UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.**

FOR THE QUARTERLY PERIOD ENDED June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.**

COMMISSION FILE NUMBER: 000-21433

FORRESTER RESEARCH, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**04-2797789**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
60 Acorn Park Drive **CAMBRIDGE, MASSACHUSETTS**	**02140**
(Address of principal executive offices)	**(Zip Code)**

(617) 613-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $.01 Par Value	**FORR**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 1, 2019, 18,552,000 shares of the registrant's common stock were outstanding.

FORRESTER RESEARCH, INC.

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PART I.

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data, unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 69,762	$ 140,296
Accounts receivable, net	65,824	67,318
Deferred commissions	14,837	15,677
Prepaid expenses and other current assets	16,227	12,802
Total current assets	166,650	236,093
Property and equipment, net	25,974	22,005
Operating lease right-of-use assets	73,167	—
Goodwill	242,265	85,165
Intangible assets, net	108,661	4,951
Other assets	7,753	5,310
Total assets	$ 624,470	$ 353,524
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,462	$ 588
Accrued expenses and other current liabilities	67,340	54,065
Current portion of long-term debt	7,813	—
Deferred revenue	180,910	135,332
Total current liabilities	259,525	189,985
Long-term debt, net of deferred financing fees	131,540	—
Non-current operating lease liabilities	64,818	—
Other non-current liabilities	18,901	11,939
Total liabilities	474,784	201,924
Stockholders' Equity (Note 11):		
Preferred stock, $0.01 par value		
Authorized - 500 shares; issued and outstanding - none	—	—
Common stock, $0.01 par value		
Authorized - 125,000 shares		
Issued - 23,089 and 22,951 shares as of June 30, 2019 and December 31, 2018, respectively		
Outstanding - 18,458 and 18,320 shares as of June 30, 2019 and December 31, 2018, respectively	231	230
Additional paid-in capital	210,378	200,696
Retained earnings	115,956	127,717
Treasury stock - 4,631 shares as of June 30, 2019 and December 31, 2018, at cost	(171,889)	(171,889)
Accumulated other comprehensive loss	(4,990)	(5,154)
Total stockholders' equity	149,686	151,600
Total liabilities and stockholders' equity	$ 624,470	$ 353,524

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Research services	$ 76,279	$ 58,300	$ 144,888	$ 110,000
Advisory services and events	51,904	38,053	83,944	64,102
Total revenues	128,183	96,353	228,832	174,102
Operating expenses:				
Cost of services and fulfillment	56,571	39,071	101,681	73,176
Selling and marketing	44,017	32,709	86,050	65,720
General and administrative	13,221	10,940	26,411	21,679
Depreciation	2,166	2,095	4,189	4,091
Amortization of intangible assets	5,099	182	11,309	368
Acquisition and integration costs	2,487	329	5,454	329
Total operating expenses	123,561	85,326	235,094	165,363
Income (loss) from operations	4,622	11,027	(6,262)	8,739
Interest expense	(2,085)	—	(4,437)	—
Other income (expense), net	(86)	271	(356)	153
Losses on investments, net	(8)	(20)	(44)	(45)
Income (loss) before income taxes	2,443	11,278	(11,099)	8,847
Income tax expense	888	3,490	662	2,792
Net income (loss)	$ 1,555	$ 7,788	$ (11,761)	$ 6,055
Basic income (loss) per common share	$ 0.08	$ 0.43	$ (0.64)	$ 0.34
Diluted income (loss) per common share	$ 0.08	$ 0.43	$ (0.64)	$ 0.33
Basic weighted average common shares outstanding	18,435	17,965	18,399	18,001
Diluted weighted average common shares outstanding	18,780	18,290	18,399	18,313
Cash dividends declared per common share	$ —	$ 0.20	$ —	$ 0.40

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	$ 1,555	$ 7,788	$ (11,761)	$ 6,055
Other comprehensive income (loss), net of taxes:				
Foreign currency translation	594	(3,394)	164	(1,691)
Net change in market value of investments	—	62	—	(53)
Other comprehensive income (loss)	594	(3,332)	164	(1,744)
Comprehensive income (loss)	$ 2,149	$ 4,456	$ (11,597)	$ 4,311

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income (loss)	$ (11,761)	$ 6,055
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,189	4,091
Amortization of intangible assets	11,309	368
Net losses from investments	44	45
Deferred income taxes	(10,814)	(831)
Stock-based compensation	5,533	4,071
Operating lease right-of-use asset amortization and impairments	6,415	—
Amortization of deferred financing fees	474	—
Amortization of premium on investments	—	18
Foreign currency losses	498	437
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	22,476	20,020
Deferred commissions	840	2,086
Prepaid expenses and other current assets	(1,451)	280
Accounts payable	3,170	423
Accrued expenses and other liabilities	(9,976)	(15,310)
Deferred revenue	18,799	6,533
Operating lease liabilities	(6,216)	—
Net cash provided by operating activities	33,529	28,286
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(238,943)	(1,289)
Purchases of property and equipment	(4,666)	(2,544)
Purchases of marketable investments	—	(14,673)
Proceeds from sales and maturities of marketable investments	—	18,828
Other investing activity	30	—
Net cash provided by (used in) investing activities	(243,579)	322
Cash flows from financing activities:		
Proceeds from borrowings, net of costs	171,275	—
Payments on borrowings	(33,125)	—
Payment of debt issuance costs	(857)	—
Deferred acquisition payments	(766)	—
Dividends paid on common stock	—	(7,196)
Repurchases of common stock	—	(9,642)
Proceeds from issuance of common stock under employee equity incentive plans	4,280	3,678
Taxes paid related to net share settlements of stock-based compensation awards	(130)	(102)
Net cash provided by (used in) financing activities	140,677	(13,262)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	189	(2,139)
Net change in cash, cash equivalents and restricted cash	(69,184)	13,207
Cash and cash equivalents, beginning of period	140,296	79,790
Cash, cash equivalents and restricted cash, end of period	$ 71,112	$ 92,997
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3,791	—
Cash paid for income taxes	$ 2,540	$ 2,102

Non-cash financing activities for the six months ended June 30, 2019 include $3.7 million of debt issuance costs deducted directly from the proceeds of borrowings by the lender. Refer to Note 4 – *Debt* for further information.

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

Note 1 — Interim Consolidated Financial Statements

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related notes that appear in the Forrester Research, Inc. ("Forrester") Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the financial position, results of operations, comprehensive income (loss) and cash flows as of the dates and for the periods presented have been included. The results of operations for the three and six months ended June 30, 2019 may not be indicative of the results for the year ending December 31, 2019, or any other period.

Fair Value Measurements

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. The Company believes that the carrying amount of its variable-rate borrowings reasonably approximate their fair values because the rates of interest on those borrowings reflect current market rates of interest. See Note 6 – *Fair Value Measurements,* for the fair value of the Company's assets and liabilities.

Presentation of Restricted Cash

The following table summarizes the end-of-period cash and cash equivalents from the Company's Consolidated Balance Sheets and the total cash, cash equivalents and restricted cash as presented in the accompanying Consolidated Statements of Cash Flows (in thousands).

	Six Months Ended June 30,	
	2019	2018
Cash and cash equivalents	$ 69,762	$ 92,997
Restricted cash classified in (1):		
Prepaid expenses and other current assets	203	—
Other assets	1,147	—
Cash, cash equivalents and restricted cash shown in statement of cash flows	$ 71,112	$ 92,997

(1) Restricted cash consists of collateral required primarily for letters of credit. The short-term or long-term classification is determined in accordance with the expiration of the underlying lease as the letters of credit are non-cancellable while the leases are in effect.

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize the assets and liabilities from leases on the balance sheet and disclose qualitative and quantitative information about the lease arrangements. Lessor accounting is largely unchanged. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows for an additional adoption method and for lessors, provides a practical expedient for the separation of lease and non-lease components within a contract.

On January 1, 2019, the Company adopted Topic 842 using the modified retrospective method in which prior periods are not adjusted. Under this method, the cumulative effect of applying the standard is recorded at the date of initial application. Adoption of the standard did not result in the Company recording a cumulative effect adjustment. Adoption of the standard resulted in the recognition of operating lease right-of-use ("ROU") assets of $53.3 million, operating lease liabilities of $60.8 million and the elimination of deferred rent of $7.5 million on the adoption date. In addition, the Company recorded $10.4 million of operating lease ROU assets and operating lease liabilities on January 3, 2019 as a result of the acquisition of SiriusDecisions (see Note 2 – *Acquisitions*). Adoption of the standard did not have a material impact on the Company's results of operations or cash flows.

The Company elected the package of practical expedients permitted under the new lease standard that allowed the carry forward of the historical lease classification for all leases that existed as of the adoption date. In addition, the Company elected to exempt short term leases from recognition of ROU assets and lease liabilities and elected not to separate lease and non-lease components within its leases.

The Company determines whether an arrangement is a lease at inception of the arrangement. The Company accounts for a lease when it has the right to control the leased asset for a period of time while obtaining substantially all of the assets' economic benefits. All of the Company's leases are operating leases, the majority of which are for office space. Operating lease ROU assets and non-current operating lease liabilities are included as individual line items on the Consolidated Balance Sheets while short-term operating lease liabilities are recorded within accrued expenses and other current liabilities.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to determine the present value of the lease payments is the Company's incremental borrowing rate based on the information available at lease inception, as an implicit rate in the lease is generally not readily determinable. An operating lease ROU asset includes all lease payments, lease incentives and initial direct costs incurred. Some of the Company's leases include options to extend or terminate the lease. When determining the lease term, these options are included in the measurement and recognition of the Company's ROU assets and lease liabilities when it is reasonably certain that the Company will exercise the option. The Company considers various economic factors when making this determination, including but not limited to, the significance of leasehold improvements incurred in the office space, the difficulty in replacing the asset, underlying contractual obligations, or specific characteristics unique to a particular lease.

Lease expense for operating leases is recognized on a straight-line basis over the lease term based on the total lease payments (which include initial direct costs and lease incentives). The expense is included in operating expenses in the Consolidated Statements of Operations.

The Company's lease agreements generally contain lease and non-lease components. Non-lease components are fixed charges stated in an agreement and primarily include payments for parking at the leased office facilities. The Company accounts for the lease and fixed payments for non-lease components as a single lease component under Topic 842, which increases the amount of the ROU assets and lease liabilities.

Most of the Company's lease agreements also contain variable payments, primarily maintenance-related costs, which are expensed as incurred and not included in the measurement of the ROU assets and lease liabilities.

The Company incurred $0.3 million of ROU asset impairments during the three and six months ended June 30, 2019 related to facility leases from the SiriusDecisions, Inc. acquisition.

Leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheets and are not material.

The components of lease expense were as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 3,727	$ 7,296
Short-term lease cost	85	340
Variable lease cost	1,335	2,569
Total lease cost	$ 5,147	$ 10,205

Additional lease information is summarized in the following table (in thousands, except lease term and discount rate):

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,762
Operating right-of-use assets obtained in exchange for lease obligations	$ 16,626
Weighted-average remaining lease term - operating leases (years)	6.7
Weighted-average discount rate - operating leases	5.1%

Future minimum lease payments under non-cancellable leases as of June 30, 2019 are as follows (in thousands):

2019	$ 6,155
2020	16,410
2021	13,995
2022	13,049
2023	12,728
Thereafter	35,580
Total lease payments	97,917
Less imputed interest	(15,773)
Present value of lease liabilities	$ 82,144

Lease balances as of June 30, 2019 are as follows (in thousands):

Operating lease right-of-use assets	$ 73,167
Short-term operating lease liabilities (1)	$ 17,326
Non-current operating lease liabilities	64,818
Total operating lease liabilities	$ 82,144

(1) Included in accrued expenses and other current liabilities

The Company’s leases do not contain residual value guarantees, material restrictions or covenants.

Lease Disclosures Under Prior GAAP

Under prior GAAP, as of December 31, 2018, the Company’s future contractual obligations for operating leases were as follows (in thousands):

2019	$ 12,498
2020	11,762
2021	10,145
2022	8,552
2023	7,856
Thereafter	22,222
Total minimum lease payments	$ 73,035

Note 2 — Acquisitions

The Company accounts for business combinations in accordance with the acquisition method of accounting as prescribed by Accounting Standards Codification (“ASC”) 805, *Business Combinations*. The acquisition method of accounting requires the Company to record the assets and liabilities acquired based on their estimated fair values as of the acquisition date, with any excess of the consideration transferred over the estimated fair value of the net assets acquired, including identifiable intangible assets, to be recorded to goodwill.

GlimpzIt

On June 22, 2018, Forrester acquired substantially all of the assets of SocialGlimpz, Inc. ("GlimpzIt"), an artificial intelligence and machine-learning provider based in San Francisco. The acquisition is part of Forrester's plan to build a real-time customer experience or CX cloud solution, integrating a range of inputs to help companies monitor and improve customer experience. Forrester intends to deploy the GlimpzIt technology to extend the analytics engine in Forrester's planned real-time CX cloud. The acquisition of GlimpzIt was determined to be an acquisition of a business under the provisions of ASC 805. The total purchase price was approximately $1.3 million, which was paid in cash on the acquisition date, and has been allocated as $0.7 million of goodwill and $0.6 million of an intangible asset representing technology, which is being amortized over its estimated useful life of five years. The acquired working capital was insignificant. Forrester may also be required to pay an additional $0.3 million in cash (of which $0.1 million was paid in 2019), contingent on the achievement of certain employment conditions by key employees, which is being recognized as compensation expense over the related service period of two years. Goodwill has been allocated to the Product segment and is deductible for income tax purposes. Goodwill is attributable to the acquired workforce as well as future synergies.

FeedbackNow

On July 6, 2018, Forrester acquired 100% of the issued and outstanding shares of S.NOW SA, a Switzerland-based business that operates as FeedbackNow. FeedbackNow is a maker of physical buttons and monitoring software that companies deploy to measure, analyze, and improve customer experience. The acquisition is part of Forrester's plan to build a real-time CX cloud solution. FeedbackNow provides a high-volume input source for the real-time CX cloud solution. The Company paid $8.4 million on the closing date. An additional $1.5 million is payable during a two-year period from the closing date and is subject to typical indemnity provisions from the seller. The Company paid additional purchase price based on the acquired working capital of $0.8 million during the six months ended June 30, 2019. In addition, the sellers may earn up to CHF 4.2 million ($4.3 million at June 30, 2019) based on the financial performance of FeedbackNow during the two-year period following the closing date, with up to $1.8 million and $2.5 million payable during 2019 and 2020, respectively, if the financial targets are met. The first-year financial targets are expected to be met and as such $1.8 million is expected to be paid to the sellers by the end of 2019. The range of undiscounted amounts that could be payable under this arrangement, including the presumed achievement of the first-year financial targets, is $1.8 million to $4.3 million. The fair value of this contingent consideration arrangement as of the acquisition date was $3.4 million, which was recognized as purchase price. Measurement period adjustments were insignificant during the six months ended June 30, 2019.

SiriusDecisions, Inc.

On January 3, 2019, Forrester acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc. ("SiriusDecisions"), a privately-held company based in Wilton, Connecticut with approximately 350 employees globally. Forrester believes that the combination of its expertise in strategy with SiriusDecisions' focus on operational excellence will create additional market opportunities for the Company, including cross-selling services to the respective client bases, extending SiriusDecisions' platform, methodologies, data, and best-practices tools into new roles, and accelerating international and industry growth. The acquisition of SiriusDecisions was determined to be an acquisition of a business under the provisions of ASC 805.

Pursuant to the terms of the merger agreement, the Company paid $246.8 million at closing after certain transaction expense adjustments, which is subject to a working capital adjustment, and included the purchase price of $245.0 million plus an estimate of cash acquired and reduced by an estimate of certain working capital items. At the time of the merger, each vested SiriusDecisions stock option was converted into the right to receive the excess of the per share merger consideration over the exercise price of such stock option. All unvested SiriusDecisions stock options were cancelled without payment of any consideration.

Total Consideration Transferred

The following table summarizes the fair value of the aggregate consideration paid or payable for SiriusDecisions (in thousands):

Cash paid at close (1)	$	246,801
Working capital adjustment (2)		(833)
Total	$	245,968

(1) The cash paid at close represents the gross contractual amount paid. Net cash paid, which accounts for the cash acquired of $7.9 million, was $238.9 million and is reflected as an investing activity in the Consolidated Statements of Cash Flows.

(2) Amount represents the provisional amount receivable from the sellers based upon working capital as defined. This amount is subject to adjustment and the Company expects to receive the working capital adjustment by the end of 2019.

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed for the acquisition of SiriusDecisions (in thousands):

Assets:		
Cash and cash equivalents	$	7,858
Accounts receivable		19,237
Prepaids and other current assets		3,660
Fixed assets		4,169
Goodwill (1)		157,161
Acquired intangible assets (2)		115,000
Other assets		265
Total assets		307,350
Liabilities:		
Accounts payable and accrued liabilities		8,924
Deferred revenue		26,143
Deferred tax liability		24,204
Long-term deferred revenue		1,037
Other long-term liabilities		1,074
Total liabilities		61,382
Net assets acquired	$	245,968

(1) Goodwill represents the expected revenue and cost synergies from combining SiriusDecisions with Forrester as well as the value of the acquired workforce.

