction of any claim against Landlord hereunder and not to any other property or assets of Landlord. If Landlord from time to time transfers its interest in the Building (or part thereof which includes the Premises), then from and after each such transfer Tenant shall look solely to the interests in the Building of each of Landlord's transferees for the performance of all of the obligations of Landlord hereunder. The obligations of Landlord shall not be binding on any partners (or trustees or beneficiaries) of Landlord or of any successor, individually, but only upon Landlord's or such successor's assets described above. Neither Landlord nor Tenant shall be liable for any special, indirect or consequential damages by virtue of a default under this Lease.

##### 9.2 ASSIGNMENT OF RENTS

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If, at any time and from time to time, Landlord assigns this Lease or the rents payable hereunder to the holder of any mortgage on the Premises or the Building, or to any other party for the purpose of securing financing (the holder of any such mortgage and any other such financing party are referred to herein as the "Financing Party"), whether such assignment is

conditional in nature or otherwise, the following provisions shall apply.

(i) Such assignment to the Financing Party shall not be deemed an assumption by the Financing Party of any obligations of Landlord hereunder unless such Financing Party shall, by written notice to Tenant, specifically otherwise elect;

(ii) Except as provided in (i) above, the Financing Party shall be treated as having assumed Landlord's obligations hereunder (subject to Section 9.1) only upon foreclosure of its mortgage (or voluntary conveyance by deed in lieu thereof) and/or the taking of possession of the premises and, with respect to obligations regarding return of any security deposit, only upon receipt of the funds constituting such security deposit;

(iii) Subject to Section 9.1, the Financing Party shall be responsible for only such breaches under the Lease by Landlord which occur during the period of ownership or possession by the Financing Party after such foreclosure (or voluntary conveyance by deed in lieu thereof) and/or taking of possession, as aforesaid;

(iv) In the event Tenant alleges that Landlord is in default under any of Landlord's obligations under this Lease, Tenant agrees to give the holder of any mortgage, by registered mail, a copy of any notice of default which is served upon the Landlord, provided that prior to such notice, Tenant has been notified, in writing (whether by way of notice of an assignment of lease, request to execute an estoppel letter, or otherwise) of the name and address of any such holder. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided by law or such additional time as may be provided in such notice to Landlord, such holder shall have thirty (30) days after the last date on which Landlord could have cured such default within which such holder will be permitted to cure such default. If such default cannot be cured within such thirty day period, then such holder shall have such additional time as may be necessary to cure such default, if within such thirty day period such holder has commenced and is diligently pursuing the remedies necessary to effect such cure (including, but not limited to, commencement of foreclosure proceedings, if necessary, to effect such cure), in which event Tenant shall have no right with respect to such default while such remedies are being diligently pursued by such holder.

In furtherance of the foregoing, Tenant hereby agrees to enter into such agreements or instruments as may, from time to time, reasonably be requested in confirmation of the foregoing.

## ARTICLE X

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## SECURITY DEPOSIT

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(a) On the execution of this Lease, Tenant shall furnish to Landlord a security deposit for the performance of the obligations of Tenant hereunder in the amount specified therefor in Section 1.1. The form of such security deposit shall, at Tenant's election, be in the form of a cash deposit or a Letter of Credit in the form of Exhibit F hereto attached.

(b) With respect to a cash security deposit, such deposit may be mingled with other funds of Landlord's and no fiduciary relationship shall be created with respect to such deposit. If Tenant shall fail to perform any of its obligations under this Lease, Landlord may, but need not, apply the security deposit to the extent necessary to cure the default, and Tenant shall be obliged to reinstate such security deposit to the original amount thereof upon demand. Within thirty (30) days after the expiration or sooner termination of the Term the security deposit, to the extent not applied, shall be returned to the Tenant, without interest.

