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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 000-21433  
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FORRESTER RESEARCH, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

04-2797789  
(I.R.S. Employer  
Identification Number)

400 TECHNOLOGY SQUARE  
CAMBRIDGE, MASSACHUSETTS  
(Address of principal executive offices)

02139  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (617) 613-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

TITLE OF EACH CLASS

Common Stock, \$.01 par value

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 18, 2002 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately \$284,171,323.

As of March 18, 2002, 23,274,607 shares of the registrant's common stock

were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company's Annual Meeting of Stockholders for the year ended December 31, 2001 are incorporated by reference into Part III hereof.

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This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "estimates," or similar expressions are intended to identify these forward-looking statements. 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. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

## PART I

### ITEM 1. BUSINESS

#### GENERAL

Forrester Research, Inc. is a leading independent emerging-technology research firm that conducts research and analysis on the impact of emerging technologies on business, consumers, and society. We provide our clients with an integrated perspective on technology and business, which we call the WholeView(TM). Our approach provides companies with the strategies, data, and product evaluations they need to evolve their business models and infrastructure to embrace broader markets and scale their operations. We help our clients develop business strategies that use technology to win customers, identify new markets, and gain competitive operational advantages. Our products and services primarily benefit the senior management, business strategists, and marketing and technology professionals at Global 3,500 companies who use our prescriptive, executable research to understand and capitalize on changing business models and emerging technologies.

We continued our effort to use the emerging technologies we analyze as an integral part of our business throughout 2001. In January 2002, this focus allowed us to rapidly transform our "Forrester eResearch(R)" technology platform into WholeView Research -- an open, unified offering that provides clients with comprehensive access to our Technographics(R), TechStrategy(TM), and TechRankings(TM) products. Our technology allows us to conduct, design, sell, and deliver our research through simplified Web interfaces specifically developed to maximize its impact and effectiveness. Our WholeView Research platform, Strategic Services, and Events combine to provide our clients with comprehensive, integrated access to our research, analysts, online tools, presentations, advice, and speeches.

We offer our clients annual memberships that provide access to a wide variety of business issues and technology topics. These issues and topics include the impact that the application of technologies may have on business models, operational strategy, financial results, investment priorities, organizational effectiveness, and staffing requirements. In 2001, clients subscribed to discrete topics focused on business issues, technologies, or geographical areas of their choosing. Starting in 2002, we began to offer clients licenses to a new technology platform, which we call the WholeView. WholeView Research provides fully integrated access to qualitative industry and technology research designed to inform clients' strategic decision-making, online customization tools to help them select and implement technology products on the basis of lab-based evaluations, and quantitative measurements of how consumers and businesses use technology. We also provide strategic services to clients that explore in greater detail the issues and topics covered by our research. We host Forum and Summit Events, conferences devoted to critical business and technology issues, which bring together our clients and major technology and business leaders to discuss the impact of technology change on business.

We were incorporated in Massachusetts on July 7, 1983, and reincorporated in Delaware on February 21, 1996.

#### INDUSTRY BACKGROUND

Emerging technologies continue to play a central role in companies' efforts to remain both competitive and cost efficient in an increasingly complex business arena. In 2001, a rapidly changing business environment forced Global 3,500 companies to reassess strategies, budgets, staffing, and business models. These complex decisions require participation from corporate leaders, business managers, marketing executives, and technol-

ogy professionals. Together, these individuals must work to reduce and even eliminate the traditional separations between marketing, business strategy, and technology to reach new markets, gain competitive advantage, and develop high customer service and loyalty levels. Developing comprehensive and coordinated business strategies is difficult because as the economy and technology change, consumers and businesses adopt new methods of buying and selling, and markets grow increasingly dynamic.

Consequently, our clients' information demands change. Clients continue to rely on external sources of expertise that provide independent business advice spanning a variety of areas including technology, business strategy, and consumer behavior. Increasingly, however, businesses are demanding instant access to help with the issues and challenges confronting them in this dynamic environment. We believe that our WholeView Research offering responds to our clients by providing a holistic approach to our objective research that is thematic, prescriptive, executable, and that provides a comprehensive perspective on the integrated use of technology in business.