(2) All of the acquired intangible assets are finite-lived. The determination of the fair value of the finite-lived intangible assets required management judgment and the consideration of a number of factors. In determining the fair values, management primarily relied on income valuation methodologies, in particular discounted cash flow models. The use of discounted cash flow models required the use of estimates, including projected cash flows related to the particular asset; the useful lives of the particular assets; the selection of royalty and discount rates used in the models; and certain published industry benchmark data. In establishing the estimated useful lives of the acquired intangible assets, the Company relied primarily on the duration of the cash flows utilized in the valuation model. Of the $115.0 million assigned to acquired intangible assets, $13.0 million was assigned to the technology asset class with useful lives of 1 to 8 years (with a weighted average amortization period of 3.2 years), $13.0 million to backlog with a useful life of 2.0 years, $77.0 million to customer relationships with a useful life of 9.25 years, and $12.0 million to trade names with a useful life of 15.5 years. The weighted-average amortization period for the total acquired intangible assets is 8.4 years. Amortization of acquired intangible assets was $4.9 million and $10.9 million for the three and six months ended June 30, 2019, respectively.

The allocation of the purchase price for SiriusDecisions is preliminary with respect to the valuation of acquired intangible assets, working capital and goodwill. The Company expects to obtain the remainder of the information to complete the allocation of purchase price by the end of 2019.

The Company's financial statements include the operating results of SiriusDecisions beginning on January 3, 2019, the date of the acquisition. SiriusDecision's operating results and the related goodwill are being reported as its own operating segment (refer to Note 12 – *Operating Segments*). The goodwill is not deductible for income tax purposes. The acquisition of SiriusDecisions added approximately $27.5 million and $42.7 million of additional revenue and $32.0 million and $57.0 million of direct expenses, including intangible amortization, for the three and six months ended June 30, 2019, respectively. Had the Company acquired SiriusDecisions in prior periods, the Company's operating results would have been materially different, and as a result the following unaudited pro forma financial information is presented as if SiriusDecisions had been acquired by the Company on January 1, 2018 (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
Pro forma total revenue	$	133,039	$	122,875	$	237,527	$	216,246
Pro forma net income (loss)	$	4,823	$	3,011	$	(4,267)	$	(7,440)

The pro forma results have been prepared in accordance with U.S. GAAP and include the following pro forma adjustments for the three and six months ended June 30, 2018: (1) an increase in interest expense and amortization of debt issuance costs related to the financing of the SiriusDecisions acquisition (refer to Note 4 – *Debt* for further information on the Company's borrowings related to the acquisition); (2) a decrease in revenue as a result of the fair value adjustment to deferred revenue; (3) an adjustment for depreciation and amortization expenses as a result of the preliminary purchase price allocation for finite-lived intangible assets and property and equipment; and (4) an increase in operating costs to recognize acquisition costs incurred upon the close of the acquisition.

The Company recognized $1.7 million of acquisition costs for the three months ended March 31, 2019 and the six months ended June 30, 2019 related to the SiriusDecisions acquisition. The costs primarily consisted of investment banker fees and other professional services costs and are included in acquisition and integration costs within the Consolidated Statements of Operations.

Note 3 — Goodwill and Intangible Assets

Goodwill

The change in the carrying amount of goodwill for the six months ended June 30, 2019 is summarized as follows (in thousands):

	Total
Balance at December 31, 2018	$ 85,165
Acquisition	157,161
Translation adjustments	(61)
Balance at June 30, 2019	$ 242,265

As of June 30, 2019, the Company had no accumulated goodwill impairment losses.

Finite-Lived Intangible Assets

During the six months ended June 30, 2019, $115.0 million of intangible assets were added as a result of the acquisition of SiriusDecisions.

The carrying values of finite-lived intangible assets are as follows (in thousands):

	June 30, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	$ 109,794	$ 35,855	$ 73,939
Technology	16,635	3,671	12,964
Backlog	13,000	3,250	9,750
Trade name	12,447	439	12,008
Total	$ 151,876	$ 43,215	$ 108,661

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	$ 32,823	$ 31,604	$ 1,219
Technology	3,610	295	3,315
Trade name	443	26	417
Total	$ 36,876	$ 31,925	$ 4,951

Estimated intangible asset amortization expense as of June 30, 2019 is as follows (in thousands):

Year ending December 31, 2019 (remainder)	$	11,315
Year ending December 31, 2020		18,839
Year ending December 31, 2021		12,339
Year ending December 31, 2022		11,000
Year ending December 31, 2023		10,827
Thereafter		44,341
Total	$	108,661

Note 4 — Debt

In connection with the acquisition of SiriusDecisions, the Company entered into a $200.0 million Credit Agreement on January 3, 2019 (the "Closing Date"). The Credit Agreement provides for: (1) senior secured term loans in an aggregate principal amount of $125.0 million (the "*Term Loans*") and (2) a senior secured revolving credit facility in an aggregate principal amount of $75.0 million (the "*Revolving Credit Facility*" and, together with the Term Loans, the "*Facilities*"). On the Closing Date, the full $125.0 million of the Term Loans and $50.0 million of the Revolving Credit Facility were used to finance a portion of the acquisition of SiriusDecisions and to pay certain fees, costs and expenses incurred in connection with the acquisition and the Facilities. The Facilities are scheduled to mature on January 3, 2024.

The Facilities permit the Company to borrow incremental term loans and/or increase commitments under the Revolving Credit Facility in an aggregate principal amount up to $50.0 million, subject to approval by the administrative agent and certain customary terms and conditions.

The Facilities can be repaid early, in part or in whole, at any time and from time to time, without premium or penalty, other than customary breakage reimbursement requirements for LIBOR-based loans. The Term Loans must be prepaid with net cash proceeds of (i) certain debt incurred or issued by Forrester and its restricted subsidiaries and (ii) certain asset sales and condemnation or casualty events, subject to certain reinvestment rights.

Amounts borrowed under the Facilities bear interest, at Forrester's option, at a rate per annum equal to either (i) the London Interbank Offering Rate ("*LIBOR*") for the applicable interest period plus a margin that is between 1.75% and 2.50% based on Forrester's consolidated total leverage ratio or (ii) the alternate base rate plus a margin that is between 0.75% and 1.50% based on Forrester's consolidated total leverage ratio. In addition, the Company will pay a commitment fee that is between 0.25% and 0.35% per annum, based on Forrester's consolidated total leverage ratio, on the average daily unused portion of the Revolving Credit Facility, payable quarterly, in arrears.

The Term Loans require repayment of the outstanding principal balance in quarterly installments each year, commencing on March 31, 2019 with the balance repayable on the maturity date, subject to customary exceptions. The amount payable in each year as of June 30, 2019 is set forth in the table below (in thousands):

2019 (remainder)	$	3,125
2020		9,375
2021		12,500
2022		12,500
2023		15,625
Thereafter		68,750
Total remaining principal payments	$	121,875

The Revolving Credit Facility does not require repayment prior to maturity, subject to customary exceptions. In addition to financing the acquisition, proceeds from the Revolving Credit Facility can also be used towards working capital and general corporate purposes. Up to $5.0 million of the Revolving Credit Facility is available for the issuance of letters of credit, and any drawings under the letters of credit must be reimbursed within one business day.

Forrester incurred $1.8 million in costs related to the Revolving Credit Facility, which are recorded in other assets on the Consolidated Balance Sheets. These costs are being amortized as interest expense on a straight-line basis over the five-year term of the Revolving Credit Facility. Forrester incurred $2.8 million in costs related to the Term Loans, which are recorded as a reduction to the face value of long-term debt on the Consolidated Balance Sheets. These costs are being amortized as interest expense utilizing the effective interest rate method.

Outstanding Borrowings

The following table summarizes the Company’s total outstanding borrowings as of the dates indicated (in thousands):

Description:	June 30, 2019	December 31, 2018
Term loan facility (1)	$ 121,875	$ —
Revolving credit facility (1) (2)	20,000	—
Principal amount outstanding (3)	141,875	—
Less: Deferred financing fees	(2,522)	—
Net carrying amount	$ 139,353	$ —

(1) The contractual annualized interest rate as of June 30, 2019 on the Term loan facility and the Revolving Credit Facility was 4.6875%, which consisted of LIBOR of 2.4375% plus a margin of 2.25%.
(2) The Company had $55.0 million of available borrowing capacity on the revolver (not including the expansion feature) as of June 30, 2019.
(3) The weighted average annual effective rates on the Company's total debt outstanding for the three and six months ended June 30, 2019, were 4.81% and 5.04%, respectively.

The Facilities contain certain customary restrictive loan covenants, including among others, financial covenants that apply a maximum leverage ratio and minimum fixed charge coverage ratio. The negative covenants limit, subject to various exceptions, the Company’s ability to incur additional indebtedness, create liens on assets, merge, consolidate, liquidate or dissolve any part of the Company, sell assets, pay dividends or other payments in respect to capital stock, change fiscal year, or enter into certain transactions with affiliates and subsidiaries. The Company was in full compliance with the covenants as of June 30, 2019. The Facilities also contain customary events of default, representations, and warranties.

All obligations under the Facilities are unconditionally guaranteed by each of the Company’s existing and future, direct and indirect material wholly-owned domestic subsidiaries, other than certain excluded subsidiaries, and are collateralized by a first priority lien on substantially all tangible and intangible assets including intellectual property and all of the capital stock of the Company and its subsidiaries (limited to 65% of the voting equity of certain subsidiaries).

Note 5 — Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in thousands):

	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance at January 1, 2019	$ (5,154)	$ (5,154)
Foreign currency translation	164	164
Balance at June 30, 2019	$ (4,990)	$ (4,990)

	Net Unrealized Loss on Marketable Investments	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance at January 1, 2018	$ (115)	$ (1,897)	$ (2,012)
Reclassification of stranded tax effects from tax reform	(26)	—	(26)
Foreign currency translation	—	(1,691)	(1,691)
Unrealized loss on investments, net of tax of $(17)	(53)	—	(53)
Balance at June 30, 2018	$ (194)	$ (3,588)	$ (3,782)

	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance at April 1, 2019	$ (5,584)	$ (5,584)
Foreign currency translation	594	594
Balance at June 30, 2019	$ (4,990)	$ (4,990)

	Net Unrealized Loss on Marketable Investments	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive Loss
Balance at April 1, 2018	$ (256)	$ (194)	$ (450)
Foreign currency translation	—	(3,394)	(3,394)
Unrealized gain on investments, net of tax of $21	62	—	62
Balance at June 30, 2018	$ (194)	$ (3,588)	$ (3,782)

Note 6 — Fair Value Measurements

The Company measures certain financial assets at fair value on a recurring basis, including cash equivalents and available-for-sale securities. The fair values of these financial assets have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements.

Level 1 — Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 — Fair value based on inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Fair value based on unobservable inputs that are supported by little or no market activity and such inputs are significant to the fair value of the assets or liabilities.

During the six months ended June 30, 2019 and 2018, the Company did not transfer assets or liabilities between levels of the fair value hierarchy. The following table represents the Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds (1)	$ 7,331	$ —	$ —	$ 7,331
Total Assets:	$ 7,331	$ —	$ —	$ 7,331
Liabilities				
Contingent purchase price (2)	$ —	$ —	$ (4,269)	$ (4,269)
Total Liabilities:	$ —	$ —	$ (4,269)	$ (4,269)

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds (1)	$ 255	$ —	$ —	$ 255
Total Assets:	$ 255	$ —	$ —	$ 255
Liabilities				
Contingent purchase price (2)	$ —	$ —	$ (4,196)	$ (4,196)
Total Liabilities:	$ —	$ —	$ (4,196)	$ (4,196)

(1) Included in cash and cash equivalents.
(2) $1.8 million is included in accrued expenses and other current liabilities, and $2.5 million and $2.4 million is included in non-current liabilities as of June 30, 2019 and December 31, 2018, respectively.

Level 3 liabilities at June 30, 2019 consist entirely of the contingent purchase price related to the acquisition of FeedbackNow. Changes in the fair value of Level 3 contingent consideration for the six months ended June 30, 2019 were as follows (in thousands):

	Contingent Consideration
Balance at December 31, 2018	$ (4,196)
Fair value adjustment of contingent purchase price (1)	(46)
Foreign exchange effect	(27)
Balance at June 30, 2019	$ (4,269)

(1) This amount was recognized as acquisition and integration costs within the Consolidated Statements of Operations. As of June 30, 2019, the significant unobservable inputs used in the Monte Carlo simulation to fair value the contingent consideration included projected contract bookings, a discount rate of 17.3%, and revenue volatility of 26.6%. Increases or decreases in the inputs would result in a higher or lower fair value measurement.

Note 7 — Non-Marketable Investments

At June 30, 2019 and December 31, 2018, the carrying value of the Company's non-marketable investments, which were composed of interests in technology-related private equity funds, was $2.4 million and $2.5 million, respectively, and is included in other assets in the Consolidated Balance Sheets.

The Company's non-marketable investments at June 30, 2019 are being accounted for using the equity method as the investments are limited partnerships and the Company has an ownership interest in excess of 5% and, accordingly, the Company records its share of the investee's operating results each period. Losses from non-marketable investments were immaterial during the three and six months ended June 30, 2019 and 2018. Losses are included in losses on investments, net in the Consolidated Statements of Operations. During the three and six months ended June 30, 2019 and 2018, no distributions were received from the funds.

Note 8 – Contract Assets and Liabilities

Accounts Receivable

Accounts receivable includes amounts billed and currently due from customers. Since the only condition for payment of our invoices is the passage of time, the Company records a receivable on the date the invoice is issued. Also included in accounts receivable are unbilled amounts resulting from revenue exceeding the amount billed to the customer, where the right to payment is unconditional. If the right to payment for services performed was conditional on something other than the passage of time, the unbilled amount would be recorded as a separate contract asset. There were no contract assets as of June 30, 2019 or 2018.

The majority of the Company's contracts are non-cancellable. However, for contracts that are cancellable by the customer, the Company does not record a receivable when it issues an invoice. The Company records accounts receivable on these contracts only up to the amount of revenue earned but not yet collected.

In addition, since the majority of the Company's contracts are for a duration of one year and payment is expected within one year from the transfer of products and services, the Company does not adjust its receivables or transaction price for the effects of a significant financing component.

Deferred Revenue

The Company refers to contract liabilities as deferred revenue on the Consolidated Balance Sheets. Payment terms in the Company's customer contracts vary, but generally require payment in advance of fully satisfying the performance obligation(s). Deferred revenue consists of billings in excess of revenue recognized. Similar to accounts receivable, the Company does not record deferred revenue for invoices issued on a cancellable contract.

During the three and six months ended June 30, 2019, the Company recognized approximately $53.5 million and $111.6 million of revenue related to its deferred revenue balance at January 1, 2019. During the three and six months ended June 30, 2018, the Company recognized approximately $45.9 million and $103.9 million of revenue related to its deferred revenue balance at January 1, 2018. To determine revenue recognized in the current period from deferred revenue at the beginning of the period, the Company first allocates revenue to the individual deferred revenue balance outstanding at the beginning of the period, until the revenue equals that balance.

Approximately $325.0 million of revenue is expected to be recognized during the next 12 to 24 months from remaining performance obligations as of June 30, 2019.

Cost to Obtain Contracts

The Company capitalizes commissions paid to internal sales representatives and related fringe benefits costs that are incremental to obtaining customer contracts. These costs are included in deferred commissions on the Consolidated Balance Sheets. The Company accounts for these costs at a portfolio level as the Company's contracts are similar in nature and the amortization model used closely matches the amortization expense that would be recognized on a contract-by-contract basis. Costs to obtain a contract are amortized to operations as the related revenue is recognized over the initial contract term. Amortization expense related to deferred commissions was $8.9 million and $16.0 million for the three and six months ended June 30, 2019, respectively. Amortization expense related to deferred commissions was $8.2 million and $15.2 million for the three and six months ended June 30, 2018, respectively. The Company evaluates the recoverability of deferred commissions at each balance sheet date.

Note 9 — Income Taxes

Forrester provides for income taxes on an interim basis according to management's estimate of the effective tax rate expected to be applicable for the full fiscal year. Certain items such as changes in tax rates, tax benefits or expense related to settlements of share-based payment awards, and foreign currency gains or losses are treated as discrete items and are recorded in the period in which they arise.

Income tax expense for the six months ended June 30, 2019 was $0.7 million resulting in an effective tax rate of (6.0)% for the period. The Company recorded a $0.6 million discrete tax expense during the six months ended June 30, 2019 due to the settlement of a U.S. Competent Authority claim during the period. The Company anticipates that its effective tax rate for the full year 2019 will be approximately (10)% to (5)% due to a projected pretax loss for the year and a minimal amount of tax expense for the year due to non-deductible expense items and tax expense related to the Competent Authority claim. Income tax expense for the six months ended June 30, 2018 was $2.8 million resulting in an effective tax rate of 31.6% for the period.

In July 2015, the U.S. Tax Court issued an opinion in Altera Corp. v. Commissioner related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. The opinion invalidated part of a treasury regulation requiring stock-based compensation to be included in any qualified intercompany cost-sharing arrangement. The Company previously recorded a tax benefit based on the opinion in the case. In June 2019, the U.S. Court of Appeals for Ninth Circuit reversed the U.S. Tax Court's decision. Currently, Altera Corp. submitted its appeal for an en banc rehearing before the U.S. Court of Appeals for the Ninth Circuit. Due to the uncertainty surrounding the status of the current regulations and questions related to jurisdiction, the Company has determined no adjustment is required to the consolidated financial statements as a result of this ruling. The Company will continue to monitor ongoing developments and potential impacts to its consolidated financial statements.

Note 10 — Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the basic weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the diluted weighted average number of common shares and common equivalent shares outstanding during the period. The weighted average number of common equivalent shares outstanding has been determined in accordance with the treasury-stock method. Common equivalent shares consist of common stock issuable on the exercise of outstanding stock options and the vesting of restricted stock units.