(c) In the event that the security deposit is in the form of a Letter of Credit, the following provisions shall apply:

Tenant shall maintain the required Letter of Credit in full force and effect, renewing the Letter of Credit as often as is necessary with the same bank or financial institution (or a similar bank or financial institution reasonably acceptable to Landlord in its sole discretion) and upon the same terms and conditions, not less than thirty (30) days prior to the purported expiration date of the Letter of Credit. In the event that Tenant fails to timely renew the Letter of Credit as aforesaid, Landlord shall be entitled to draw against the entire amount of the Letter of Credit, in which event the provisions applicable to the cash security deposit shall apply. The Letter of Credit shall be assignable by Landlord to any party holding the lessor interest in this Lease, and upon such assignment Landlord shall be relieved from all liability to Tenant therefor.

Upon the occurrence of any default by Tenant under this lease (and following any applicable notice or cure period) or in the event that Landlord terminates this Lease in accordance with the terms hereof following a default by Tenant, Landlord shall have the right to draw the entire amount of the Letter of Credit. If Landlord elects to make a partial draw upon the Letter of Credit, Tenant shall promptly restore the Letter of Credit to its original amount. Landlord's election to make a partial draw upon the Letter of Credit shall in no event prejudice or waive Landlord's right to terminate this Lease if permitted under applicable provisions of this Lease, nor shall such election

prejudice or waive any other remedy of Landlord reserved under the terms of this Lease, including the right to draw the entire amount of the Letter of Credit, if applicable. The Letter of Credit shall be available for payment against the presentation of a sight draft by the Landlord together with a certificate from Landlord that Tenant is in default of its obligations hereunder and that Landlord is entitled, by the terms of this Lease, to draw upon the Letter of Credit.

ARTICLE XI

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SUBORDINATION

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This Lease shall be subject and subordinate to any mortgages or ground leases that may now or hereafter be placed upon the Building and/or the Land and to any and all advances to be made under such mortgages or ground leases and to the interest thereon, and all renewals extensions and consolidations thereof; provided that Tenant receives a non-disturbance agreement, in a form reasonably acceptable to Tenant, providing that in the event of foreclosure or other enforcement of rights under such mortgage or groundlease, such holder or lessor shall recognize Tenant's rights under this lease and shall not disturb Tenant's occupancy of the Premises under this Lease, except as expressly provided in this Lease; provided that any mortgagee or ground lessor may elect to have this Lease a prior lien to its mortgage or ground lease and in the event of such election and upon notification by such mortgagee or ground lessor to Tenant to that effect, this Lease shall be deemed prior in lien to said mortgage or groundlease. Tenant also agrees this Lease shall survive any merger of the estates of ground lessor and ground lessee under any ground lease.

ARTICLE XII

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PARKING

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Throughout the Term, Tenant shall have the right to use the number of parking spaces associated with the Building set forth in Section 1.1. Tenant shall pay additional rent for each space at the monthly rate of ninety dollars (\$90) per month per space; thereafter (but in no event earlier than one year from the Term Commencement Date) Tenant shall pay additional rent for each space at the monthly rate reasonably determined by Landlord to be the fair market rent for such parking facilities from time to time provided that such rate shall not be less less than ninety (90) dollars per month per space. In no event shall Tenant be charge more per space than that paid by any other tenant in the Building. Payments of additional rent hereunder shall be made at the places and times and subject to the conditions specified for payments of Annual Fixed Rent in Section 2.5.

## ARTICLE XIII

## OPTION TO EXTEND

Tenant shall have the option to extend the Term of this Lease for two additional periods of five (5) years each upon the terms and conditions set forth in this Lease, as amended from time to time, including without limitation any amendments in connection with additional space leased under Rider Section 3. Annual Basic Rent during each such additional five-year period shall be equal to 95% of the Fair Market Rent (defined below); provided, however, that if such Fair Market Rent shall be less than or equal to the Annual Basic Rent payable by Tenant at the end of the original term (with respect to the first extension period) or at the end of the first extension period (with respect to the second extension period), the Annual Basic Rent during the applicable five-year period shall be equal to 100% of Fair Market Rent. For the purposes of this Lease, "Fair Market Rent" shall mean the fair rental value for space of equivalent size and character in Cambridge, Massachusetts in the vicinity of the Premises under a five-year lease, in the case of an extension period under this Article XIII, or such other time period as may be specified for the space for which the Fair Market Rent is being determined. Tenant shall exercise such option with respect to each additional period by giving written notice to Landlord no earlier than one (1) year prior to the first day of the purported extension period (time being of the essence)