#### FORRESTER'S SOLUTION

We believe that our business and emerging technology expertise enables us to offer our clients the best available research on changing business models and technologies, technology investments, and customer trends. Our solution provides our clients with:

THE WHOLEVIEW. We provide our clients with a comprehensive and integrated perspective on emerging technologies and business, which we call WholeView Research. Our approach synthesizes our research methodologies and products to provide clients with the information they need to collaborate on strategic business decisions that use technology. WholeView Research consists of our core research offerings of Technographics, TechStrategy, and TechRankings, which we supplement with Research Central and Unlimited Analyst Access. Our WholeView Research combines with our delivery, specialized services, and expertise to offer clients access to the analysts, data, and research they need to:

- Assess potential new markets, competitors, products, and services.
- Anticipate technology-driven business model shifts.
- Understand how technology can improve business processes.
- Educate, inform, and align strategic decision-makers in their organizations.
- Capitalize on emerging technologies.

PERSONAL VIEW. Clients access our WholeView Research, an inclusive library of cross-linked documents, through our client Web interface that we call the Personal View. The Personal View is an easy-to-use gateway to our research that helps clients organize and access reports, data, and product evaluations and accelerates the deployment of our ideas and analysis. We distill the abundance of information, developments, and data into concise, connected, and easy-to-read formats to facilitate rapid decision-making.

A UNIFIED SET OF SERVICES TO BUILD BUSINESS AND TECHNOLOGY STRATEGIES. Clients may combine our WholeView Research with Strategic Services and Forum and Summit Events to enhance their understanding and the value of the core research offerings.

EXPERTISE ON EMERGING TECHNOLOGIES. We started our business in 1983 and have a long history of, and extensive experience in, identifying emerging technology trends and providing research and executable advice on the impact of technology on business. Our research analysts have many years of industry experience, are frequent speakers at business and technology conferences and symposiums, and are often quoted in the press and other publications. They enjoy direct access to the leaders and decision-makers within large enterprises and technology vendors. We provide our research analysts with rigorous training to ensure that they have the skills to challenge conventional viewpoints and provide prescriptive, executable insight and research to our clients.

## FORRESTER'S STRATEGY

We seek to maintain and enhance our position as a leading technology research firm and to capitalize on demand for our research by:

**IDENTIFYING AND DEFINING NEW BUSINESS MODELS, TECHNOLOGIES, AND MARKETS.** We seek to position ourselves ahead of other research firms by delivering strategic research and analysis about the impact of technology on business models and technology infrastructure. We believe that our research methodology and our creative culture allow us to identify and analyze rapid shifts in the use of technology before these changes appear on the horizon for most users, vendors, and other research firms. Our early identification of these shifts enables us to offer research and introduce new products and services that help our clients capitalize on emerging business models and technologies.

**LEVERAGING THE WHOLEVIEW.** Our business model, technology platform, and research methodologies allow us to sell existing products and rapidly introduce new products and services without incurring significant incremental costs. We intend to continue to use our business model, technology platform, and research methodologies to both increase sales of our existing research and introduce innovative products.

**USING TARGETED, GLOBAL SALES CHANNELS.** We sell our products and services via our headquarters in Cambridge, Massachusetts, our research centers in Amsterdam, Frankfurt, London, and San Francisco, and our sales offices in Austin, Chicago, Sydney, and Tokyo. Our direct sales force decreased 31% from 267 on December 31, 2000, to 184 on December 31, 2001, due to a reorganization of our sales force that was designed to align our sales organization with our clients. By decreasing the size of our sales force to reflect market conditions, we seek to increase average sales volume per sales representative, lengthen the average tenure of our sales representatives and sales management, and shorten our sales cycle through marketing initiatives.

**GROWING OUR CLIENT BASE WORLDWIDE AND INCREASING SALES TO EXISTING CLIENTS.** We believe that our products and services can be successfully marketed and sold to new client companies worldwide and to new organizations within existing client companies. We believe that within our client base of 1,542 client companies as of December 31, 2001, there is opportunity to sell additional products and services. In addition, we intend to expand our international presence as the growing impact of technology on business innovation creates demand for external sources of objective research.

**DEVELOPING AND RETAINING OUTSTANDING RESEARCH PROFESSIONALS.** The knowledge and experience of our analysts are critical elements of our ability to provide high-quality products and services. We employ outstanding research professionals from varied backgrounds and a wide range of industries. We believe that our culture, which emphasizes excellence, cooperation, and creativity and fosters a dedication to quality research, helps us to develop and retain high-caliber research professionals. We provide a competitive compensation structure and recognition and rewards for excellent individual and team performance.

**OPTIMIZING THE USE OF NEW TECHNOLOGY.** Our technology platform allows us to conduct, design, sell, and deliver our research via the Internet. Through this platform we can:

- Create research tools that allow us to perform, and clients to use, research on the Internet.
- Conduct direct market campaigns.
- Improve sales leads fulfillment.
- Accelerate the production of our research.