Basic and diluted weighted average common shares are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Basic weighted average common shares outstanding	18,435	17,965	18,399	18,001
Weighted average common equivalent shares	345	325	—	312
Diluted weighted average common shares outstanding	18,780	18,290	18,399	18,313
Options and restricted stock units excluded from diluted weighted average share calculation as effect would have been anti-dilutive	1	14	1,084	14

Note 11 — Stockholders' Equity

The components of stockholders' equity are as follows (in thousands):

	Common Stock Number of Shares	Common Stock $0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock Number of Shares	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at January 1, 2019	22,951	$ 230	$ 200,696	$ 127,717	4,631	$ (171,889)	$ (5,154)	$ 151,600
Issuance of common stock under stock plans, net	138	1	4,149	—	—	—	—	4,150
Stock-based compensation expense	—	—	5,533	—	—	—	—	5,533
Net loss	—	—	—	(11,761)	—	—	—	(11,761)
Foreign currency translation	—	—	—	—	—	—	164	164
Balance at June 30, 2019	23,089	$ 231	$ 210,378	$ 115,956	4,631	$ (171,889)	$ (4,990)	$ 149,686

	Common Stock Number of Shares	Common Stock $0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock Number of Shares	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at January 1, 2018	22,432	$ 224	$ 181,910	$ 123,010	4,391	$ (161,943)	$ (2,012)	$ 141,189
Issuance of common stock under stock plans, net	132	2	3,573	—	—	—	—	3,575
Cumulative effect adjustment due to adoption of new accounting pronouncements	—	—	—	3,829	—	—	(26)	3,803
Stock-based compensation expense	—	—	4,071	—	—	—	—	4,071
Repurchases of common stock	—	—	—	—	233	(9,642)	—	(9,642)
Dividends paid on common shares	—	—	—	(7,196)	—	—	—	(7,196)
Net income	—	—	—	6,055	—	—	—	6,055
Net change in marketable investments, net of tax	—	—	—	—	—	—	(53)	(53)
Foreign currency translation	—	—	—	—	—	—	(1,691)	(1,691)
Balance at June 30, 2018	22,564	$ 226	$ 189,554	$ 125,698	4,624	$ (171,585)	$ (3,782)	$ 140,111

	Common Stock Number of Shares	Common Stock $0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock Number of Shares	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at April 1, 2019	23,050	$ 231	$ 206,655	$ 114,401	4,631	$ (171,889)	$ (5,584)	$ 143,814
Issuance of common stock under stock plans, net	39	—	875	—	—	—	—	875
Stock-based compensation expense	—	—	2,848	—	—	—	—	2,848
Net income	—	—	—	1,555	—	—	—	1,555
Foreign currency translation	—	—	—	—	—	—	594	594
Balance at June 30, 2019	23,089	$ 231	$ 210,378	$ 115,956	4,631	$ (171,889)	$ (4,990)	$ 149,686

	Common Stock Number of Shares	Common Stock $0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock Number of Shares	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at April 1, 2018	22,514	$ 225	$ 186,335	$ 121,495	4,497	$ (166,310)	$ (450)	$ 141,295
Issuance of common stock under stock plans, net	50	1	1,111	—	—	—	—	1,112
Stock-based compensation expense	—	—	2,108	—	—	—	—	2,108
Repurchases of common stock	—	—	—	—	127	(5,275)	—	(5,275)
Dividends paid on common shares	—	—	—	(3,585)	—	—	—	(3,585)
Net income	—	—	—	7,788	—	—	—	7,788
Net change in marketable investments, net of tax	—	—	—	—	—	—	62	62
Foreign currency translation	—	—	—	—	—	—	(3,394)	(3,394)
Balance at June 30, 2018	22,564	$ 226	$ 189,554	$ 125,698	4,624	$ (171,585)	$ (3,782)	$ 140,111

Equity Plans

Restricted stock unit activity for the six months ended June 30, 2019 is presented below (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2018	497	$ 40.89
Granted	190	45.14
Vested	(22)	38.89
Forfeited	(39)	43.10
Unvested at June 30, 2019	626	$ 42.11

Stock option activity for the six months ended June 30, 2019 is presented below (in thousands, except per share data and contractual term):

	Number of Shares	Weighted - Average Exercise Price Per Share	Weighted - Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	583	$ 35.27		
Granted	—	—		
Exercised	(95)	34.31		
Forfeited	(18)	35.46		
Outstanding at June 30, 2019	470	$ 35.46	4.62	$ 5,433
Exercisable at June 30, 2019	404	$ 35.67	4.34	$ 4,589
Vested and expected to vest at June 30, 2019	470	$ 35.46	4.62	$ 5,433

Stock-Based Compensation

Forrester recognizes the fair value of stock-based compensation in net income (loss) over the requisite service period of the individual grantee, which generally equals the vesting period. Stock-based compensation was recorded in the following expense categories (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of services and fulfillment	$ 1,567	$ 1,108	$ 3,030	$ 2,127
Selling and marketing	485	246	925	491
General and administrative	796	754	1,578	1,453
Total	$ 2,848	$ 2,108	$ 5,533	$ 4,071

Forrester utilizes the Black-Scholes valuation model for estimating the fair value of shares subject to purchase under the employee stock purchase plan, which were valued using the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Average risk-free interest rate	2.51%	1.92%	2.51%	1.62%
Expected dividend yield	0.0%	2.0%	0.0%	2.0%
Expected life	0.5 Years	0.5 Years	0.5 Years	0.5 Years
Expected volatility	34%	22%	34%	22%
Weighted average fair value	$ 12.50	$ 8.49	$ 12.50	$ 8.50

Dividends

As a result of the acquisition of SiriusDecisions on January 3, 2019 and the related debt incurred to fund the acquisition, the Company suspended its dividend program beginning in 2019. Accordingly, the Company did not declare or pay any dividends in the three and six months ended June 30, 2019. In the six months ended June 30, 2018, the Company declared and paid two quarterly dividends of $0.20 per share or $7.2 million in the aggregate.

Treasury Stock

As of June 30, 2019, Forrester's Board of Directors had authorized an aggregate $535.0 million to purchase common stock under its stock repurchase program. The shares repurchased may be used, among other things, in connection with Forrester's equity incentive and purchase plans. In the six months ended June 30, 2019, the Company did not repurchase any shares of common stock. In the three and six months ended June 30, 2018, the Company repurchased approximately 0.1 million and 0.2 million shares of common stock at an aggregate cost of approximately $5.3 million and $9.6 million, respectively. From the inception of the program through June 30, 2019, the Company repurchased 16.3 million shares of common stock at an aggregate cost of $474.9 million.

Note 12 — Operating Segments

In conjunction with the acquisition of SiriusDecisions in the first quarter of 2019, the Company realigned its management structure into Products, Research and SiriusDecisions.

The Products segment includes the revenues of the Connect, Analytics, and Events products (excluding the revenues from SiriusDecisions products) and the costs of the organizations responsible for developing and delivering these products. In addition, this segment includes Consulting revenues from the project consulting organization that is included in this segment. The project consulting organization delivers a majority of the Company's project consulting revenue (excluding SiriusDecisions consulting) and certain advisory services primarily related to the Analytics product line. This segment also includes the costs of the product management organization that is responsible for product pricing and packaging and the launch of new products.

The Research segment includes the revenues of the Research products and the cost of the organizations responsible for developing and delivering the Research products (excluding the costs and revenues from SiriusDecisions products). In addition, this segment includes Consulting revenues primarily from the delivery of advisory services (such as workshops, speeches and advisory days) delivered by the Company's research analysts.

The SiriusDecisions segment includes the revenues of the legacy SiriusDecisions products and the costs of the organizations responsible for developing and delivering these products. In addition, this segment includes the costs of marketing, technology development and business support departments of the legacy SiriusDecisions business.

The Company evaluates reportable segment performance and allocates resources based on segment revenues and expenses. Segment expenses include the direct expenses of each segment organization and exclude, except as noted above for the SiriusDecisions segment, selling and marketing expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, interest and other expense, and losses on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

The Company is providing disaggregated revenue by product in the segment tables below (in thousands). The 2018 amounts have been reclassified to conform to the current presentation.

	Products	Research	Sirius Decisions	Consolidated
Three Months Ended June 30, 2019				
Research services revenues				
Research	$ —	$ 41,506	$ 14,799	$ 56,305
Connect	13,525	—	542	14,067
Analytics	5,907	—	—	5,907
Total research services revenues	19,432	41,506	15,341	76,279
Advisory services and events revenues				
Consulting	19,021	13,503	1,493	34,017
Events	7,194	—	10,693	17,887
Total advisory services and events revenues	26,215	13,503	12,186	51,904
Total segment revenues	45,647	55,009	27,527	128,183
Segment expenses	23,431	13,747	15,498	52,676
Contribution margin	22,216	41,262	12,029	75,507
Selling, marketing, administrative and other expenses				(63,299)
Amortization of intangible assets				(5,099)
Acquisition and integration costs				(2,487)
Interest, other expense and loss on investments				(2,179)
Income before income taxes				$ 2,443

	Products	Research	Sirius Decisions	Consolidated
Three Months Ended June 30, 2018				
Research services revenues				
Research	$ —	$ 41,055	$ —	$ 41,055
Connect	12,538	—	—	12,538
Analytics	4,707	—	—	4,707
Total research services revenues	17,245	41,055	—	58,300
Advisory services and events revenues				
Consulting	16,363	13,681	—	30,044
Events	8,009	—	—	8,009
Total advisory services and events revenues	24,372	13,681	—	38,053
Total segment revenues	41,617	54,736	—	96,353
Segment expenses	20,985	13,378	—	34,363
Contribution margin	20,632	41,358	—	61,990
Selling, marketing, administrative and other expenses				(50,452)
Amortization of intangible assets				(182)
Acquisition and integration costs				(329)
Other expense and loss on investments				251
Income before income taxes				$ 11,278

	Product	Research	SiriusDecisions	Consolidated
Six Months Ended June 30, 2019				
Research services revenues				
Research	$ —	$ 77,943	$ 28,142	$ 106,085
Connect	26,640	—	998	27,638
Analytics	11,165	—	—	11,165
Total research services revenues	37,805	77,943	29,140	144,888
Advisory services and events revenues				
Consulting	36,858	26,271	2,675	65,804
Events	7,221	—	10,919	18,140
Total advisory services and events revenues	44,079	26,271	13,594	83,944
Total segment revenues	81,884	104,214	42,734	228,832
Segment expenses	41,608	27,776	24,908	94,292
Contribution margin	40,276	76,438	17,826	134,540
Selling, marketing, administrative and other expenses				(124,039)
Amortization of intangible assets				(11,309)
Acquisition and integration costs				(5,454)
Interest expense, other income and losses on investments				(4,837)
Loss before income taxes				$ (11,099)

	Products	Research	Sirius Decisions	Consolidated
Six Months Ended June 30, 2018				
Research services revenues				
Research	$ —	$ 75,698	$ —	$ 75,698
Connect	25,102	—	—	25,102
Analytics	9,200	—	—	9,200
Total research services revenues	34,302	75,698	—	110,000
Advisory services and events revenues				
Consulting	30,770	25,323	—	56,093
Events	8,009	—	—	8,009
Total advisory services and events revenues	38,779	25,323	—	64,102
Total segment revenues	73,081	101,021	—	174,102
Segment expenses	37,041	26,789	—	63,830
Contribution margin	36,040	74,232	—	110,272
Selling, marketing, administrative and other expenses				(100,836)
Amortization of intangible assets				(368)
Acquisition and integration costs				(329)
Other income and losses on investments				108
Income before income taxes				$ 8,847

Note 13 — Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The new standard simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and requires that instead, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The new standard modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The standard includes changes to fair value transfers and Level 3 fair value disclosures. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The new standard will be effective for the Company on January 1, 2020. The Company is currently evaluating the potential impact that this standard may have on its financial position and results of operations.

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

Overview

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "believes," "anticipates," "intends," "plans," "estimates," or similar expressions are intended to identify these forward-looking statements. Reference is made in particular to our statements about possible acquisitions, payments pursuant to existing acquisition agreements, acquisition and integration costs, future dividends, future share repurchases, future growth rates and operating income, future compliance with financial covenants under our credit facility, anticipated increases in, and productivity of, our sales force and headcount, changes to our customer engagement model, and the adequacy of our cash and cash flows to satisfy our working capital and capital expenditures. These statements are based on our current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, our ability to retain and enrich memberships for our research, connect and analytics services, our ability to fulfill existing or generate new project consulting engagements, our ability to integrate the operations of acquired companies, the impact of our outstanding debt, the impact of our evolving customer engagement model, technology spending, the risks and challenges inherent in international business activities including any impact of Brexit, our ability to offer new products and services, our dependence on key personnel, the ability to attract and retain qualified professional staff, our ability to respond to business and economic conditions and market trends, the possibility of network disruptions and security breaches, competition and industry consolidation, our ability to enforce and protect our intellectual property rights, compliance with privacy laws, possible variations in our quarterly operating results, taxation risks, concentration of our stock ownership and any weakness identified in our system of internal controls. These risks are described more completely in our Annual Report on Form 10-K for the year ended December 31, 2018. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

We derive revenues from memberships of our Research, Connect and Analytics products and services, performing Consulting services and hosting Events. We offer contracts for our Research, Connect and Analytics products that are typically renewable annually and payable in advance. Membership revenues are recognized as revenue ratably over the term of the contract. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Clients purchase Consulting services (includes advisory services and consulting projects) independently and/or to supplement their memberships to our subscription-based products. Billings attributable to advisory services and consulting projects are initially recorded as deferred revenue. Advisory services revenues, such as workshops, speeches and advisory days, are recognized when the customer receives the agreed upon deliverable. Consulting project revenues, which generally are short-term in nature and based upon fixed-fee agreements, are recognized as the services are provided. Event billings are also initially recorded as deferred revenue and are recognized as revenue upon completion of each Event.

Our primary operating expenses consist of cost of services and fulfillment, selling and marketing expenses and general and administrative expenses. Cost of services and fulfillment represents the costs associated with the production and delivery of our products and services, including salaries, bonuses, employee benefits and stock-based compensation expense for all personnel that produce and deliver our products and services, including all associated editorial, travel, and support services. Selling and marketing expenses include salaries, sales commissions, bonuses, employee benefits, stock-based compensation expense, travel expenses, promotional costs and other costs incurred in marketing and selling our products and services. General and administrative expenses include the costs of the technology, operations, finance, and human resources groups and our other administrative functions, including salaries, bonuses, employee benefits, and stock-based compensation expense. Overhead costs such as facilities and annual fees for cloud-based information technology systems are allocated to these categories according to the number of employees in each group.

In the first quarter of 2019, we modified our calculation of client retention, dollar retention, and enrichment in conjunction with a project to fully automate the calculations. Client retention has been expanded to include virtually all client relationships (except for clients that only purchase web-based products such as individual reports, workshops and Event tickets) in comparison to the prior calculation that included only clients that purchased membership-based products. Dollar retention and enrichment are now calculated at a client account level in comparison to a contract level in the prior calculation. This results in a broader view of dollar retention and enrichment as it includes virtually all products in the calculations (except for web-based products mentioned above) and captures all enrichment that occurs within the year for an account. We have provided the metrics under the new methodology for each quarter of 2018 in the table below.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Client retention	71%	71%	71%	71%
Dollar retention	90%	89%	90%	90%
Enrichment	110%	107%	109%	109%

Deferred revenue, agreement value, client retention, dollar retention, enrichment and number of clients are metrics that we believe are important to understanding our business. We believe that the amount of deferred revenue, along with the agreement value of contracts, provide a significant measure of our business activity.

We define these metrics as follows:

- *Deferred revenue* — billings in advance of revenue recognition as of the measurement date.
- *Agreement value* — the total revenues recognizable from all contracts to purchase our services in force at a given time (excluding contracts that consist solely of Consulting services and the value of Event sponsorships included in all contracts), without regard to how much revenue has already been recognized.
- *Client retention* — the percentage of client companies (defined as all clients except those that only purchase web-based products such as individual reports, workshops and Event tickets) at the prior year measurement date that have active contracts at the current year measurement date.
- *Dollar retention* — the percentage of the total dollar value of client companies' active contracts at the prior year measurement date that have active contracts at the current year measurement date.
- *Enrichment* — the dollar value of client companies' active contracts at the current year measurement date compared to the dollar value of the corresponding client companies' active contracts at the prior year measurement date.
- *Clients* — we aggregate the various divisions and subsidiaries of a corporate parent as a single client and we also aggregate separate instrumentalities of the federal, state, and provincial governments as a single client. We have historically included only clients that purchased membership-based products in our definition of clients. We plan to reassess this definition during the second half of 2019.

Client retention, dollar retention, and enrichment are not necessarily indicative of the rate of future retention of our revenue base. A summary of our key metrics is as follows (dollars in millions):

	As of June 30, 2019	As of June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Deferred revenue	$ 180.9	$ 143.0	$ 37.9	27%
Agreement value	$ 348.9	$ 249.5	$ 99.4	40%
Client retention	73%	71%	2	3%
Dollar retention	90%	89%	1	1%
Enrichment	108%	107%	1	1%
Number of clients	2,875	2,355	520	22%

Agreement value and number of clients include the effect of SiriusDecisions, but retention and enrichment metrics will not be similarly affected until the first quarter of 2020.