Should the parties be unable to agree on the Fair Market Rent within thirty (30) days following Landlord's receipt of Tenant's extension notice, then the Fair Market Rent shall be determined as follows:

(1) Landlord and Tenant shall, within ten (10) days after the expiration of said thirty (30) day period, each notify the other of the name and address of their designated appraiser. Such two appraisers shall, within twenty (20) days after Landlord and Tenant have so notified each other, make their determination of the Fair Market Rent in writing and give notice thereof to each other and to Landlord and Tenant. Such two appraisers shall have twenty (20) days after the receipt of notice of each other's determinations to confer with each other and to attempt to reach agreement as to the determination of the Fair Market Rent. If the two appraisers shall fail to concur as to such determination within said twenty (20) day period, then they shall give notice thereof to Landlord and Tenant and shall immediately designate a third appraiser. If the two appraisers shall fail to agree upon the designation of such third appraiser within five (5) days after said twenty (20) day period, then they or either of them shall give notice of such failure agree to Landlord and Tenant and, if Landlord and Tenant

fail to agree upon the selection of such third appraiser within five (5) days after the appraisers appointed by the parties give notice as aforesaid, then either party on behalf of both may apply to the American Arbitration Association or any successor thereto, or on its failure, refusal or inability to act, to a court of competent jurisdiction, for the designation of such third appraiser.

(2) All appraisers shall be real estate appraisers or consultants who shall have had at least fifteen (15) years' continuous experience in the business of appraising real estate in the Boston area.

(3) The third appraiser shall conduct such investigations as he or she may deem appropriate and shall, within ten (10) days after the date of his or her designation, make an independent determination of the Fair Market Rent.

(4) If none of the determinations of the appraisers varies from the mean of the determinations of the other appraisers by more than ten percent (10%), the mean of the determinations of the three appraisers shall be the Fair Market Rent. If, on the other hand, the determination of any single appraiser varies from the mean of the determinations of the other two appraisers by more than ten percent (10%), the mean of the determinations of the two appraisers whose determinations are closest shall be the Fair Market Rent.

(5) The determination of the appraisers, as provided above, shall be conclusive upon Landlord and Tenant, and shall have the same force and effect as a judgment made in a court of competent jurisdiction.

(6) Each party shall pay fees, costs and expenses of the appraiser selected by it and its own counsel fees, and one-half (1/2) of all other expenses and fees of any such appraisal.

Tenant's rights under this Article XIII shall be personal to Forrester Research, Inc. and to any Permitted Assignee.

Tenant shall have no right to exercise any such option, and any exercise of any such option shall be rendered voidable at Landlord's election, if at the time Tenant exercises any such option Landlord is entitled to terminate the Lease pursuant to Section 7.1 due to a default on the part of Tenant or Forrester Research, Inc. has then subleased more than fifty percent (50%) of the rentable floor area of the Premises (other than to a Permitted Assignee).



## ARTICLE XIV

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## HAZARDOUS SUBSTANCES

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## 14.1 HAZARDOUS SUBSTANCES.