We intend to continue to use emerging technologies to improve the reach and quality of our research.

## PRODUCTS AND SERVICES

During 2001, our clients purchased access to individualized research packages that consisted of targeted selections of our core research offerings, Advisory Services, and Forum and Summit Events. Our core research

offerings included Strategy Research (now branded TechStrategy), Technographics Data & Analysis, and Assessment Tools (data-oriented, interactive research addressing such issues as emerging-technology selection). Clients with Strategy Research licenses also received access to our Research Inquiry, a research call center dedicated to providing additional information about our research. Throughout 2001, our Advisory Services (now branded Strategic Services) provided a number of ways for clients to interact directly with our analysts and included our Partners Programs, eBusiness Review Program, Web Site Review Program, Strategy Workshops, and speeches. Finally, our Forum and Summit Events consisted of one- or two-day conferences focusing on the impact of technology change on business.

In January 2002, we introduced WholeView Research -- a unified offering that provides clients with comprehensive access to our core research offerings of Technographics, TechStrategy, and TechRankings research. We also introduced new Strategic Services and Forum and Summit Events, which, combined with our WholeView Research offerings, provide unified guidance on customer trends, business strategy, and technology investments. The WholeView interconnects our reports, data, product rankings, and research archives and allows clients to move barrier-free across our research. Through the Personal View, clients can customize their access to our research that spans industries, geographies, consumer and business-buyer profiles, technology products, and service providers.

#### WHOLEVIEW RESEARCH

We offer annually renewable memberships which provide our clients comprehensive access to the following core research offerings:

- TECHNOGRAPHICS. Technographics provides primary data and quantitative research that analyzes how technology is considered, bought, and used by consumers and businesses. Consumer Technographics delivers both primary data and quantitative research based on surveys of approximately 200,000 households in North America and Europe, analyzed and categorized into relevant market segments, to help organizations capitalize on changing consumer behavior. Business Technographics is an ongoing quantitative research program that provides comprehensive, in-depth assessments of what motivates businesses to choose certain technologies and vendors over others.
- TECHSTRATEGY. Our TechStrategy research provides qualitative industry and technology research that analyzes the impact of technology change and informs strategic decision-making.
- TECHRANKINGS. Our TechRankings products consist of customizable, interactive research databases and Web tools that evaluate technologies on the basis of laboratory testing and measurement of characteristics weighted by us. TechRankings research synthesizes a rigorous combination of product evaluation results, market analysis, and user interviews to provide detailed, objective guidance to clients as they select and implement emerging technologies.
- RESEARCH CENTRAL. All WholeView clients can access our Research Central team -- a team available on demand to help clients navigate our research, find data and forecasts, collect analysis, and integrate our models with their initiatives.
- UNLIMITED ANALYST ACCESS. WholeView clients may also purchase Unlimited Analyst Access licenses, which provide clients with direct access to our research analysts in 30-minute phone calls that examine a client's specific issues.

In addition, we offer the following services as part of our WholeView approach:

- STRATEGIC SERVICES. We provide clients with a proactive relationship with our analysts to develop strategies for specific corporate goals.
- FORUM AND SUMMIT EVENTS. We provide one- and two-day conferences that bring our clients together with major technology and business leaders devoted to leading technology issues.

We work with each client to design a portfolio of core research offerings, Strategic Services, and Event seats to address its specific business objectives.

## CORE RESEARCH

Clients purchase licenses to access their Personal View -- a password protected Web site that contains a comprehensive, cross-linked library of our Technographics, TechStrategy, and TechRankings research which helps clients organize and access reports, data, and product evaluations. Within the Personal View, clients can customize their research and access:

- Forrester reports that deliver a concise, forward-looking analysis of a significant topic.
- Forrester briefs and Data Overviews that offer succinct, timely examinations of current industry developments written as events demand.
- Customizable research databases and Web tools.
- Product evaluations, benchmarks, and surveys.