Deferred revenue at June 30, 2019 increased 27% compared to the prior year primarily due to the acquisition of SiriusDecisions. Excluding the effect of SiriusDecisions, deferred revenue increased approximately 6% as contract billings exceeded revenue for the period. Agreement value increased 40% at June 30, 2019 compared to the prior year with approximately 27 percentage points of growth due to the acquisition of SiriusDecisions and the remainder due to both an increase in contract bookings and increased bundling of Consulting services with our Research and Connect products in our contracts. Client retention rate increased 2 percentage points compared with both the prior quarter and with the prior year period. Dollar retention rate increased 1 percentage point compared to the prior year and was flat compared to the prior quarter period. Enrichment rate increased 1 percentage point compared to the prior year and 2 percentage points compared to the prior quarter period.

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our policies and estimates, including but not limited to, those related to our revenue recognition, non-marketable investments, goodwill and other intangible assets, and income taxes. Management bases its estimates on historical experience, data available at the time the estimates are made and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our other critical accounting policies and estimates are described in our Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

The following table sets forth our statement of operations as a percentage of total revenues for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Research services	59.5%	60.5%	63.3%	63.2%
Advisory services and events	40.5	39.5	36.7	36.8
Total revenues	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of services and fulfillment	44.1	40.5	44.4	42.0
Selling and marketing	34.3	33.9	37.6	37.7
General and administrative	10.3	11.4	11.5	12.5
Depreciation	1.8	2.3	1.9	2.4
Amortization of intangible assets	4.0	0.2	4.9	0.2
Acquisition and integration costs	1.9	0.3	2.4	0.2
Income (loss) from operations	3.6	11.4	(2.7)	5.0
Interest expense	(1.6)	—	(1.9)	—
Other income (expense), net	(0.1)	0.3	(0.3)	0.1
Losses on investments, net	—	—	—	—
Income (loss) before income taxes	1.9	11.7	(4.9)	5.1
Income tax expense	0.7	3.6	0.2	1.6
Net income (loss)	1.2%	8.1%	(5.1%)	3.5%

Three and Six Months Ended June 30, 2019 and 2018

Revenues

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
	(dollars in millions)			
Revenues	$ 128.2	$ 96.4	$ 31.8	33%
Revenues from research services	$ 76.3	$ 58.3	$ 18.0	31%
Revenues from advisory services and events	$ 51.9	$ 38.1	$ 13.8	36%
Revenues attributable to customers outside of the U.S.	$ 25.1	$ 22.5	$ 2.6	12%
Percentage of revenue attributable to customers outside of the U.S.	20%	23%	(3)	(13%)
Number of events	7	7	—	—

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
	(dollars in millions)			
Revenues	$ 228.8	$ 174.1	$ 54.7	31%
Revenues from research services	$ 144.9	$ 110.0	$ 34.9	32%
Revenues from advisory services and events	$ 83.9	$ 64.1	$ 19.8	31%
Revenues attributable to customers outside of the U.S.	$ 46.9	$ 41.3	$ 5.6	14%
Percentage of revenue attributable to customers outside of the U.S.	20%	24%	(4)	(17%)
Number of events	9	7	2	29%

Total revenues increased 33% and 31% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods, with SiriusDecisions contributing 29% and 25% of the increase, respectively. Revenues from customers outside the U.S. increased 12% and 14% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods. The increase in revenues attributable to customers outside of the U.S. during the six months ended June 30, 2019 was primarily due to the acquisition of SiriusDecisions, which added $4.5 million in international revenue, and growth in revenues in the Asia Pacific region in the legacy Forrester business.

Research services revenues are recognized as revenue primarily on a ratable basis over the term of the contracts, which are generally twelve-month periods. Research services revenues increased 31% and 32% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods, with SiriusDecisions contributing 26% of the increase for both periods. The remainder of the increase for the three and six months ended June 30, 2019 was primarily driven by growth in the legacy Analytics and Connect products, with slower growth in the Research products.

Revenues from advisory services and events increased 36% and 31% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods, with SiriusDecisions contributing 32% and 21% of the increase, respectively. The remainder of the increase was due to growth of legacy Consulting revenues, which were partially offset by a decline in legacy Events revenues.

Please refer to the “Segments Results” section below for a discussion of revenues and expenses by segment.

Cost of Services and Fulfillment

	Three Months Ended June 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2019	2018		
Cost of services and fulfillment (dollars in millions)	$ 56.6	$ 39.1	$ 17.5	45%
Cost of services and fulfillment as a percentage of total revenues	44.1%	40.5%	3.6	9%
Service and fulfillment employees (at end of period)	761	627	134	21%

	Six Months Ended June 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2019	2018		
Cost of services and fulfillment (dollars in millions)	$ 101.7	$ 73.2	$ 28.5	39%
Cost of services and fulfillment as a percentage of total revenues	44.4%	42.0%	2.4	6%

Cost of services and fulfillment expenses increased 45% during the three months ended June 30, 2019 compared to the prior year period. Approximately $14.2 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to (1) a $2.0 million increase in compensation and benefit costs, resulting principally from an increase in the number of employees compared to the prior year period and annual merit increases, (2) a $0.7 million increase in professional services costs primarily due to an increase in outsourced services related to revenue delivery, and (3) a $0.5 million increase in stock compensation expense.

Cost of services and fulfillment expenses increased 39% during the six months ended June 30, 2019 compared to the prior year period. Approximately $22.2 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to (1) a $3.4 million increase in compensation and benefit costs, resulting principally from an increase in the number of employees compared to the prior year period and annual merit increases, (2) a $1.2 million increase in professional services costs primarily due to an increase in outsourced services related to revenue delivery, (3) a $0.9 million increase in stock compensation expense, and (4) a $0.5 million increase in facilities costs due to increased lease expense and computer software costs.

Selling and Marketing

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$ 44.0	$ 32.7	$ 11.3	35%
Selling and marketing expenses as a percentage of total revenues	34.3%	33.9%	0.4	1%
Selling and marketing employees (at end of period)	772	577	195	34%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$ 86.1	$ 65.7	$ 20.4	31%
Selling and marketing expenses as a percentage of total revenues	37.6%	37.7%	(0.1)	—

Selling and marketing expenses increased 35% during the three months ended June 30, 2019 compared to the prior year period. Approximately $10.1 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to (1) a $0.5 million increase in compensation and benefit costs, resulting principally from annual merit increases, (2) a $0.3 million increase in professional services costs primarily due to an increase in advertising and marketing costs, and (3) a $0.2 million increase in stock compensation expense.

Selling and marketing expenses increased 31% during the six months ended June 30, 2019 compared to the prior year period. Approximately $18.6 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to (1) a $0.7 million increase in compensation and benefit costs, resulting principally from annual merit increases, (2) a $0.5 million increase in travel and entertainment expenses, and (3) a $0.4 million increase in stock compensation expense.

General and Administrative

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$ 13.2	$ 10.9	$ 2.3	21%
General and administrative expenses as a percentage of total revenues	10.3%	11.4%	(1.1)	(10%)
General and administrative employees (at end of period)	245	198	47	24%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$ 26.4	$ 21.7	$ 4.7	22%
General and administrative expenses as a percentage of total revenues	11.5%	12.5%	(1.0)	(8%)

General and administrative expenses increased 21% during the three months ended June 30, 2019 compared to the prior year period. Approximately $1.5 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to an increase in compensation and benefit costs, resulting principally from an increase in the number of employees compared to the prior year period and annual merit increases.

General and administrative expenses increased 22% during the six months ended June 30, 2019 compared to the prior year period. Approximately $3.6 million of the increase was attributable to the acquisition of SiriusDecisions. The remainder of the increase was primarily due to an increase in compensation and benefit costs, resulting principally from an increase in the number of employees compared to the prior year period and annual merit increases.

Depreciation

Depreciation expense remained essentially consistent during the three and six months ended June 30, 2019 compared to the prior year periods.

Amortization of Intangible Assets

Amortization expense increased by $4.9 million and $10.9 million during the three and six months ended June 30, 2019, respectively, compared to the prior year periods due to our recent acquisitions.

Acquisition and Integration Costs

During the three and six months ended June 30, 2019, we incurred $2.5 million and $5.5 million of acquisition and integration costs, respectively. The costs consist of the direct and incremental costs to acquire and integrate the companies as well as certain fair value adjustments related to the acquisitions. The charges primarily consisted of consulting, severance, accounting and tax professional fees, and lease expenses. For the six months ended June 30, 2019, these charges were partially offset by a $1.8 million decrease due to recording deferred commissions for SiriusDecisions as the result of adopting ASC 606. We expect to incur acquisition and integration costs in a range of $7.5 million to $8.0 million for the year ending December 31, 2019.

Interest Expense

During the three and six months ended June 30, 2019, we incurred $2.1 million and $4.4 million of interest expense, respectively. Interest expense consists of interest on our borrowings used to finance the acquisition of SiriusDecisions.

Other Income (Expense), Net

Other income (expense), net primarily consists of losses on foreign currency and interest income. The decrease in other income (expense), net of $0.4 million and $0.5 million during the three and six months ended June 30, 2019, respectively, compared to the prior year periods was primarily due to a decrease in interest income.

Losses on Investments, Net

Losses on investments, net primarily represents our share of equity method investment losses from our technology-related investment funds. Losses on investments, net remained essentially consistent during the three and six months ended June 30, 2019 compared to the prior year periods.

Income Tax Expense

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	$ 0.9	$ 3.5	$ (2.6)	(74%)
Effective tax rate	36.3%	30.9%	5.4	17%

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	$ 0.7	$ 2.8	$ (2.1)	(75%)
Effective tax rate	(6.0%)	31.6%	(37.5)	(119%)

Income tax expense for the six months ended June 30, 2019 was $0.7 million resulting in an effective tax rate of (6.0)% for the period. The Company recorded a $0.6 million discrete tax expense during the six months ended June 30, 2019 due to the settlement of a U.S. Competent Authority claim during the period. We anticipate that our effective tax rate for the full year 2019 will be approximately (10)% to (5)% due to a projected pretax loss for the year and a minimal amount of tax expense for the year due to non-deductible expense items and tax expense related to the Competent Authority claim.

In July 2015, the U.S. Tax Court issued an opinion in Altera Corp. v. Commissioner related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. The opinion invalidated part of a treasury regulation requiring stock-based compensation to be included in any qualified intercompany cost-sharing arrangement. We previously recorded a tax benefit based on the opinion in the case. In June 2019, the U.S. Court of Appeals for Ninth Circuit reversed the U.S. Tax Court's decision. Currently, Altera Corp. submitted its appeal for an en banc rehearing before the U.S. Court of Appeals for the Ninth Circuit. Due to the uncertainty surrounding the status of the current regulations and questions related to jurisdiction, we have determined no adjustment is required to the consolidated financial statements as a result of this ruling. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Segment Results

In conjunction with the acquisition of SiriusDecisions in the first quarter of 2019, we realigned our management structure into Products, Research and SiriusDecisions. Prior year amounts have been reclassified to conform to the current presentation.

The Products segment includes the revenues of the Connect, Analytics, and Events products (excluding the revenues from SiriusDecisions products) and the costs of the organizations responsible for developing and delivering these products. In addition, this segment includes Consulting revenues from the project consulting organization that is included in this segment. The project consulting organization delivers a majority of our project consulting revenue (excluding SiriusDecisions consulting) and certain advisory services primarily related to the Analytics product line. This segment also includes the costs of the product management organization that is responsible for product pricing and packaging and the launch of new products.

The Research segment includes the revenues of the Research products and the cost of the organizations responsible for developing and delivering the Research products (excluding the costs and revenues from SiriusDecisions products). In addition, this segment includes Consulting revenues primarily from the delivery of advisory services (such as workshops, speeches and advisory days) delivered by our research analysts.

The SiriusDecisions segment includes the revenues of the legacy SiriusDecisions products and the costs of the organizations responsible for developing and delivering these products. In addition, this segment includes the costs of marketing, technology development and business support departments of the legacy SiriusDecisions business.

We evaluate reportable segment performance and allocate resources based on segment revenues and expenses. Segment expenses include the direct expenses of each segment organization and exclude, except as noted above for the SiriusDecisions segment, selling and marketing expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, interest and other expense, and losses on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

	Products	Research	Sirius Decisions	Consolidated
Three Months Ended June 30, 2019				
Research services revenues				
Research	$ —	$ 41,506	$ 14,799	$ 56,305
Connect	13,525	—	542	14,067
Analytics	5,907	—	—	5,907
Total research services revenues	19,432	41,506	15,341	76,279
Advisory services and events revenues				
Consulting	19,021	13,503	1,493	34,017
Events	7,194	—	10,693	17,887
Total advisory services and events revenues	26,215	13,503	12,186	51,904
Total segment revenues	45,647	55,009	27,527	128,183
Segment expenses	23,431	13,747	15,498	52,676
Contribution margin	22,216	41,262	12,029	75,507
Year over year revenue change	10%	—	N/A	33%
Year over year expense change	12%	3%	N/A	53%

	Products	Research	Sirius Decisions	Consolidated
Three Months Ended June 30, 2018				
Research services revenues				
Research	$ —	$ 41,055	$ —	$ 41,055
Connect	12,538	—	—	12,538
Analytics	4,707	—	—	4,707
Total research services revenues	17,245	41,055	—	58,300
Advisory services and events revenues				
Consulting	16,363	13,681	—	30,044
Events	8,009	—	—	8,009
Total advisory services and events revenues	24,372	13,681	—	38,053
Total segment revenues	41,617	54,736	—	96,353
Segment expenses	20,985	13,378	—	34,363
Contribution margin	20,632	41,358	—	61,990

	Products	Research	Sirius Decisions	Consolidated
Six Months Ended June 30, 2019				
Research services revenues				
Research	$ —	$ 77,943	$ 28,142	$ 106,085
Connect	26,640	—	998	27,638
Analytics	11,165	—	—	11,165
Total research services revenues	37,805	77,943	29,140	144,888
Advisory services and events revenues				
Consulting	36,858	26,271	2,675	65,804
Events	7,221	—	10,919	18,140
Total advisory services and events revenues	44,079	26,271	13,594	83,944
Total segment revenues	81,884	104,214	42,734	228,832
Segment expenses	41,608	27,776	24,908	94,292
Contribution margin	40,276	76,438	17,826	134,540
Year over year revenue change	12%	3%	N/A	31%
Year over year expense change	12%	4%	N/A	48%

	Products	Research	Sirius Decisions	Consolidated
Six Months Ended June 30, 2018				
Research services revenues				
Research	$ —	$ 75,698	$ —	$ 75,698
Connect	25,102	—	—	25,102
Analytics	9,200	—	—	9,200
Total research services revenues	34,302	75,698	—	110,000
Advisory services and events revenues				
Consulting	30,770	25,323	—	56,093
Events	8,009	—	—	8,009
Total advisory services and events revenues	38,779	25,323	—	64,102
Total segment revenues	73,081	101,021	—	174,102
Segment expenses	37,041	26,789	—	63,830
Contribution margin	36,040	74,232	—	110,272

Product segment revenues increased 10% and 12% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods. For the three months ended June 30, 2019, Connect revenues increased 8% driven by our new learning product and Analytics revenues grew 25% due primarily to the FeedbackNow product line. Consulting revenues increased 16% driven by strong delivery by our consultants and Events revenues decreased 10% due in part to hosting one fewer Event in the period. For the six months ended June 30, 2019, Connect revenues increased 6% driven by our new learning product and Analytics revenues grew 21% due primarily to the FeedbackNow product line. Consulting revenues increased 20% driven by healthy backlog and strong delivery by our consultants and Events revenues decreased by 10% due in part to hosting one fewer Event in the period.

Product segment expenses increased 12% during the three and six months ended June 30, 2019 compared to the prior year periods. The increase in expenses during the three months ended June 30, 2019 was primarily due to a $1.7 million increase in compensation and benefit costs due to an increase in the number of employees as well as a $0.6 million increase in professional services due to an increase in outsourced services related to revenue delivery. The increase in expenses during the six months ended June 30, 2019 was primarily due to a $3.0 million increase in compensation and benefit costs due to an increase in the number of employees, a $0.7 million increase in billable expenses, as well as a $0.6 million increase in professional services due to an increase in outsourced services related to revenue delivery.

Research segment revenues remained essentially consistent for the three months ended June 30, 2019 compared to the prior year period. For the six months ended June 30, 2019, Research segment revenues increased 3% compared to the prior year period. For the six months ended June 30, 2019, the Research product line increased 3% driven by our reprint product and Consulting revenues increased 4%.

Research segment expenses increased 3% and 4% during the three and six months ended June 30, 2019, respectively, compared to the prior year periods. The increase in expenses during the three months ended June 30, 2019 was primarily due to a $0.3 million increase in compensation and benefit costs due to an increase in the number of employees. The increase in expenses during the six months ended June 30, 2019 was primarily due to a $0.5 million increase in compensation and benefits and small increases in professional services and travel and entertainment.

Liquidity and Capital Resources

We have historically financed our operations primarily through funds generated from operations. Research services revenues, which constituted approximately 63% of our revenues during the six months ended June 30, 2019, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of $33.5 million and $28.3 million during the six months ended June 30, 2019 and 2018, respectively. The $5.2 million increase in cash provided from operations for the six months ended June 30, 2019 was attributable to a $13.6 million increase in cash generated from working capital, driven by (1) a $14.7 million increase in cash generated from accounts receivable and deferred revenue due to strong bookings and collections activity in the current period and (2) a $5.3 million increase in cash generated due to a lower amount of cash used for accrued expenses due to an increase of $6.8 million in accrued income taxes in the current period (which partially offsets the non-cash deferred tax expense of $10.8 million). These increases were partially offset by an increase in cash used of $6.2 million for payments on operating lease liabilities (which was offset by the $6.4 million non-cash amortization of lease right-of-use assets). The increase in cash generated from working capital was partially offset by an $8.4 million decrease in cash generated from net income (loss) combined with the effect of non-cash items, which was primarily due to a $10.0 million increase in deferred tax expense recorded in the current period.