Tenant shall not cause or permit the release of any hazardous substance/material or oil (other than the Excepted Materials as hereinafter defined) into the septic, sewage or other waste disposal system serving the Premises, the Building or the Land, nor cause or permit the use, generation, release, disposal or storage of any hazardous substance/material or oil (except only the use and storage of reasonable quantities of cleaning fluids, office supplies and other materials used in Tenant's ordinary course of business and consistent with use of the Premises for the Permitted Uses which may be deemed hazardous by law, provided the same are used and stored in compliance with any and all federal, state, and local laws, ordinances and regulations governing the same (the "Excepted Materials")). In addition, Tenant shall not cause or permit the transportation of any hazardous substance/material or oil (other than Excepted Materials) to or from the Premises, the Building or the Land without the prior written consent of Landlord, and then only in compliance with any and all federal, state and local laws, ordinances and regulations governing such transportation. The phrase "hazardous substance/ material or oil" as used in this Section shall include all "hazardous substances" as defined and used in 42 USC [Section]9601, ET SEQ., as the same may be amended from time to time, or as defined in any other federal, state or local laws, ordinances and regulations applicable to the Premises, the Building or the Land. Tenant shall forthwith give Landlord notice of the accidental or other introduction of any such hazardous substance/material or oil (other than Excepted Materials), or the release or threat of release from the Premises, the Building or the Land of any such hazardous substance/material or oil (other than Excepted Materials).

## ARTICLE XV

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15.1 Tenant shall have the right to enter the Premises prior to the first day of the Term for purposes of installation, testing and initial operation of Tenant's computers and other equipment and the installation or placement of other property in the Premises and for any work specifically permitted by this Lease. Tenant's entry shall be upon all the terms and conditions of this lease except for the payment of Annual Fixed Rent and Additional Rent and shall not materially affect any work being performed on the Premises by Landlord.

## ARTICLE XVI

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16.1 The side letter attached hereto as Exhibit 3 is herein incorporated by reference.

## ARTICLE XVII

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THIRD FLOOR EXPANSION AREA. On the "Third Floor Delivery Date," Landlord shall deliver to Tenant and Tenant hereby agrees to thereupon lease from Landlord, as an addition to the Premises upon the terms and conditions then in effect under this Lease and for the balance of the Term hereof, including any extensions of the Term, the remaining rentable floor area on the third floor of the Building as shown on Exhibit H attached hereto (the "Third Floor Expansion Area"). The "Third Floor Delivery Date" shall be July 1, 1997, provided Landlord may, by written notice to Tenant on or before January 1, 1997, postpone the Third Floor Delivery Date to a later date specified in such notice, but not later than September 1, 1997.

The Third Floor Expansion Area shall be delivered to Tenant, as-is, in the same condition as existing on the date of this Lease, reasonable wear and tear excepted, and free of tenants and occupants, provided that, Tenant may, upon written notice to Landlord within six (6) months prior to the Third Floor Delivery Date, request Landlord to construct leasehold improvements in the Third Floor Expansion Area, consistent with the leasehold improvements then existing in the Premises ("Tenant's Improvement Request"). In the event that Tenant timely gives Landlord Tenant's Improvement Request, the following provisions shall govern:

(a) Tenant shall, at Tenant's cost and expense, create plans and specifications for the proposed leasehold improvements, consistent with Tenant's obligations with respect to Landlord's Work, and such plans and specifications shall be subject to Landlord's reasonable review and approval;

(b) Landlord agrees to obtain at least three bids for the construction of such improvements following procedures similar to those which were used for the completion of Landlord's Work under Section 3.2;

(c) The provisions of said Section 3.2 shall apply to such construction, which shall be deemed "Landlord's Work", for the purposes thereof, and the Third Floor Expansion Area shall be deemed delivered to Tenant and added to the Premises, and rent shall commence with respect thereto, upon the date when such improvements are substantially complete (as such term is defined in Section 3.2 hereof), EXCEPT THAT:

(1) Landlord and Tenant shall mutually agree on a planning and construction schedule for the substantial completion of the proposed leasehold improvements by the designated delivery date;