The following table lists the specific research topic areas covered in the WholeView core research offerings:

AUTOMOTIVE -- Distribution, Suppliers, and Retail  
CONSUMER DEVICES & SERVICES -- Broadband, Consumer Electronics, Devices, PCs, Mobile Devices, PCs & Peripherall  
CONSUMER PACKAGED GOODS -- Merchandising, Distributors, Logistics, and Retail  
CONTENT MANAGEMENT -- Web Content, Enterprise Content, Digital Assets, Digital Asset Management, Document Management  
CUSTOMER RELATIONSHIP MANAGEMENT -- Sales, Marketing & Service, Call Centers, Email, Email Management  
ENTERPRISE APPLICATIONS -- ERP, Enterprise Services Automation, B2B Sell-Side, MRP  
FINANCIAL SERVICES -- Banking, Insurance, Investment, Credit  
HEALTHCARE -- Health Plans, Pharmaceuticals, Healthcare Providers, Biotechnology  
INFRASTRUCTURE -- Portals, Servers, Corporate Wireless, Storage, Tools  
INTEGRATION & WEB SERVICES -- Middleware, EAI/B2B Integration Tools  
MANUFACTURING & B2B -- Collaboration, Trade Forecasts, Energy, Chemicals, New Business Models  
MARKETING -- Branding, Promotion, Cross-Media marketing, Advertising  
MEDIA & ENTERTAINMENT -- Publishing, Television, Music, Content Syndication  
NETWORKS & SECURITY -- Enterprise Network Management, Equipment, Services  
PROCUREMENT & SOURCING -- Purchasing, Supplier Management, Marketplaces, Direct/Indirect Purchasing  
RETAIL -- Manufacturers, Retailers, Channels, Operations  
SERVICES -- ASPs, Hosting, Outsourcing, Systems Integrators  
SITE TECHNOLOGY & DESIGN -- Site Design, Commerce Platforms, Measurement, User Experience  
SUPPLY CHAIN -- Planning & Execution, Logisitics, Product Design, Distribution  
TECHNOLOGY LEADERSHIP -- Budgeting, Organization, Staffing, Partnerships  
TELECOM -- Telecom Services, Mobile Services, Carrier Strategy, Communications Infrastructure  
TRAVEL -- Airlines, Hotels, Business & Leisure Travel, Travel Agencies, Rental Cars

In addition, clients subscribing to WholeView receive access to Research Central, a call center staffed by members of our research staff who are dedicated to providing additional information about our research, methodologies, coverage areas, and sources. Specifically, the Research Central team is available on demand to help clients navigate our research, find data and forecasts important to them, collect analysis from a variety of related reports, and integrate our models into client initiatives.

Clients may also purchase Unlimited Analyst Access licenses, which enables clients to contact any of our analysts for quick feedback on projects a client may have underway, to discuss ideas and models in the research, or to answer questions about unfolding industry events. Unlimited Analyst Access sessions are 30-minute phone calls, scheduled upon client request.

## STRATEGIC SERVICES

We also offer the following Strategic Services:

### PARTNERS PROGRAM

- PARTNERS PROGRAM. Our Partners Program is designed to help clients effectively apply our research by providing them with ongoing advice and guidance from our research team. Customizable to meet client needs, the Partners Program provides various ways to interact with our analysts including Advisory Days, Advisory Calls/Meetings, and Strategy Workshops. Sample programs include online strategy development, effective IT architecture, and Web and commerce site development.
- TECHNOLOGY STRATEGY DEVELOPMENT PROGRAM. Our Technology Strategy Development Program focuses on a client's distinct business needs to help create and refine technology strategies that drive business forward. Each program is custom-built under the direction of a dedicated Forrester Strategy Advisor -- a senior research analyst with several years of industry experience -- who collaborates with the client to plan the optimum program format and deliverables. Example programs include developing a business plan to take a technology to a new market and designing an IT organization to implement Internet-centric technologies.

### PRODUCT SELECTION ADVISORY PROGRAM

- PRODUCT SELECTION ADVISORY PROGRAM. Our Product Selection Advisory Program combines expert guidance from our analysts with TechRankings research to help clients select the best technology product with the lowest risk. The Product Selection Advisory Program enhances TechRankings research and online tools with four 1-hour conference calls led by a TechRankings analyst.

### TECHNOGRAPHICS DATA & SERVICES

Our Technographics Data & Services leverage our core research findings to provide the detail that data marketers, product developers, and consumer experts need to gain an in-depth understanding of how consumers and businesses think about and use technology.

- TECHNOGRAPHICS DATA SETS. We combine respondent data sets from our Technographics surveys into three offerings: Consumer Technographics North America, Consumer Technographics Europe, and Business Technographics North America. In addition to our Benchmark studies, clients have unlimited, on-demand access to a Technographics data specialist to help them use the research effectively to meet their specific business needs.
- TECHNOGRAPHICS CUSTOM DATA PROJECTS. Any of the surveys conducted by our Consumer Technographics North America team are available for custom analysis. Hundreds of relevant questions from all surveys are answered by more than 200,000 respondents each year. These responses are the foundation for customizable array of services tailored to clients' data needs. Either with the help of a Technographics data specialist or by downloading the data sets directly from our Web site, clients have the precise data they need to drive their primary market research.