During the six months ended June 30, 2019, we used cash in investing activities of $243.6 million, consisting primarily of $238.9 million for the acquisition of SiriusDecisions, net of cash acquired, and $4.7 million in purchases of property and equipment. Property and equipment purchases during 2019 consisted primarily of software and leasehold improvements. During the six months ended June 30, 2018, we generated cash from investing activities of $0.3 million, consisting primarily of $4.2 million in net sales and maturities of marketable investments, partially offset by purchases of property and equipment of $2.5 million and $1.3 million for the acquisition of GlimpzIt. Property and equipment purchases during 2018 consisted primarily of software.

We generated $140.7 million of cash from financing activities during the six months ended June 30, 2019 primarily due to $171.3 million of borrowings, which reflects the face value of debt of $175.0 million less $3.7 million that was netted against the proceeds to pay debt issuance costs. This was partially offset by $33.1 million of repayments of debt that consisted of $30.0 million of discretionary payments on our revolving credit facility and $3.1 million of required repayments of our term loan. We used $13.3 million of cash in financing activities during the six months ended June 30, 2018 primarily due to the use of $9.6 million for purchases of our common stock and the payment of a $7.2 million quarterly dividend, at $0.20 per share, which were partially offset by $3.7 million of proceeds from the exercise of stock options and our employee stock purchase plan. At June 30, 2019, we had $20.0 million outstanding on our revolving credit facility and plan to use excess cash flow, if any, to continue to make discretionary payments on our revolving credit facility. As of June 30, 2019 our remaining stock repurchase authorization was approximately $60.1 million. As previously disclosed, subsequent to our acquisition of SiriusDecisions we anticipate continuing to substantially reduce or eliminate repurchases of our common stock during 2019.

In connection with the acquisition of SiriusDecisions, we entered into a $200.0 million credit agreement on January 3, 2019. The credit agreement provides for: (1) senior secured term loans in an aggregate principal amount of $125.0 million (the "*Term Loans*") and (2) a senior secured revolving credit facility in an aggregate principal amount of $75.0 million (the "*Revolving Credit Facility*"). We utilized the full $125.0 million of the Term Loans and $50.0 million of the Revolving Credit Facility to finance a portion of the acquisition of SiriusDecisions and to pay certain fees, costs and expenses incurred in connection with the Term Loans and Revolving Credit Facility. Additional information on this debt is provided in Note 4 – *Debt* included herein.

Borrowings under the credit agreement can be repaid early, in part or in whole, at any time and from time to time, without premium or penalty, other than customary breakage reimbursement requirements for LIBOR-based loans. The Term Loans must be prepaid with net cash proceeds of (i) certain debt incurred or issued by us and our restricted subsidiaries and (ii) certain asset sales and condemnation or casualty events, subject to certain reinvestment rights.

Amounts borrowed under the credit agreement bear interest, at our option, at a rate per annum equal to either (i) the London Interbank Offering Rate ("*LIBOR*") for the applicable interest period plus a margin that is between 1.75% and 2.50% based on our consolidated total leverage ratio or (ii) the alternate base rate plus a margin that is between 0.75% and 1.50% based on our consolidated total leverage ratio. In addition, we will pay a commitment fee that is between 0.25% and 0.35% per annum, based on our consolidated total leverage ratio, on the average daily unused portion of the Revolving Credit Facility, payable quarterly, in arrears.

The credit agreement contains certain customary restrictive loan covenants, including among others, financial covenants that apply a maximum leverage ratio and minimum fixed charge coverage ratio. The negative covenants limit, subject to various exceptions, our ability to incur additional indebtedness, create liens on assets, merge, consolidate, liquidate or dissolve any part of Forrester, sell assets, pay dividends or other payments in respect to capital stock, change fiscal year, or enter into certain transactions with affiliates and subsidiaries. The Company was in full compliance with the covenants as of June 30, 2019. The credit agreement also contains customary events of default, representations, and warranties.

As of June 30, 2019, we had cash and cash equivalents of $69.8 million. These balances include $50.7 million held outside of the U.S. If these funds outside of the U.S. are needed for operations in the U.S., we would be required to accrue and pay U.S. state taxes and may be required to pay withholding taxes to foreign jurisdictions to repatriate these funds. We would not expect these additional taxes to be significant. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate these funds for our U.S. operations. We believe that our current cash balance and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for the next twelve months.

Contractual Obligations

There has been a material change to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 due to the acquisition of SiriusDecisions that closed on January 3, 2019. As of June 30, 2019, we have the following new future contractual obligations (in thousands):

Contractual Obligations (1)	Total	2019	2020	2021	2022	2023	Thereafter
Interest payments - long-term debt (2)	$ 21,532	$ 2,933	$ 5,491	$ 4,974	$ 4,368	$ 3,721	$ 45

(1) Operating lease obligations are included in Note 1 – *Interim consolidated financial statements.*
(2) Interest payments were based on the interest rates in effect as of June 30, 2019. Long-term principal repayments are included in Note 4 – *Debt.*

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet financing arrangements.

Recent Accounting Pronouncements

See Note 1 and Note 13 of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the expected dates of adoption and effects on results of operations and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as noted below, there have been no material change in our assessment of our sensitivity to market risk since our presentation set forth in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2018.

INTEREST RATE RISK

As of June 30, 2019, we had $141.9 million in total debt principal outstanding. See Note 4 — *Debt* herein for additional information regarding our outstanding debt obligations.

All of our debt outstanding as of June 30, 2019 was based on a floating base rate of interest, which potentially exposes us to increases in interest rates. As an indication of our potential exposure to changes in interest rates, a hypothetical 25 basis point increase or decrease in interest rates could change our annual pretax interest expense for the following 12 month period by approximately $0.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. Based upon their evaluation and subject to the foregoing, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance as of that date.

The foregoing assessment excludes our acquisition on January 3, 2019 of SiriusDecisions. See Note 2 to the Consolidated Financial Statements for additional information. This exclusion is in accordance with the general guidance issued by the Staff of the SEC that an assessment of a recent business acquisition may be omitted from management’s report on internal control over financial reporting in the first year of consolidation.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting with respect to historical Forrester operations. We are currently in the process of integrating our acquisition of SiriusDecisions, evaluating its internal controls and implementing our internal control structure over its operations, which may lead us to modify certain internal controls in future periods.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A: Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risk factors described in our Annual Report on Form 10-K remain applicable to our business. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Through June 30, 2019, our Board of Directors authorized an aggregate $535.0 million to purchase common stock under our stock repurchase program. During the quarter ended June 30, 2019, we did not purchase any shares of our common stock under the stock repurchase program. As previously disclosed, subsequent to our acquisition of SiriusDecisions we anticipate continuing to substantially reduce or eliminate repurchases of our common stock during 2019.

ITEM 6. EXHIBITS

31.1	Certification of the Principal Executive Officer. (filed herewith)
31.2	Certification of the Principal Financial Officer. (filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
101.INS	XBRL Instance Document. (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema. (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase. (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase. (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. (filed herewith)

SIGNATURES

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

FORRESTER RESEARCH, INC.

By: /s/ Michael A. Doyle
Michael A. Doyle
Chief Financial Officer
(Principal financial officer)

Date: August 6, 2019

THIRD AMENDMENT TO OFFICE LEASE

THIS THIRD AMENDMENT TO OFFICE LEASE (this "Amendment") is made as of March 12, 2019 (the "Effective Date"), by and between SPEAR STREET CORRIDOR LLC, a Delaware limited liability company ("Landlord"), and FORRESTER RESEARCH, INC., a Delaware corporation ("Tenant").

W I T N E S S E T H:

Recitals

Landlord (as successor-by-assignment to 150 Spear Street, LLC, a Delaware limited liability company) and Tenant are parties to that certain Office Lease dated November 24, 2010 (the "Original Lease"), as amended by that certain First Amendment to Office Lease dated August __, 2012, and by that certain Second Amendment to Office Lease dated September 25, 2015 (the "Second Amendment", and collectively, the "Lease"), for certain space in the building located at 150 Spear Street in San Francisco, California containing approximately 264,492 rentable square feet (the "Building"), and more particularly described in the Lease as approximately 19,036 rentable square feet of space consisting of 3,476 rentable square feet located on the tenth (10th) floor of the Building and commonly known as Suite 1050 and 15,560 rentable square feet located on the eleventh (11th) floor of the Building and commonly known as Suite 1100 (the "Existing Premises").

The parties now desire to amend the Lease to expand the Existing Premises, extend the Lease Term and otherwise to modify the Lease on the terms set forth herein.

Amendment

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows, all to be effective as of the Effective Date of this Amendment:

1. Defined Terms. Unless otherwise indicated herein, all capitalized terms used herein shall have the meaning set forth in the Lease.

2. Premises Expansion. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Expansion Premises, as hereinafter defined, on the terms and conditions set forth in the Lease, as amended by this Amendment, effective as of the earlier of (i) seven (7) months following the date the Expansion Premises is delivered to Tenant (the Expansion Premises shall be delivered to Tenant upon execution of this Amendment) or (ii) the date upon which Tenant commences business operations in the Expansion Premises (the "Expansion Effective Date"). Commencing on the Expansion Effective Date, (i) the Premises shall consist of the Existing Premises plus an additional 12,085 rentable square feet located on the tenth (10th) floor of the Building, known as Suite 1000 (the "Expansion Premises"), as shown on the plan attached hereto as Exhibit A and made a part hereof, for a total of 31,121 rentable square feet, and (ii) any reference to the term "Premises" in the Lease, as hereby amended, shall mean the Existing Premises together with the Expansion Premises.

3. Lease Term. Landlord and Tenant acknowledge and agree that the term of the Lease with respect to the Expansion Premises shall be the time period commencing on the Expansion Effective Date and expiring on June 30, 2027 (the "Expansion Term"). The term of the Lease with respect to the Existing Premises is hereby extended to expire simultaneously with the Expansion Term.

4. Base Rent.

a. Commencing on the Expansion Effective Date, Tenant shall pay Base Rent for the Expansion Premises in accordance with the Lease in the amounts set forth below:

Lease Period	Annual Base Rent	Monthly Installment of Base Rent	Annual Rental Rate per Rentable Square Foot
Month 1-12 of Expansion Term	$1,027,225.00	$85,602.08*	$85.00
Month 13-24 of Expansion Term	$1,058,041.75	$88,170.15	$87.55
Month 25-36 of Expansion Term	$1,089,783.00	$90,815.25	$90.18
Month 37-48 of Expansion Term	$1,122,476.49	$93,539.71	$92.88
Month 49-60 of Expansion Term	$1,156,150.79	$96,345.90	$95.67
Month 61-72 of Expansion Term	$1,190,835.31	$99,236.28	$98.54
Month 73-84 of Expansion Term	$1,226,560.37	$102,213.36	$101.49
Month 85 of Expansion Term – 6/30/2027	$1,263,357.18	$105,279.77	$104.54

This rent schedule does not include any operating expense pass-through adjustments or other additional rent to be computed and collected in accordance with the Lease.

** Notwithstanding the foregoing, Base Rent shall be abated for the first three and one half (3.5) calendar months of the Expansion Term for the Expansion Premises only; provided, however, if the Lease or Tenant's right to possess the Premises is terminated as a result of an Event of Default by Tenant, Landlord shall be entitled to recover from Tenant, in addition to all other rights and remedies available to Landlord, all unamortized (amortization shall be on a straight-line basis over the Expansion Term) abated Base Rent.*

b. Prior to July 1, 2022, Tenant shall continue to pay Base Rent for the Existing Premises in accordance with the terms and conditions of the Lease. Commencing on July 1, 2022, Tenant shall pay Base Rent for the Existing Premises at the rate per Rentable Square Foot then applicable to the Expansion Premises (so, by way of example, if July 1, 2022 falls during the thirty-third (33rd) month of the Expansion Premises Term, the Base Rent for the Existing Premises from July 1, 2022 until the last day of the thirty-sixth (36th) month of the Expansion Term would be $90.18 per Rentable Square Foot of the Existing Premises and would increase to $92.88 per Rentable Square Foot of the Existing Premises on the first day of the thirty-seventh (37th) month of the Expansion Term. Promptly following the Expansion Effective Date, Landlord and Tenant shall execute a Confirmation of the Expansion Effective Date and the Base Rent for the Existing Premises substantially in the form attached hereto as Exhibit E.

5. Condition of Premises.

a. Tenant shall construct improvements to the Premises (the "Tenant Improvements") in substantial conformity with the plans and outline specifications of the plan to be prepared pursuant to the provisions of the Work Letter (the "Work Letter") attached hereto as Exhibit B. Landlord shall provide Tenant with a one-time tenant improvement allowance in the amount of $100.00 per rentable square foot of the Expansion Premises (i.e. $1,208,500.00) (the "Expansion Premises Allowance") and $30.00 per rentable square foot of the Existing Premises (i.e. $571,080) (the "Existing Premises Allowance" and, together with the Expansion Premises Allowance, the "Tenant Improvement Allowance") for the costs relating to the Tenant Improvements. The Expansion Premises Allowance shall only be used for the costs relating to the Tenant Improvements in the Expansion Premises. The Existing Premises Allowance may be used for the costs relating to the Tenant Improvements in the Existing Premises and/or the Expansion Premises, in Tenant's sole discretion. In no event shall Landlord be obligated to contribute toward the cost of the Tenant Improvements which are not agreed upon by Landlord or a total amount which exceeds the Tenant Improvement Allowance. Any portion of the Tenant Improvement Allowance which has not been expended and requested from Landlord pursuant to the terms of Section 2 of the Work Letter by April 30, 2020 shall be forfeited. Subject to Section 5(b) below, Tenant shall be responsible for any costs incurred to make the Existing Premises compliant under any applicable codes or Applicable Laws, as a result of the Tenant Improvements and Landlord shall be responsible for any costs incurred to make the Building (except for the Existing Premises) compliant under any applicable codes or Applicable Laws, as a result of the Tenant Improvements.

b. Landlord, at its sole cost and expense, shall renovate the restrooms and Common Areas on the tenth (10th) and eleventh (11th) floors of the Building (the "Landlord Work"), in substantial conformity with the new Building standard and the renovations performed on the eighteenth (18th) floor of the Building and in compliance with all applicable ADA Requirements. Landlord shall perform the Landlord Work within twenty-four (24) months of the Effective Date; provided, however, if, as the result of the Tenant Improvements or in order to comply with the applicable ADA Requirements, additional work is required to make the restrooms or Common Areas compliant under any applicable codes or Applicable Laws, Landlord shall perform such work promptly following the date upon which such additional work becomes necessary or as required by such ADA Requirement.

c. Subject to Section 5(a) and 5(b) above, Tenant acknowledges and agrees that Landlord shall have no obligation to make or pay for any improvements to the Premises in connection with this Amendment and Tenant accepts the Premises in its "AS IS" condition. To Landlord's actual knowledge, there are no defects in the Expansion Premises that would render the space unusable for the Permitted Use. As used herein, "Landlord's actual knowledge" shall only refer to the actual knowledge of James Osburn and shall not be construed, by imputation or otherwise, to refer to the knowledge of any other officer, agent, representative or employee of Landlord.

d. Landlord hereby agrees that Landlord shall notify Tenant in writing at the time Tenant submits to Landlord for Landlord's approval its Construction Drawings (as defined in the Work Letter) if Tenant shall be required to remove any portion of the Tenant Improvements upon the expiration or any earlier termination of the Lease. If Landlord does not so notify Tenant, notwithstanding anything to the contrary contained in the Lease, Tenant shall not be required to remove any portion of the Tenant Improvements upon the expiration or any earlier termination of the Lease.

6. Rentable Square Feet of the Building. The rentable square feet of the Building, as set forth in the Summary of Basic Lease Information in the Original Lease, is hereby amended to state that the Building is 264,492 rentable square feet.

7. Tenant's Share. Effective as of the Expansion Effective Date, the definition of "Tenant's Share" set forth in the Summary of Basic Lease Information in the Original Lease shall be modified to provide that Tenant's Share for the Existing Premises shall be 7.20% and Tenant's Share for the Expansion Premises shall be 4.57%.

8. Base Year. Effective as of the Expansion Effective Date, the Base Year, as set forth in the Summary of Basic Lease Information in the Original Lease, shall be the twelve (12) month period commencing on January 1, 2019 and ending on December 31, 2019 with respect to the Expansion Premises. Effective as of July 1, 2022, the Base Year, as set forth in the Summary of Basic Lease Information in the Original Lease, shall be the twelve (12) month period commencing on January 1, 2022 and ending on December 31, 2022 with respect to the Existing Premises.

9. Security Deposit. Concurrently with Tenant's execution of this Amendment, Tenant shall deposit with Landlord the sum of $105,279.77 (the "Additional Security Deposit"). The Additional Security Deposit shall be added to the Security Deposit presently being held by Landlord under the Lease in the amount of $119,535.00 (the "Original Security Deposit"). From and after the Effective Date, the term "Security Deposit" shall mean and refer to the aggregate of the Additional Security Deposit and the Original Security Deposit in the amount of $224,814.77. The Additional Security Deposit shall be subject to, and the use and application thereof governed by, Article 21 of the Original Lease.