(2) Tenant shall reimburse Landlord, within thirty (30) days after the later (i) substantial completion of the Landlord's Work and (ii) receipt from Landlord of an itemized invoice showing all costs and expenses associated with the completion of Landlord's Work, in an amount equal to the amount by which any and all such costs, together with the cost of any change orders requested by Tenant or any costs resulting from any Tenant Delays, exceed (a) the product of 5,798 multiplied by the per square foot buildout rate for the Third Floor Expansion Area, determined by multiplying \$6.50 by a fraction, the numerator of which is the number of months remaining in the term as of the delivery date for the Third Floor Expansion Area and the denominator of which is 67 ( $5,798 \times [\$6.50 \times n/67]$ ), plus (b) the unexpended portion of the Buildout Allowance, if any;

(3) There shall be no Moving/Plans Allowance with respect to the Third Floor Expansion Area; and

(4) Tenant shall have no termination right for the untimely completion of Landlord's Work; and

(d) Landlord and Tenant shall execute an amendment of this Lease for the purpose of incorporating the Third Floor Expansion Space into the Premises and by which the Rentable Floor Area of the Premises shall be increased to 26,446 square feet and the Annual Basic Rent shall be appropriately increased by multiplying 5,798 by the square foot rental rates set forth in Section 1.1 hereof.

Notwithstanding anything herein to the contrary, Landlord shall have no obligation to deliver the Third Floor Expansion Area to Tenant, and Tenant shall have no right to lease such space, if, upon the earlier of delivery or Landlord's receipt of Tenant's Improvement Request, (i) this lease is not then in full force and effect or Landlord is then entitled to terminate this Lease pursuant to Section 7.1 due to a default on the part of Tenant, or (ii) fifty percent (50%) or more of the Premises is sublet to any entity which would not qualify as a Permitted Assignee, or (iii) the tenant's interest in this Lease is held by any party other than the Tenant named herein, Forrester Research, Inc., or a Permitted Assignee.

## ARTICLE XVIII

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## 18.1. TENANT'S OPTION TO LEASE ADDITIONAL SPACE.

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Provided that Landlord is not then entitled to terminate this Lease pursuant to Section 7.1 due to a default on the part of Tenant, Tenant shall have and may exercise the following rights and options during the Term and any extension thereof, subject to and in accordance with the terms and conditions hereof. The rights set forth in this Section 18.1 may be exercised only by the Tenant named herein, Forrester Research, Inc., and any Permitted Assignee, and provided that at the time any such right is exercised no more than fifty percent (50%) of the Premises is sublet to any entity which would not qualify as a Permitted Assignee. Landlord shall have no obligation to make any leasehold improvements to any additional space leased pursuant to this Article XVIII (any Upper Floor Expansion Area or any Offer Space), provided, however, if not less than eighteen (18) months remain in the Term of this Lease (as it may be extended pursuant to the terms hereof) at the time such space is delivered to Tenant, then any remaining balance of the Buildout Allowance (having not been applied to any Landlord's Work pursuant to Section 3.2 or the Third Floor Expansion Area pursuant to Article XVII) may be applied towards the cost of leasehold improvements to any such space.

## 18.1.1. Upper Floor Expansion Options.

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Tenant shall have the option (collectively, the Upper Floor Expansion Options") to lease (i) the entire rentable floor area of the 4th floor of the Building or (ii) the entire rentable floor area of the 5th and 6th floors of the Building together, such floors being shown on Exhibit I attached hereto, and such right to be exercised in each case for the applicable floor or floors, in its or their entirety, or not at all (each applicable area, an "Upper Floor Expansion Area"). Landlord hereby represents and Tenant acknowledges that the 4th floor of the Building is presently leased for a term expiring June 30, 2001 and the 5th and 6th floors of the Building are presently leased for a term expiring June 30, 2001. Tenant further acknowledges that the fulfillment of Tenant's Upper Floor Expansion Options as set forth herein is subject to the termination of the existing leases for the 4th floor and the 5th and 6th floors, respectively, allowing Landlord to terminate such Leases upon six (6) months' notice to such tenants. Landlord shall not be liable to Tenant for failing to deliver any Upper Floor Expansion Area as a result of either existing tenant's failure to vacate or vacate timely, provided Landlord shall use diligent efforts to terminate such leases and remove such tenants, as appropriate, upon the exercise of Tenant's Upper Floor Expansion Options as set forth

herein, which diligent efforts shall include prosecuting legal actions to evict, if necessary. Landlord shall not terminate the present lease with respect to the Upper Floor Expansion Area on the 4th floor effective earlier than December 31, 1998, except due to the exercise of Landlord's rights following a material uncured default, including a monetary or bankruptcy default, on the part of the tenant thereunder. Landlord represents that to the best of Landlord's knowledge neither tenant is currently in default of its lease. Landlord shall be otherwise free to deal with the Upper Floor Expansion Areas and the tenants thereof as Landlord shall elect (subject to Tenant's Right of First Offer as set forth in Section 17.1.2 hereof). Upon the expiration or earlier termination of the present leases of the Upper Floor Expansion Areas, Tenant shall have no further option to lease such space pursuant to the terms hereof, but such space shall be subject to Tenant's Right of First Offer as set forth in Section 17.1.2 hereof.

Tenant may lease any Upper Floor Expansion Area by notice to Landlord identifying the area or areas (either the 4th floor or the 5th and 6th floors together, or all three floors) to be leased by Tenant and the time period (not less than (5) five years) for which such floor or floors will be leased ("Tenant's Upper Floor Expansion Notice"). If not previously exercised as herein provided, Tenant's right to give such notice with respect to any Upper Floor Expansion Area shall expire upon the earlier of (i) thirty (30) days after Landlord's notice to Tenant of the termination or proposed termination of the occupancy rights of the existing tenant or tenants (if earlier than the stated expiration dates of said leases), or (ii) on January 1, 2001. Upon the expiration of the Upper Floor Expansion Options, Tenant shall have no further option to lease such space pursuant to the terms hereof, but such space shall be subject to Tenant's Right of First Offer as set forth in Section 17.1.2 hereof.

Landlord shall deliver any Upper Floor Expansion Area to Tenant on the date which is six (6) months after Landlord's receipt of Tenant's Upper Floor Expansion Notice, as-is, in the same condition as existing on the date of said Notice, reasonable wear and tear excepted, and free of tenants and occupants. Any Upper Floor Expansion Area leased by Tenant shall be added to the Premises upon all of the terms, covenants and conditions of this Lease, except that, the Term with respect to the Upper Floor Expansion Area shall be the term specified in Tenant's Upper Floor Expansion Notice and the Annual Basic Rent and other charges payable with respect to said space shall be the Fair Market Rent as defined in this Lease determined as of the date of date of delivery (for the term specified in Tenant's Upper Floor Expansion Notice and for the space in its as-is condition) .

Tenant may notify Landlord in writing that Tenant desires to lease the fifth floor of the Building, but not the sixth floor,

or vice versa, as an Upper Floor Expansion Area, and Landlord shall thereafter use reasonable efforts to locate a tenant for the floor which Tenant does not desire to lease the "Other Floor", upon terms and conditions acceptable to Landlord given the then current market conditions. Such notice shall not be binding on Landlord or Tenant unless such notice states that Tenant shall be irrevocably bound by the terms of this paragraph. If Landlord is able to lease the Other Floor to a suitable tenant (the "Other Floor Lease"), Tenant shall then lease the floor Tenant desires (the 5th or 6th, as the case may be) (the "Desired Floor"), pursuant to the terms hereof, as an Upper Floor Expansion Area, provided that Tenant shall indemnify Landlord for, and the Annual Basic Rent otherwise payable for the Desired Floor shall be increased to reflect, any loss incurred by Landlord as a result of replacing the tenancy for the Other Floor, including without limitation, (i) the amount, if any, by which the rent and other charges receivable for the Other Floor under the existing lease exceed the rent and other charges received under the Other Floor Lease, (ii) any broker's commission or other transaction fees incurred by Landlord in connection with the Other Floor Lease, including reasonable legal fees, and (iii) any lost rent or other charges attributable to time that the Other Floor is not occupied and generating rent as a result of the transition from the current tenant to the replacement tenant.