10. Interruption of Use. The last sentence of Section 6.3 of the Original Lease is hereby deleted in its entirety and replaced with the following:

"Notwithstanding any provisions herein to the contrary, if any utility services necessary for Tenant's operation of its business in the Premises are not available to Tenant, not due to any act or omission by Tenant or Tenant's Agents, beyond the greater of (i) five (5) business days, or (ii) the time period during which Tenant is reimbursed by its insurance company under its business interruption insurance policy, then Tenant shall have the right to abate the payment of Base Rent until such services are restored."

11. Waiver. Section 10.1 of the Original Lease is hereby amended to include the following:

"Tenant waives and releases Landlord from and against all claims for recovery for any loss or damage to Tenant's property arising out of earthquakes or floods, regardless of whether Tenant has insurance covering such loss or damage."

12. Parking. Article 27 of the Original Lease is hereby deleted in its entirety and, as of the Effective Date, Tenant shall have no further rights use to its one (1) parking space and no further obligation to pay Landlord for parking.

13. Signage. Landlord will, at Landlord's sole cost and expense, furnish Tenant building standard identification signage on or beside the elevator lobby of the Expansion Premises. Subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right to install custom signage on the tenth (10th) and eleventh (11th) floors of the Building, at Tenant's sole cost and expense.

14. Right of First Offer. Tenant may periodically request in writing from Landlord (the "Request Notice"), but not during the first six (6) months of the Term or more than once in any calendar year, that Landlord advise Tenant if the space on the ninth (9th) floor, known as Suite 900, or the twelfth (12th) floor, known as Suite 1200, of the Building (the "Offer Space") is vacant and available or if the Offer Space is coming vacant and available during the following twelve (12) months. Landlord shall, within fifteen (15) business days of receiving the Request Notice, deliver to Tenant notice identifying if the Offer Space is vacant and available or that Landlord has determined it will become vacant and available during the following twelve (12) month period ("Availability Notice"). Within fifteen (15) business days of Tenant's receipt of the Availability Notice, Tenant shall deliver written notice to Landlord of (i) its intention to lease the Offer Space, or (ii) its election to not lease the Offer Space. If Tenant does not deliver written notice within such fifteen (15) business day time period, Tenant shall be deemed to have elected not to lease the Offer Space. If Tenant leases the Offer Space, the Base Rent payable for the Offer Space shall be equal to the Fair Market Rent (as such term is hereinafter defined). Tenant's rights under this Section 14 shall be subject to Tenant not then being in an Event of Default under of any of its obligations under this Lease beyond all applicable notice and cure periods, Tenant not having previously been in a material or monetary Event of Default under any of its obligations under this Lease more than once, and Tenant or any Transferee pursuant to a Permitted Transfer being in occupancy of the entirety of the Premises. If Tenant elects not to lease the Offer Space, Tenant's rights with respect to the Offer Space shall lapse and terminate and Tenant shall have no further rights under this Section 14, and Landlord may, at its discretion, lease the Offer Space on such terms and conditions as Landlord shall determine. If Tenant elects to lease only Suite 900 or Suite 1200, but not both, Tenant's rights with respect to the other suite shall lapse and terminate, and Landlord may, at its discretion, lease such space on such terms and conditions as Landlord shall determine.

15. Renewal Option.

a. Provided that there then exists no Event of Default by Tenant under the Lease nor any event that with the giving of notice and/or the passage of time would constitute an Event of Default, and that Tenant or any Transferee pursuant to a Permitted Transfer is the sole occupant of the Premises, Tenant shall have the option to renew this Lease for one (1) additional term of five (5) years (the "Renewal Term"). The Renewal Term shall be subject to all of the terms and conditions of the Lease except (i) the Base Rent payable during the first year of the Renewal Term shall be equal to the Fair Market Rent (as such term is hereinafter defined), (ii) the Base Rent payable during each subsequent year of the Renewal Term shall be equal to one hundred three percent (103%) of the Base Rent payable during the immediately preceding year, (iii) the Base Years shall adjust to the calendar year 2027, (iv) Landlord shall have no obligations with respect to improvements to the Premises with respect to the Renewal Term and (v) Tenant shall have no further option to extend the Term. If Tenant chooses to exercise such option, it shall give written notice to Landlord of its exercise of the option at least nine (9) months, but no more than twelve (12) months, prior to the expiration of the then-current Term.

b. For purposes of this Lease, "Fair Market Rent" shall mean the base rent, for comparable space, net of all free or reduced rent periods, work letters, cash allowances, fit-out periods and other tenant inducement concessions however denominated, as mutually agreed by Landlord and Tenant after Landlord's receipt of Tenant's notice of intent to renew. Landlord shall notify Tenant of the applicable Fair Market Rent as determined by Landlord within fifteen (15) days after receipt of Tenant's notice of intent to renew. In determining the Fair Market Rent, Landlord shall take into account applicable measurement and the loss factors, applicable lengths of lease term, differences in size of the space demised, the location of the Building and comparable buildings, amenities in the Building and comparable buildings, the ages of the Building and comparable buildings, differences in operating expenses and tax escalations, the creditworthiness of Tenant and other factors normally taken into account in determining Fair Market Rent. The Fair Market Rent shall reflect the level of improvement to be made by Landlord to the Premises and the services provided under this Lease.

c. Landlord shall notify Tenant of the applicable Fair Market Rent as determined by Landlord within fifteen (15) days after receipt of Tenant's notice of intent to renew. Tenant shall have thirty (30) days in which to give written notice to Landlord that Tenant (a) disagrees with Landlord's proposed Fair Market Rent, or (b) accepts Landlord's proposed Fair Market Rent. If Tenant fails to notify Landlord that it either accepts Landlord's proposed Fair Market Rent or disagrees with Landlord's proposed Fair Market Rent within the thirty (30) days described in the immediately preceding sentence, Tenant shall be deemed to have accepted Landlord's proposed Fair Market Rent for the applicable extended Lease Term. If Tenant disagrees with Landlord's proposed Fair Market Rent, then Landlord and Tenant shall endeavor in good faith to agree upon the Fair Market Rent within the next thirty (30) days (the "Negotiation Period"). If Landlord and Tenant are unable to agree upon the Fair Market Rent within such Negotiation Period, then the Fair Market Rent shall be determined by the arbitration procedure set forth below.

d. Within ten (10) days following the expiration of the Negotiation Period, Tenant and Landlord shall each notify the other, in writing, of their respective selections of a commercial real estate broker or salesperson to determine the Fair Market Rent (respectively, "Landlord's Arbitrator" and "Tenant's Arbitrator"). If a party does not appoint such a broker or salesperson within such ten (10) day period, the single broker or salesperson appointed shall be the sole broker and shall set the Fair Market Rent. The cost of such sole broker shall be borne equally by the parties. If two brokers are appointed by the parties as provided in this paragraph, Landlord's Arbitrator and Tenant's Arbitrator shall then jointly select a third broker meeting the qualifications stated above (the "Third Arbitrator") within fifteen (15) days of their appointment. The three arbitrators shall determine the Fair Market Rent in accordance with the requirements and criteria set forth in the preceding paragraph above, employing the method commonly known as Baseball Arbitration, whereby Landlord's Arbitrator and Tenant's Arbitrator each sets forth its determination of the Fair Market Rent as defined above and the Third Arbitrator must select one or the other (it being understood that the Third Arbitrator shall be expressly prohibited from selecting a compromise figure). Landlord's Arbitrator and Tenant's Arbitrator shall deliver their determinations of the Fair Market Rent to the Third Arbitrator within five (5) days of the appointment of the Third Arbitrator and the Third Arbitrator shall render his or her decision within ten (10) days after receipt of both of the other two determinations of the Fair Market Rent. The Third Arbitrator's decision shall be binding on both Landlord and Tenant. Each party shall bear the cost of its own arbitrator and shall share equally in the cost of the Third Arbitrator.

16. <u>Compliance</u>. Tenant agrees to comply with the California Safe Drinking Water and Toxic Enforcement Act of 1986 (commonly referred to as "Proposition 65") and associated regulations.

17. <u>Certified Access Specialist</u>. Section 17 of the Second Amendment is hereby amended to include the following:

"A CASp can inspect the subject Premises and determine whether the Premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the Premises, Landlord may not prohibit Tenant from obtaining a CASp inspection of the Premises for the occupancy or potential occupancy of Tenant, if requested by Tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises; provided, however, that nothing in this section shall alter or modify the terms of the Lease or Landlord's or Tenant's obligations thereunder. Tenant acknowledges receipt of: (i) a Disabilities Access Obligations Notice (attached hereto as <u>Exhibit C</u>) required under the terms of the San Francisco Administrative Code, and agrees to sign and deliver such Notice to Landlord concurrently with the execution and delivery of this Amendment, and (ii) a copy of the Small Business Commission's Access Information Notice in English (and Landlord shall provide such Access Information, upon request, in Tenant's requested language)."

18. <u>Waiver of Statutory Provisions</u>. Tenant hereby waives the benefits of: (i) Section 1931 of the California Civil Code (pertaining to the termination of a hiring); (ii) Section 1945 of the California Civil Code (pertaining to a renewal of a lease by acceptance of rent); (iii) Section 1263.260 of the California Code of Civil Procedure (pertaining to the removal of improvements upon condemnation); and (iv) Section 1951.3 of the California Civil Code (pertaining to notice of abandonment).

19. Assignment & Subletting. Section 14.3 of the Original Lease is hereby amended to provide that for the purposes of calculating excess rents payable to Landlord in connection with any Assignment or Subletting for which Landlord grants consent, Tenant shall be entitled, as part of Tenant's Costs, to deduct legal fees.

20. Building Rules. Exhibit D to the Original Lease is hereby deleted in its entirety and replaced with Exhibit D attached hereto.

21. Brokers. Landlord and Tenant each represents and warrants to the other that it has not employed or worked with any broker, agent, or finder in connection with this Amendment, and that no commission is due to any other broker, agent or finder with respect to this Amendment, other than Jones Lang LaSalle, who represents Landlord ("Landlord's Broker") and Cushman & Wakefield, who represents Tenant ("Tenant's Broker"). Landlord shall pay Landlord's Broker and Tenant's Broker pursuant to separate agreement. Landlord and Tenant each agrees to indemnify, defend and hold harmless the other and their directors, officers and employees from and against all threatened or asserted third party claims, liabilities, costs and damages (including reasonable attorney's fees and disbursements) which may occur as a result of a breach of this representation and warranty.

22. Ratification; Counterparts. Except as expressly modified herein, the terms and conditions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect. This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument, and facsimile signatures shall be deemed to be original signatures and of the same force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment pursuant to due authority as of the day and year first above written.

LANDLORD:

SPEAR STREET CORRIDOR LLC,
a Delaware limited liability company

By:	/s/ Albert Hwang
Name:	Albert Hwang
Title:	Authorized Signatory

TENANT:

FORRESTER RESEARCH, INC.,
a Delaware corporation

By:	/s/ Michael Doyle
Name:	Michael Doyle
Title:	Chief Financial Officer

EXHIBIT A
EXPANSION PREMISES

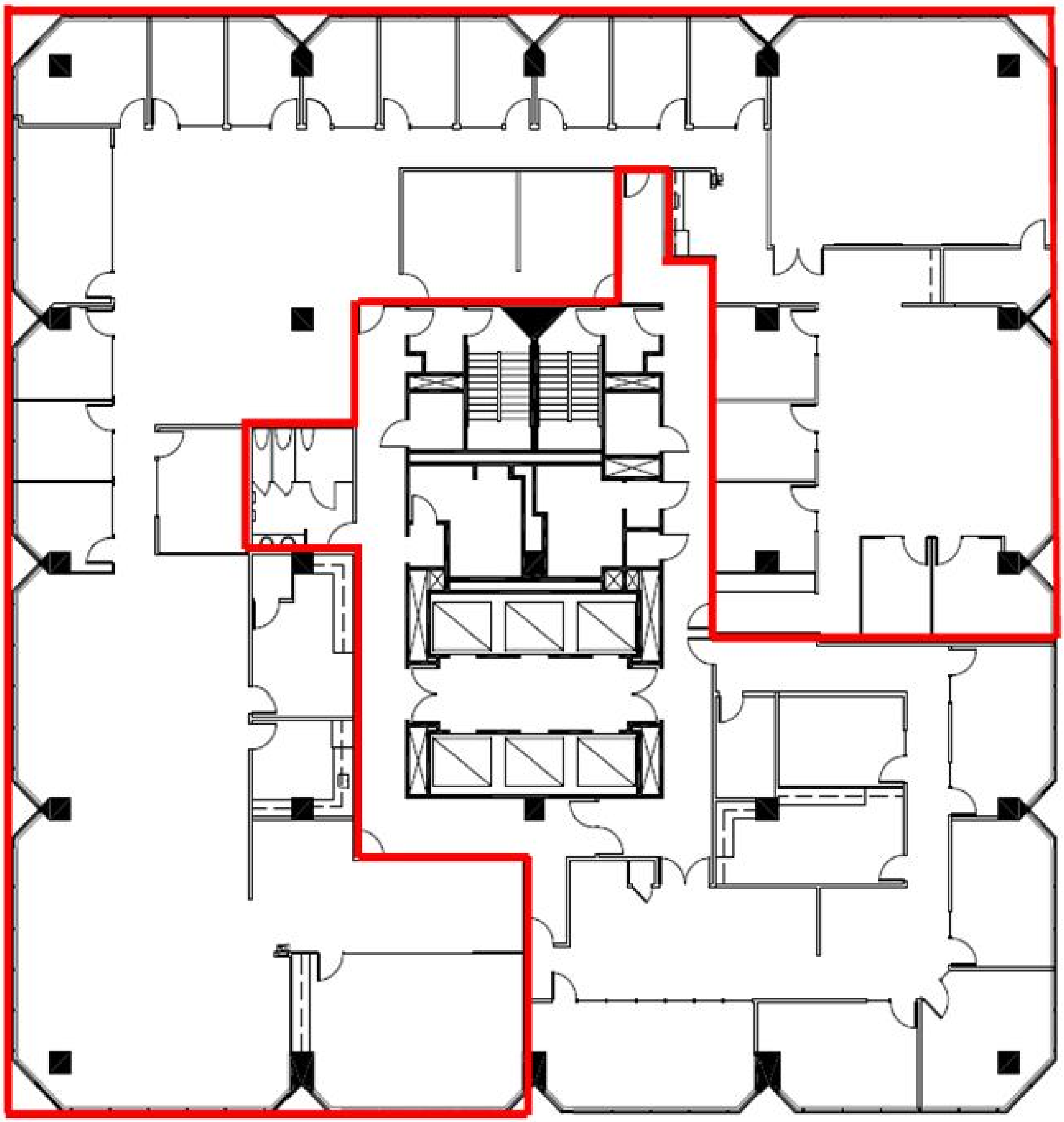


EXHIBIT B

WORK LETTER

This Work Letter (this "Work Letter") is attached to and made a part of that certain Lease (the "Lease"), between **SPEAR STREET CORRIDOR** ("Landlord"), and **FORRESTER RESEARCH, INC.** ("Tenant"). The terms used in this Work Letter that are defined in the Lease shall have the same meanings as provided in the Lease.

SECTION 1.

AS-IS CONDITION

Tenant hereby accepts the base, shell and core (i) of the Premises and (ii) of the floor(s) of the Building on which the Premises are located (collectively, the "**Base, Shell and Core**"), in its current "**AS-IS**" condition existing as of the date of the Third Amendment to Office Lease by and between Landlord and Tenant (the "**Amendment**"). Except for the Tenant Improvement Allowance set forth below, and except as provided for in the Lease, Landlord shall not be obligated to make or pay for any alterations or improvements to the Premises, the Building or the Complex. Upon execution of the Amendment, Landlord shall provide Tenant (or its Architect, as defined below) with Landlord's most recently prepared wet-stamped path of travel drawings for the Building and CAD drawings for the Expansion Space.

SECTION 2.

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance. Tenant shall be entitled to a one-time tenant improvement allowance in the amount of up to, but not exceeding One Hundred Dollars ($100.00) per rentable square foot of the Expansion Premises (the "**Expansion Premises Allowance**") and Thirty Dollars ($30.00) per rentable square foot of the Existing Premises (together with the Expansion Premises Allowance, the "**Tenant Improvement Allowance**"). The Tenant Improvement Allowance shall be used for the costs relating to the design, permitting and construction of Tenant's improvements which are permanently affixed to the Premises (the "**Tenant Improvements**"); provided, however, that Landlord shall have no obligation to disburse all or any portion of the Tenant Improvement Allowance to Tenant unless Tenant makes a request for disbursement pursuant to the terms and conditions of Section 2.2 below prior to April 30, 2020. The Expansion Premises Allowance shall only be used for the costs relating to the Tenant Improvements in the Expansion Premises. The Existing Premises Allowance may be used for the costs relating to the Tenant Improvements in the Existing Premises and/or the Expansion Premises, in Tenant's sole discretion. In no event shall Landlord be obligated to make disbursements pursuant to this Work Letter in a total amount which exceeds the Tenant Improvement Allowance. Tenant shall not be entitled to receive any cash payment or credit against Rent or otherwise for any unused portion of the Tenant Improvement Allowance which is not used to pay for the Tenant Improvement Allowance Items (as such term is defined below).