18.1.2. Right of First Offer.

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If at any time during the Term of this Lease (as it may be extended pursuant to the terms hereof), there is space in the Building which Landlord wishes to lease ("Offer Space"), as indicated by (i) a bona fide third party offer for the Offer Space (which is acceptable to Landlord), or (ii) a Landlord response to a request for proposal to lease space in the Building, or (iii) Landlord otherwise proposes to lease space in the Building upon certain terms, Landlord shall offer to lease to Tenant ("Landlord's Proposal") the Offer Space upon the terms and conditions set forth in this Lease, except that (i) the Annual Basic Rent and other charges payable by Tenant therefor shall be the Fair Market Rent for such Offer Space for the term set forth in Landlord's Proposal, and (ii) the term and expiration date for the Offer Space shall be as set forth in Landlord's Proposal. Landlord's Proposal shall include, as applicable, a copy of either (i) the bona fide third party offer for the Offer Space (ii) Landlord's response to a request for proposal or (iii) such other specific leasing proposal of the Landlord. Tenant shall have the right to accept the Landlord's Proposal and lease such Offer Space only by written notice to Landlord within ten (10) business days after Tenant receives Landlord's Proposal, time being of the essence, which acceptance shall constitute a binding agreement between the parties to lease the Offer Space upon such terms and conditions. Failure to timely give such notice shall

be deemed a rejection of the Landlord's Offer, whereupon Landlord shall be then be free to market and lease such Offer Space subject to the remaining provisions of this Section 18.1.2.

If Tenant does not wish to accept the Landlord's Proposal, Tenant may give written notice ("Tenant's Different Requirements Notice") to Landlord within said ten (10) business day period that Tenant would have accepted Landlord's Proposal for (i) less than all of the Offer Space, (ii) the Offer plus additional space in the Building, (iii) an earlier term expiration date, and/or (iv) a later term expiration date. If Tenant timely gives such notice, Landlord shall be free to market and lease such Offer Space, provided that Landlord shall submit a new Landlord's Proposal for the Offer Space to Tenant if the Tenant's Different Requirements Notice indicated that:

(a) Tenant desired to lease less than all of the Offer Space and Landlord wishes to lease less than all of the Offer Space to a third party;

(b) Tenant desired to lease the Offer Space plus additional space, and Landlord wishes to lease the Offer Space plus additional space to a third party;

(c) Tenant desired an earlier term expiration date, and Landlord wishes to lease the Offer Space to a third party for a term shorter than the term set forth in Landlord's Proposal; or

(d) Tenant desired a later term expiration date, and Landlord wishes to lease the Offer Space to a third party for a term longer than the term set forth in Landlord's Proposal.

All of the provisions of this Section 18.1.2 shall apply to such new Landlord's Proposal.

If Tenant has not timely accepted a Landlord's Proposal and Landlord has not entered into a binding agreement with a third party with respect to the Offer Space named therein within four (4) months after delivery to Tenant of Landlord's Proposal, Landlord shall submit a new Landlord's Proposal to Tenant before leasing such Offer Space to any third party.

If Tenant validly accepts Landlord's Proposal ( as modified by the terms hereof), this Lease shall be amended appropriately to give effect thereto and the Offer Space shall be added to and become a part of the Premises. Landlord shall deliver the Offer Space to Tenant within thirty (30) days following Tenant's acceptance of Landlord's Proposal.

Landlord shall not be required to deliver any Landlord's Proposal, and Tenant shall have no right with respect to any Offer Space, if less than twelve (12) months remain in the Term of this Lease (as it may be extended pursuant to the terms hereof).

Executed to take effect as a sealed instrument.

LANDLORD:

ADVENT REALTY LIMITED PARTNERSHIP II  
By: Advent Realty GP II Limited  
Partnership, its General Partner  
By: Advent Realty, Inc.,  
Its General Partner

By: /s/ Arthur I. Segel  
-----  
Arthur I. Segel, President

TENANT:

FORRESTER RESEARCH, INC.

By: /s/ George F. Colony  
-----  
George F. Colony, President



## FORRESTER RESEARCH, INC.

STATEMENT REGARDING COMPUTATION OF PRO FORMA PER SHARE EARNINGS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

|   | YEAR ENDED<br>DECEMBER 31,<br>-----<br>1995<br>----- | SIX MONTHS<br>ENDED<br>JUNE 30,<br>-----<br>1996<br>----- |
|---|--|---|
| Computation of income per common share:   |  |   |
| Pro forma net income.....   | 1,288,266<br>=====                                   | 748,038<br>=====  |
| Shares:   |  |   |
| Weighted average shares outstanding.....  | 6,000,000<br>=====                                   | 6,000,000<br>=====  |
| Add:  |  |   |
| Shares issuable from assumed exercise of options as<br>determined by the application of the treasury stock<br>method..... | 291,299<br>=====                                     | 291,299<br>=====  |
| Pro forma weighted average common and common equivalent shares<br>outstanding.....  | 6,291,299<br>=====                                   | 6,291,299<br>=====  |
| Pro forma net income per common share.....  | \$0.20<br>=====                                      | \$0.12<br>=====   |

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Boston, Massachusetts  
September 25, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1995 INCLUDED IN ITS REGISTRATION STATEMENT ON FORM S-1 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1  
U.S. DOLLARS

| YEAR       |             |            |
|------------|-------------|------------|
|            | DEC-31-1995 |            |
|            | JAN-01-1995 |            |
|            | DEC-31-1995 |            |
|            | 1           | 997,567    |
|            |             | 6,520,481  |
|            |             | 5,882,980  |
|            |             | 120,000    |
|            |             | 0          |
|            | 14,369,537  | 1,549,651  |
|            |             | 493,376    |
|            | 15,425,812  |            |
|            | 13,378,589  | 0          |
|            |             | 60,000     |
|            | 0           | 0          |
|            |             | 1,987,223  |
| 15,425,812 |             | 10,149,514 |
|            | 14,588,812  | 0          |
|            | 12,805,115  |            |
|            | 0           |            |
|            | 62,245      |            |
|            | 0           |            |
|            | 2,123,266   |            |
|            | 96,000      |            |
| 1,783,697  |             |            |
|            | 0           |            |
|            | 0           |            |
|            |             | 0          |
|            | 2,027,266   |            |
|            | .20         |            |
|            | .20         |            |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTH'S ENDED JUNE 30, 1996 INCLUDED IN IT'S REGISTRATION STATEMENT ON FORM S-1 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1

U.S. DOLLARS

| 6-MOS      |             |
|------------|-------------|
|            | DEC-31-1996 |
|            | JAN-01-1996 |
|            | JUN-30-1996 |
|            | 1           |
|            | 714,780     |
|            | 8,791,543   |
|            | 7,132,036   |
|            | 160,000     |
|            | 0           |
|            | 17,983,838  |
|            | 2,627,925   |
|            | 700,833     |
|            | 19,910,930  |
| 16,870,531 |             |
|            | 0           |
|            | 60,000      |
| 0          |             |
|            | 0           |
|            | 2,980,399   |
| 19,910,930 |             |
|            | 7,773,834   |
| 10,061,848 |             |
|            | 0           |
|            | 9,036,883   |
|            | 0           |
|            | 40,000      |
|            | 0           |
|            | 1,256,038   |
|            | 65,000      |
| 1,024,965  |             |
|            | 0           |
|            | 0           |
|            | 0           |
|            | 1,191,038   |
|            | .12         |
|            | .12         |