2.2 Disbursement of the Tenant Improvement Allowance.

2.2.1 Tenant Improvement Allowance Items. Except as otherwise set forth in this Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively, the "**Tenant Improvement Allowance Items**"):

2.2.1.1 payment of the fees of the "**Architect**" and the "**Engineers**", as those terms are defined in Section 3.1 of this Work Letter and the fees of Tenant's project manager and its consultants;

2.2.1.2 the payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

2.2.1.3 the cost of construction of the Tenant Improvements, including, without limitation, construction materials, contractors' and subcontractors' fees and general conditions, costs of construction materials and parts, testing and inspection costs, costs of trash removal, parking and hoists, costs of leased equipment;

2.2.1.4 the cost of any changes in the Base, Shell and Core work when such changes are required by the Construction Drawings, such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.1.5 the cost of any changes to the Construction Drawings or Tenant Improvements required by Applicable Laws;

2.2.1.6 sales and use taxes and Title 24 fees;

2.2.1.7 the "**Coordination Fee**", as that term is defined in Section 4.2.2.2 of this Work Letter; and

2.2.1.8 all other costs, up to, but not exceeding Twenty Thousand Dollars ($20,000), to be reasonably expended by Landlord in connection with the construction of the Tenant Improvements if requested by Tenant or required by Applicable Laws or otherwise incurred by Landlord hereunder, except to the extent Landlord is required pursuant to the terms hereof to incur such costs on its own behalf.

2.2.2 Disbursement of Tenant Improvement Allowance. Subject to Section 2.1 above, during the construction of the Tenant Improvements, Landlord shall make disbursements of the Tenant Improvement Allowance for Tenant Improvement Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows:

2.2.2.1 Disbursements. From time to time during the construction of the Tenant Improvements (but no more frequently than monthly), Tenant shall deliver to Landlord: (i) a request for payment of the "**Contractor**", as that term is defined in Section 4.1 below, approved by Tenant, showing the schedule, by trade, of percentage of completion of the Tenant Improvements in the Premises, detailing the portion of the work completed and the portion not completed, and demonstrating that the relationship between the cost of the work completed and the cost of the work to be completed complies with the terms of the "**Construction Budget**", as that term is defined in Section 4.2.1 below; (ii) invoices from all of "**Tenant's Agents**", as that term is defined in Section 4.1.2 below, for labor rendered and materials delivered to the Premises; (iii) executed mechanic's lien releases from Contractor and all subcontractors which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Sections 8132-8138; and (iv) each of the general disbursement items referenced in Section 2.2.2.3 below, and all other information reasonably requested by Landlord with respect to such disbursement. Tenant's request for payment shall be deemed Tenant's acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant's payment request, except for any unknown defects. Within thirty (30) days following Landlord's receipt of a completed disbursement request submission, Landlord shall deliver a check to Tenant in payment of the lesser of (A) the amounts so requested by Tenant, as set forth in this Section 2.2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "**Final Retention**") and (B) the balance of any remaining available portion of the Tenant Improvement Allowance (not including the Final Retention), provided that Landlord does not reasonably dispute any request for payment based on noncompliance of any work with the "**Approved Working Drawings**", as that term is defined in Section 3.4 below, or due to any substandard work. Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work furnished or materials supplied as set forth in Tenant's payment request.

2.2.2.2 Final Retention. Subject to the provisions of this Work Letter, a check for the Final Retention payable to Tenant shall be delivered by Landlord to Tenant within thirty (30) days following the completion of construction of the Premises, provided that (i) Tenant delivers to Landlord properly executed and fully unconditional mechanics lien releases in compliance with both California Civil Code Section 8134 and either Section 8136 or Section 8138, and (ii) Landlord has determined that no substandard work exists which materially and adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning, life-safety or other systems of the Building, the curtain wall of the Building, the structure or exterior appearance of the Building, or any other tenant's use of such other tenant's leased premises in the Building, (iii) Tenant has delivered to Landlord a certificate of occupancy or permit cards signed off by the City with respect to the Premises; (iv) Tenant has delivered to the Office of the Building as-built plans and City-permitted plans for the Tenant Improvements; (v) Tenant has delivered to the Office of the Building operation manuals and warranties for equipment included within the Tenant Improvements, if applicable (electronic copies are acceptable), and (vi) Tenant has delivered to Landlord each of the general disbursement items referenced in Section 2.2.2.3 below.

2.2.2.3 General Disbursement Requirements. In addition to the disbursement requirements referenced above, Tenant acknowledges and agrees that the following items are required as a condition to any disbursement of the Tenant Improvement Allowance:

- Copy of contract with Tenant's General Contractor
- Copy of General Contractor's certificate of insurance, including Additional Insured endorsement naming Landlord as an Additional Insured
- General Contractor's Schedule of Values, showing total contract value

2.2.2.4 Other Terms. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred by Tenant for Tenant Improvement Allowance Items.

SECTION 3.

SECTION 4.

CONSTRUCTION DRAWINGS

4.1 Selection of Architect/Construction Drawings. Tenant shall retain an architect/space planner reasonably approved by Landlord (the "**Architect**"), to prepare the Construction Drawings. Tenant shall retain the engineering consultants reasonably designated by Landlord (the "**Engineers**") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, life safety, and sprinkler work in the Premises (and Landlord hereby acknowledges that Tenant shall have the right, but not the obligation, to use MSA as the Architect). The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "**Construction Drawings**". All Construction Drawings shall comply with the drawing format and specifications reasonably determined by Landlord, and shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or conditioned, and shall be granted or denied within ten (10) business days after the submission of the Construction Drawings to Landlord for approval. Any disapproval by Landlord shall specify in reasonable detail the reason for such disapproval. Following any disapproval by Landlord as provided herein, Tenant shall revise the applicable Construction Drawings in response to Landlord's disapproval, following which Landlord shall again grant or deny its consent within five (5) business days. The foregoing process shall be repeated until final Construction Drawings are approved. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

4.2 Final Space Plan. Tenant shall supply Landlord with four (4) copies signed by Tenant of its final space plan for the Premises before any architectural working drawings or engineering drawings have been commenced. The final space plan (the "**Final Space Plan**") shall include a layout and designation of all offices, rooms and other partitioning and their intended use. Landlord may request clarification or more specific drawings for special use items not included in the Final Space Plan. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan for the Premises if the same is unsatisfactory or incomplete in any respect. If Tenant is so advised, Tenant shall promptly (i) cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require, and (ii) deliver such revised Final Space Plan to Landlord. The foregoing process shall be repeated until the Final Space Plan is approved.

4.3 Final Working Drawings. After the Final Space Plan has been approved by Landlord and Tenant, Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and cause the Architect to compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits for the Tenant Improvements (collectively, the "**Final Working Drawings**"), and shall submit the same to Landlord for Landlord's approval. Tenant shall supply Landlord with four (4) copies signed by Tenant of such Final Working Drawings. Landlord shall have the right to have its building architect and engineers review the Final Working Drawings. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Premises if, in Landlord's reasonable determination, the same is unsatisfactory or incomplete in any respect. Landlord shall not disapprove the Final Working Drawings if the same are consistent with the Construction Drawings. If Tenant is so advised, Tenant shall promptly (i) revise the Final Working Drawings in accordance with such review and any reasonable disapproval of Landlord in connection therewith, and (ii) deliver such revised Final Working Drawings to Landlord. The foregoing process shall be repeated until the Final Working Drawings are approved.

4.4 Approved Working Drawings. The Final Working Drawings shall be approved by Landlord (the "**Approved Working Drawings**") prior to the commencement of construction of the Premises by Tenant. After approval by Landlord of the Final Working Drawings, Tenant shall promptly submit the same to the appropriate governmental authorities for all applicable building permits. Tenant hereby agrees that neither Landlord nor Landlord's consultants shall be responsible for obtaining any building permit for the Tenant Improvements or certificate of occupancy for the Premises and that obtaining the same shall be Tenant's responsibility; provided, however, that Landlord shall cooperate with Tenant in executing permit applications and performing other ministerial acts reasonably necessary to enable Tenant to obtain any such permit or certificate of occupancy. No changes, modifications or alterations in the Approved Working Drawings, other than minor changes that are necessary to account for existing conditions in the Building or are otherwise non-material, may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld or conditioned and shall be granted or reasonably denied within five (5) business days following request.

4.5 Non Standard Tenant Improvements. "**Non Standard Tenant Improvements**" shall mean (a) any part of the Tenant Improvements which do not constitute Building standard tenant improvements, including, but not limited to, plumbing and millwork; and (b) a configuration of the Tenant Improvements which is not usual and customary for normal occupancy. Provided Landlord notifies Tenant in writing of such requirement at the time Landlord approves the Working Drawings, Tenant shall be required to remove such Non Standard Tenant Improvements designated by Landlord for removal at the expiration or earlier termination of the Lease and repair any damage caused thereby. At the time the Tenant submits plans for Landlord approval, Landlord will notify Tenant which, if any, Tenant Improvements in the Expansion Premises will be required to be removed by Tenant at the expiration or any earlier termination of the Lease. In no event shall Tenant be required to remove any Tenant Improvements which are not Non Standard Improvements.

SECTION 5.

CONSTRUCTION OF THE TENANT IMPROVEMENTS

5.1 Tenant's Selection of Contractor and Tenant's Agents.

5.1.1 The Contractor. Tenant shall select and retain a general contractor ("**Contractor**") to construct the Tenant Improvements. Such Contractor shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or conditioned, and shall be given or reasonably denied within three (3) business days following Tenant's request for approval. Landlord hereby approves TCB Builders, Inc. as the Contractor.

5.1.2 Tenant's Agents. All subcontractors, laborers, materialmen, and suppliers used by Tenant in connection with the Tenant Improvements and the Contractor shall be known collectively as "**Tenant's Agents**". All subcontractors shall be approved in writing by Landlord, which approval shall not be unreasonably withheld or conditioned and shall be given or reasonably denied within three (3) business days following Tenant's request for approval; provided that, in any event, Tenant must contract with Landlord's base building subcontractors to review any life safety work in the Premises, if Tenant does not retain Landlord's contractors for such life safety work. If requested by Landlord, Tenant's Agents shall all be union labor in compliance with the master labor agreements existing between trade unions and the local chapter of the Associated General Contractors of America, except for Tenant's Agents for specialty work for which qualified union labor is not available.

5.2 Construction of Tenant Improvements by Tenant's Agents.

5.2.1 Construction Contract; Cost Budget. Tenant shall submit to Landlord a copy of the construction contract and general conditions with Contractor (the "**Contract**") for Landlord's records. Prior to the commencement of the construction of the Tenant Improvements, Tenant shall provide Landlord with a written detailed cost breakdown (the "**Final Costs Statement**"), by trade, of the final costs to be incurred, or which have been incurred, as set forth more particularly in Section 2.2.1.1 through 2.2.1.8 above, in connection with the design and construction of the Tenant Improvements to be performed by or at the direction of Tenant or the Contractor (which costs form a basis for the amount of the Contract, if any (the "**Final Costs**"). To the extent the Final Costs exceed the Tenant Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the commencement of construction of the Tenant Improvements), Tenant shall make payments for such additional costs (the "**Over-Allowance Amount**") out of its own funds, but Tenant shall provide Landlord with the documents described in Sections 2.2.2.1(i), (ii), and (iii) above prior to Tenant paying such costs.

5.2.2 Tenant's Agents.

5.2.2.1 Landlord's General Conditions for Tenant's Agents and Tenant Improvement Work. Tenant's and Tenant's Agents' construction of the Tenant Improvements shall comply with the following: (i) the Tenant Improvements shall be constructed in strict accordance with the Approved Working Drawings; (ii) Tenant and Tenant's Agents shall not, in any way, interfere with, obstruct, or delay, the work of Landlord's base building contractor and subcontractors with respect to any work in the Building; (iii) Tenant's Agents shall submit schedules of all work relating to the Tenant's

Improvements to Contractor and Contractor shall, within five (5) business days of receipt thereof, inform Tenant's Agents of any changes which are necessary thereto, and Tenant's Agents shall adhere to such corrected schedule; and (iv) Tenant shall abide by all uniform rules applicable to all tenants and made by Landlord's Building contractor or Landlord's Building manager and provided to Tenant with respect to the use of freight, loading dock and service elevators, storage of materials, coordination of work with the contractors of other tenants, and any other matter in connection with this Work Letter, including, without limitation, the construction of the Tenant Improvemaents.

5.2.2.2 Coordination Fee. Tenant shall pay a logistical coordination fee (the "**Coordination Fee**") to Landlord in an amount equal to one hundred fifty dollars ($150.00) per hour (capped at $20,000.00) for time actually expended and documented by Landlord in connection with the design and construction of the Tenant Improvements, which Coordination Fee shall be for services relating to the coordination of the construction of the Tenant Improvements and for the review of Tenant's plans and drawings as referenced in Section 3 above, which amount shall be charged against the Tenant Improvement Allowance.

5.2.2.3 Indemnity. Tenant's indemnity of Landlord as set forth in the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's nonpayment of any amount arising out of the Tenant Improvements and/or Tenant's disapproval of all or any portion of any request for payment. Such indemnity by Tenant, as set forth in the Lease, shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to Landlord's performance of any ministerial acts reasonably necessary (i) to permit Tenant to complete the Tenant Improvements, and (ii) to enable Tenant to obtain any building permit or certificate of occupancy for the Premises.

5.2.2.4 Insurance Requirements.

5.2.2.4.1 General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall al so carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in the Lease.

5.2.2.4.2 Special Coverages. Tenant shall cause the Contractor to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Tenant Improvements, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord, and in form and with companies as are required to be carried by Tenant as set forth in the Lease.

5.2.2.4.3 General Terms. Certificates for all insurance carried pursuant to this Section 4.2.2.4 shall be delivered to Landlord before the commencement of construction of the Tenant Improvements and before the Contractor's equipment is moved onto the site. In the event that the Tenant Improvements are damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. All policies carried under this Section 4.2.2.4 shall insure Landlord and Tenant, as their interests may appear, as well as Contractor and Tenant's Agents, and shall name as additional insureds Landlord's property manager, Landlord's asset manager, and all mortgagees and ground lessors of the Building. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under Section 4.2.2.3 of this Work Letter.

5.2.3 Governmental Compliance. The Tenant Improvements shall comply in all respects with the following: (i) Applicable Laws, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

5.2.4 Inspection by Landlord. Landlord shall have the right to inspect the Tenant Improvements at all reasonable times, and upon reasonable notice to Tenant and Tenant's general contractor, provided however, that Landlord's failure to inspect the Tenant Improvements shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Tenant Improvements constitute Landlord's approval of the same. Should Landlord reasonably disapprove any portion of the Tenant Improvements, Landlord shall notify Tenant in writing of such disapproval and shall specify the items disapproved. Any defects to or deviations in (compared to the Approved Working Drawings), and/or reasonable disapproval by Landlord of, the Tenant Improvements shall be rectified by Tenant at no expense to Landlord, provided however, that in the event Landlord determines that a defect or deviation exists and such defect or deviation adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning or life-safety systems of the Building, the structure or exterior appearance of the Building or any other tenant's use of such other tenant's leased premises, Landlord may, following notice to Tenant, take such action as Landlord reasonably deems necessary, at Tenant's expense and without incurring any liability on Landlord's part, to correct any such defect or deviation, including, without limitation, causing the cessation of performance of the construction of the Tenant Improvements until such time as the defect or deviation is corrected to Landlord's reasonable satisfaction.

5.2.5 Meetings. Commencing upon the execution of the Lease, Tenant shall hold weekly meetings at a reasonable time, with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings shall be held at a location determined by Tenant, and Landlord and/or its agents shall receive prior notice of, and shall have the right to attend, all such meetings, and, upon Landlord's request, certain of Tenant's Agents shall attend such meetings. In addition, minutes shall be taken at all such meetings, a copy of which minutes shall be promptly delivered to Landlord. One such meeting each month shall include the review of Contractor's current request for payment.

5.3 Notice of Completion; Copy of "As Built" Plans. Within ten (10) days after completion of construction of the Tenant Improvements, Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the County in which the Building is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense. At the conclusion of construction, (i) Tenant shall cause the Architect and Contractor (A) to update the Approved Working Drawings as necessary to reflect all changes made to the Approved Working Drawings during the course of construction, (B) to certify to the best of their knowledge that the "record-set" of as-built drawings are true and correct, which certification shall survive the expiration or termination of the Lease, (C) to deliver to Landlord two (2) sets of sepias of such as-built drawings within ninety (90) days following issuance of a certificate of occupancy for the Premises, and (D) to deliver to Landlord a computer disk containing the Approved Working Drawings in AutoCAD format, and (ii) Tenant shall deliver to Landlord a copy of all warranties, guaranties, and operating manuals and information relating to the improvements, equipment, and systems in the Premises.

5.4 Coordination by Tenant's Agents with Landlord. Within fifteen (15) days of Tenant's delivery of the Contract to Landlord under Section 4.2.1 of this Work Letter, Tenant shall furnish Landlord with a schedule setting forth the projected date of the completion of the Tenant Improvements and showing the critical time deadlines for each phase, item or trade relating to the construction of the Tenant Improvements.

SECTION 6.

SECTION 7.MISCELLANEOUS

7.1 Tenant's Representative. Tenant has designated Jean Douglas as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

7.2 Landlord's Representative. Landlord has designated Jim Osburn as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter.

7.3 Time of the Essence in This Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

7.4 Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease, if an event of default by Tenant of this Work Letter (which, for purposes hereof, shall include, without limitation, the delivery by Tenant to Landlord of any oral or written notice that Tenant does not intend to occupy the Premises, and/or any other anticipatory breach of the Lease) or the Lease has occurred at any time on or before the substantial completion of the Premises, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, at law and/or in equity, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of this Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of the Lease (in which case, Tenant shall be responsible for any delay in the substantial completion of the Premises caused by such inaction by Landlord). In addition, if the Lease is terminated prior to the Lease Commencement Date for any reason due to a default by Tenant as described in Article 22 of the Lease or under this Work Letter (including, without limitation, any anticipatory breach described above in this Section 5.4), then (A) Tenant shall be liable to Landlord for all damages available to Landlord pursuant to the Lease and otherwise available to Landlord at law and/or in equity by reason of a default by Tenant under the Lease or this Work Letter (including, without limitation, the remedies available to Landlord pursuant to California Civil Code Section 1951.2), and (B) Tenant shall pay to Landlord, as Additional Rent under the Lease, within five (5) days of receipt of a statement therefor, any and all costs (if any) incurred by Landlord (including any portion of the Tenant Improvement Allowance disbursed by Landlord; provided, however, that if Landlord does not demolish but instead retains the Tenant Improvements constructed with such disbursed portion of the Tenant Improvement Allowance, then Tenant shall not be liable for such disbursement) and not reimbursed or otherwise paid by Tenant through the date of such termination in connection with the Tenant Improvements to the extent planned, installed and/or constructed as of such date of termination, including, but not limited to, any costs related to the removal of all or any portion of the Tenant Improvements and restoration costs related thereto.

7.5 Miscellaneous Charges. Neither Tenant nor Tenant's Agents shall be charged for Building services, such as freight elevator usage, or utilities, in connection with construction of the Tenant Improvements.

7.6 Deemed Approval. Notwithstanding anything to the contrary contained in this Work Letter, in the event that Landlord fails to timely respond to any matter in this Work Letter requiring Landlord's consent or approval, Tenant shall deliver a second written request to Landlord and if Landlord fails to respond to such second written request within two (2) business days after receipt, then Tenant's request shall be deemed approved.

EXHIBIT C

DISABILITY ACCESS OBLIGATIONS UNDER SAN FRANCISCO ADMINISTRATIVE CODE CHAPTER 38

Before you, as the Tenant, enter into a lease agreement with us, the Landlord, for the premises located at 150 Spear Street, San Francisco, California (the "**Property**"), please be aware of the following important information about the lease:

You May Be Held Liable for Disability Access Violations on the Property. Even though you are not the owner of the Property, you, as the tenant, as well as the Property owner, may still be subject to legal and financial liabilities if the leased Property does not comply with applicable Federal and State disability access laws. You may wish to consult with an attorney prior to entering this lease to make sure that you understand your obligations under Federal and State disability access laws. The Landlord must provide you with a copy of the Small Business Commission Access Information Notice under Section 38.6 of the Administrative Code in your requested language. For more information about disability access laws applicable to small businesses, you may wish to visit the website of the San Francisco Office of Small Business or call 415-554-6134.

The Lease Must Specify Who Is Responsible for Making Any Required Disability Access Improvements to the Property. Under City law, the lease must include a provision in which you, the Tenant, and the Landlord agree upon your respective obligations and liabilities for making and paying for required disability access improvements on the leased Property. The lease must also require you and the Landlord to use reasonable efforts to notify each other if they make alterations to the leased Property that might impact accessibility under federal and state disability access laws. You may wish to review those provisions with your attorney prior to entering this lease to make sure that you understand your obligations under the lease.

PLEASE NOTE: The Property may not currently meet all applicable construction-related accessibility standards, including standards for public restrooms and ground floor entrances and exits.

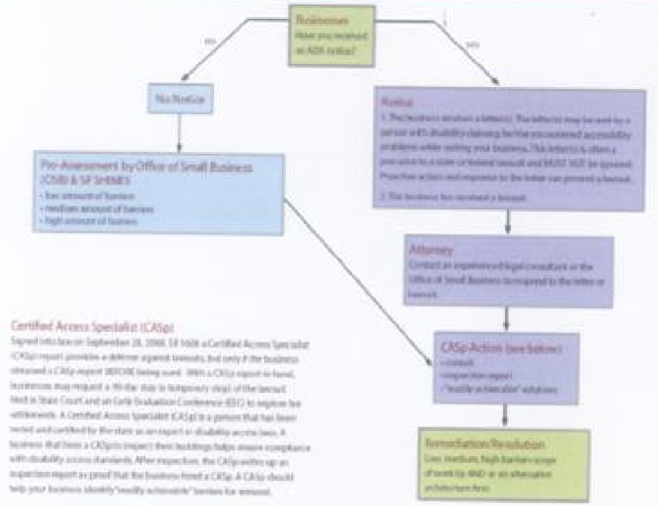
[SIGNATURES ON FOLLOWING PAGE]

By signing below, I confirm that I have read and understood this Disability Access Obligations Notice.

Date signed:	**Tenant:**
______________________	______________________

By: /s/MichaelDoyle
Name: Michael Doyle
Title: Chief Financial Officer

PROTECT YOUR BUSINESS FROM POTENTIAL ADA LAWSUITS



Certified Access Specialist (CASp)

COMPLIANCE VS. LAWSUIT

BUSINESS RESOURCES

BUSINESS RESOURCES

A Guide to Disabled Accessibility Compliance

Small Business Commission Access Information Notice

San Francisco

DISABLED ACCESSIBILITY

Two Sets of Access Laws

Non Compliance

Who is Required to Remove Barriers?

Readily Achievable

This document is intended as informal technical guidance.

It is NOT legal advice and does not replace the professional advice or guidance that an architect, CASp or attorney knowledgeable in ADA requirements can provide.

LOW BARRIERS
obstacles to accessibility that are minor, and most likely can be "readily achievable"

A. Service Counter Height and Visibility
[illegible]

B. Path of Travel Clearance
[illegible]

C. Door Clearance
[illegible]

D. Door Hardware
[illegible]

MEDIUM BARRIERS
obstacles that require more attention and likely professional guidance

A. Step at Entrance
[illegible]

B. Restroom Vanity Clearance
[illegible]

C. Undersized Path of Travel
[illegible]

D. No Accessible Seating
[illegible]

HIGH BARRIERS
obstacles that require a lot of attention and definite professional guidance

A. Multiple Steps at Entrance
[illegible]

B. Step in Dining/Customer Space
[illegible]

C. Undersized or Lack of Restroom
[illegible]

D. Ramp Exceeds Maximum Slope Allowed
[illegible]

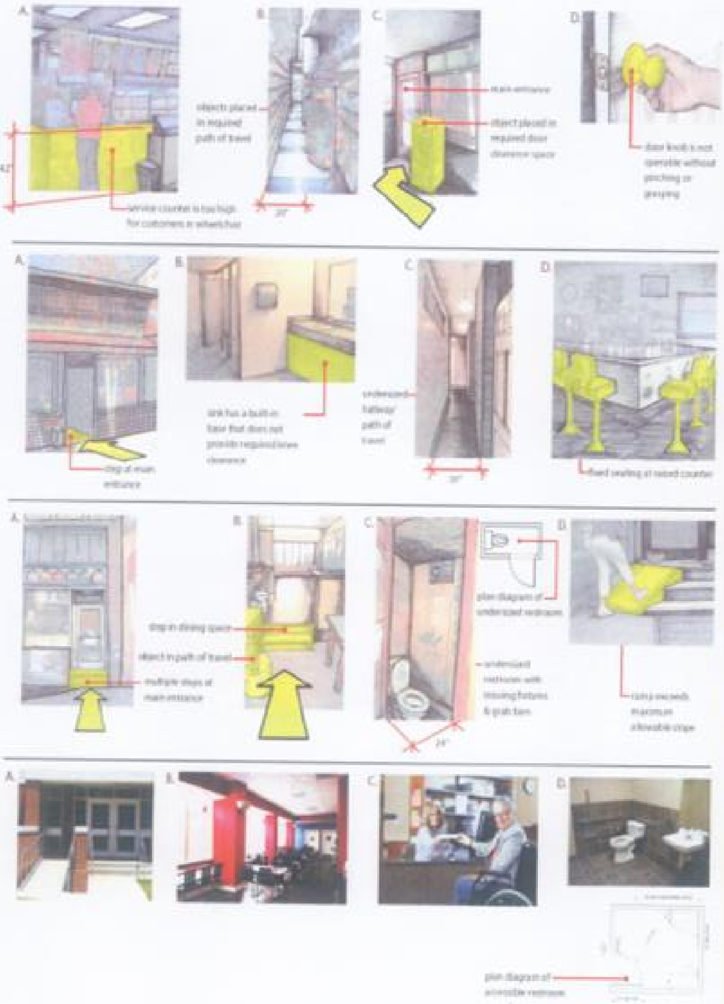
ADA COMPLIANCE

A. Compliant Entry
[illegible]

B. Path of Travel Clearance
[illegible]

C. Compliant Counters
[illegible]

D. Compliant Restroom
[illegible]



COMMON MISCONCEPTIONS

I am exempt from compliance or "grandfathered"
[illegible]

I am exempt since my building has historic designation
[illegible]

Settling the lawsuit will relieve me of my responsibilities
[illegible]

Tenant vs. Landlord (Owner)
[illegible]

EXHIBIT D

BUILDING RULES[1]

1. Any sidewalks, lobbies, passages, elevators and stairways shall not be obstructed or used by Tenant for any purpose other than ingress and egress from and to the Premises. Landlord shall in all cases retain the right to control or prevent access by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, peace or character of the Property.

2. The toilet rooms, toilets, urinals, sinks, faucets, plumbing or other service apparatus of any kind shall not be used for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith or left in any lobbies, passages, elevators or stairways. In addition to all other remedies under the Lease, Landlord may charge Tenant $100.00 for each violation of this subsection 2.

3. Tenant shall not impair in any way the fire safety system and shall comply with all security, safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord’s prior written permission and Tenant shall have no right to place any microwave, satellite or other type of antenna on the roof or exterior of the Building without the prior written consent of Landlord which may be withheld or conditioned in Landlord’s sole and absolute discretion and which may be conditioned upon payment of fees for any such use.

4. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building, except as approved in writing by Landlord. Tenant shall not remove, without Landlord’s prior written consent, any shades, blinds or curtains in the Premises.

5. Without Landlord’s prior written consent, Tenant shall not hang, install, mount, suspend or attach anything from or to any sprinkler, plumbing, utility or other lines. If Tenant hangs, installs, mounts, suspends or attaches anything from or to any doors, windows, walls, floors or ceilings, Tenant shall spackle and sand all holes and repair any damage caused thereby or by the removal thereof at or prior to the expiration or termination of the Lease.

6. Tenant shall not change any locks nor place additional locks upon any doors.

7. Tenant shall not use nor keep in the Building any matter having an offensive odor, nor explosive or highly flammable material.

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1 This exhibit may be updated from time to time as Landlord deems necessary but in a non-discriminatory manner.

8. Tenant shall not bring or keep in the Building any animals other than bona fide state-certified service dogs. Tenant shall be responsible for immediately removing any service dog waste and for any additional cleaning or damage costs which may arise from the service dogs' presence in the Building or Premises. Exclusive of additional cleaning or damage costs, Landlord may charge Tenant $100.00 for each violation of this subsection 8.

9. In the event Tenant's operations in the Premises result in the transmission of excessive or dangerous currents of electricity or annoyances into or through the Building or the Premises, Landlord shall have the right to require that Tenant change the wiring connections or layout at Tenant's expense to correct such conditions, to the extent that Landlord reasonably may deem necessary, and further to require compliance with such reasonable rules as Landlord may establish relating thereto. So long as excessive or dangerous currents are determined by Landlord to not be an immediate danger to the Building or operations of the Building and/or other tenants (in which event Landlord would have the right to cut wiring or to do what it considers necessary immediately), Tenant shall take all necessary steps as soon as reasonably possible and no later than three (3) business days following notice from Landlord of such condition to correct the same. If Tenant fails so to correct such condition within such three (3) business day period, Landlord shall have the right to cut wiring or to do what it considers necessary to remove the danger, annoyance or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same. No machinery of any kind other than customary small business machines shall be allowed in the Premises. Tenant shall not use any method of heating, air conditioning or air cooling other than that provided by Landlord (provided, however, that Tenant shall have the right, in accordance with the terms and conditions of the Lease, to install supplemental cooling for its IT server room).

10. Tenant shall not place weights anywhere beyond the safe carrying capacity of the Building which is designed to normal office Building standards for floor loading capacity. Landlord shall have the right to exclude from the Building heavy furniture, safes and other articles which may be hazardous or to require them to be located at designated places in the Premises.

11. The use of rooms as sleeping quarters is strictly prohibited at all times. In addition to all other remedies under this Lease, Landlord may charge Tenant $100.00 for each violation of this subsection 11.

12. Bicycles and other vehicles are not permitted inside or on the walkways or other Common Areas outside the Building, except in areas specifically designated by Landlord for such purposes and except as may be needed or used by a physically handicapped person. In addition to all other remedies under this Lease, Landlord may charge Tenant $100.00 for each violation of this subsection 12.

13. Tenant and its Agents shall not smoke in the Building or within 20 feet of the Building entrances and exits. In addition to all other remedies under this Lease, Landlord may charge Tenant $100.00 for each violation of this subsection 13.

14. Tenant shall provide Landlord with a written identification of any vendors engaged by Tenant to perform services for Tenant at the Premises (examples: security guards/monitors, telecommunications installers/maintenance), and all vendors shall be subject to Landlord's reasonable approval. All labor hired by the vendors or Tenant must be union labor. No mechanics shall be allowed to work on the Building or Building Systems other than those engaged by Landlord. Tenant shall permit Landlord's employees and contractors and no one else to clean the Premises unless Landlord consents in writing. Tenant assumes all responsibility for protecting its Premises from theft and vandalism and Tenant shall see each day before leaving the Premises that all lights are turned out and that the windows and the doors are closed and securely locked.

15. Tenant shall comply with any move-in/move-out rules provided by Landlord and with any rules provided by Landlord governing access to the Building outside of Normal Business Hours. Throughout the Term, no furniture, packages, equipment, supplies or merchandise of Tenant will be received in the Building, or carried up or down in the elevators or stairways, except during such hours as shall be designated by Landlord, and Landlord in all cases shall also have the exclusive right to prescribe the method and manner in which the same shall be brought in or taken out of the Building.

16. Tenant shall not place oversized cartons, crates or boxes in any area for trash pickup without Landlord's prior approval. Landlord shall be responsible for trash pickup of normal office refuse placed in ordinary office trash receptacles only. Excessive amounts of trash or other out-of-the-ordinary refuse loads will be removed by Landlord upon request at Tenant's expense.

17. Tenant shall cause all of Tenant's Agents to comply with these Building Rules.

18. Landlord reserves the right to rescind, suspend or modify any rules or regulations and to make such other rules and regulations as, in Landlord's reasonable judgment, may from time to time be needed for the safety, care, maintenance, operation and cleanliness of the Property. Notice of any action by Landlord referred to in this section, given to Tenant, shall have the same force and effect as if originally made a part of the foregoing Lease. New rules or regulations will not, however, be unreasonably inconsistent with the proper and rightful enjoyment of the Premises by Tenant under the Lease.

19. These Building Rules are not intended to give Tenant any rights or claims in the event that Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants and such nonenforcement will not constitute a waiver as to Tenant.

20. All requests for heating and air conditioning services outside of Normal Business Hours shall be submitted in writing to Landlord's property manager by noon on the day desired for weekday services, by noon Friday for weekend services and by noon the preceding day for holiday services.

EXHIBIT E

FORM OF CONFIRMATION OF EXPANSION EFFECTIVE DATE AND EXISTING PREMISES BASE RENT

Confirmation of the Expansion Effective Date and Existing Premises Base Rent

____________________ , 2019

____

____

____

Attn: ________________

Re: Lease dated as of _____, 2019 between Spear Street Corridor LLC, a Delaware limited liability company ("Landlord "), and Forrester Research, Inc., a Delaware corporation ("Tenant "), as amended by that certain First Amendment to Office Lease dated August __ , 2012, that certain Second Amendment of Office Lease dated September 25, 2015 and that certain Third Amendment of Office Lease dated as of __________, 2019 (as so amended, the "Lease "). Capitalized terms and herein but not defined shall be given the meanings assigned to them in the Amendment.

Ladies and Gentlemen:

Landlord and Tenant hereby agree as follows:

1. Expansion Effective Date. The Expansion Effective Date is ___________, 2019.

2. Commencing on July 1, 2022, Tenant shall pay Base Rent for the Existing Premises in accordance with the Lease in the amounts set forth below:

Lease Period	Annual base Rent	Monthly Installment of Base Rent	Annual Rental Rate per Rentable Square Foot
7/1/2022 –			

This rent schedule does not include any operating expense pass-through adjustments or other additional rent to be computed and collected in accordance with the Lease.

3. Binding Effect; Governing Law. Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the State of California.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

SPEAR STREET CORRIDOR LLC,
a Delaware limited liability company

By: ______________________
Name: ______________________
Title: ______________________

Agreed and accepted:

FORRESTER RESEARCH, INC.,
a Delaware corporation

By: ______________________
Name: ______________________
Title: ______________________

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, George F. Colony, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE F. COLONY
George F. Colony
Chairman of the Board and Chief Executive Officer
(Principal executive officer)

Date: August 6, 2019

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael A. Doyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL A. DOYLE
Michael A. Doyle
Chief Financial Officer
(Principal financial officer)

Date: August 6, 2019

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Forrester Research, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George F. Colony
George F. Colony
Chairman of the Board and Chief Executive Officer

Dated: August 6, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Forrester Research, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. DOYLE
Michael A. Doyle
Chief Financial Officer

Dated: August 6, 2019