### MARKET OPPORTUNITY AND MESSAGING REVIEW ADVISORY PACKAGES

Our Market Opportunity and Messaging Review Advisory Packages provide clients with the guidance they need to make smart, competitive decisions about how to position and brand their companies and products.

- MARKET OPPORTUNITY REVIEW. Built to help emerging companies in the product-marketing development stage, the Market Opportunity Review Package offers prescriptive insight into various markets. We work with clients to identify their most strategic customer base and most profitable opportunities.



- BASIC MESSAGING REVIEW. Created for companies preparing to launch a product or service or embark on an analyst tour, the Basic Messaging Review Package focuses on message testing and positioning. Product slide presentations are critiqued for clarity, impact, and areas of enhancement.
- COMPREHENSIVE MESSAGING REVIEW. Our Comprehensive Messaging Review Package extends the benefits of the Basic Messaging Review into a more interactive relationship. In addition to reviewing a client's message, a Forrester analyst explores competitive messaging, the position of the message in the market, potential product-marketing opportunities, and user-demand expectations. Product presentations are also critiqued to surface the unique value of the offering.

#### SITE EVALUATION & DESIGN SERVICES

Our Site Evaluation & Design Services provide targeted, action-oriented assessments of B2B or B2C Web sites; teach clients how to review their sites; and take clients through the steps of a scenario-based design process.

- WEB SITE REVIEW. Our Web Site Review provides a targeted, action-oriented assessment of a client's B2C or B2B Web site, extranet, or intranet. Feedback is based on comprehensive examination of the site by Forrester analysts, as well as any additional information a client provides about its Web strategies.
- WEB SITE REVIEW BOOT CAMP. The Web Site Review Boot Camp teaches clients how to review their sites with the objectivity and expertise of a Forrester analyst in a two-day intensive training session for Web design and strategy.
- EFFECTIVE SITE DESIGN BOOT CAMP. The Effective Site Design Boot Camp takes clients through the steps of a scenario-based design process to help produce useful, user-friendly sites. For marketing, IT, and eBusiness decision-makers who hire, manage, or approve the work of online site designers and design firms, this workshop provides a framework for making successful design-related decisions and reveals tactics for coaxing better results out of designers.

#### FORUM AND SUMMIT EVENTS

We also host Forum and Summit Events in various locations throughout the year. Forums and Summits bring together senior executives for one- or two-day conferences to network with their peers and to hear leaders from the technology industry and other business sectors discuss the impact of technology change on business.

#### PRICING AND CONTRACT SIZE

During 2001, the prices for contracts that include only research were a function of the number of research packages purchased and the number of research recipients within the client organization. The average contract for annual memberships for research only at December 31, 2001 was approximately \$49,400, a decrease of 5% from \$51,900 at December 31, 2000. In 2001, the prices for contracts that included research and advisory services were also a function of the number of research packages purchased, the number of research recipients within the client organization, and the amount and type of advisory services. All memberships to our advisory services included research. The average contract for an annual membership for our Level One Partners Program at December 31, 2001, was approximately \$179,200, an increase of 13% from \$159,000 at December 31, 2000. The average contract for an annual membership for our Level Two Partners Program at December 31, 2001 was approximately \$82,700, an increase of 13% from \$73,000 at December 31, 2000.

We believe that the agreement value of contracts to purchase research and advisory services provides a significant measure of our business volume. We calculate agreement value as the total revenues recognizable from all research and advisory service contracts in force at a given time without regard to how much revenue has already been recognized. Agreement value decreased 38% to \$116.2 million at December 31, 2001 from \$187.8 million at December 31, 2000.

## RESEARCH ANALYSTS AND METHODOLOGY

We employ a structured methodology in our research that enables us to identify and analyze technology trends, markets, and audiences and ensures consistent research quality and recommendations across all coverage areas. Our research provides consistent research themes and comprehensive coverage of business and technology issues across our coverage areas.

Our Technographics research combines our qualitative research methodology with traditional survey research methodologies such as correlations, frequencies, cross-tabulations, and multivariate statistics to produce research reports, quantitative survey data, and data briefs. We use third-party data vendors for data collection and tabulation.

Our research process subjects initial ideas to research, analysis, and rigorous validation, and produces conclusions, predictions, and recommendations. In our TechStrategy research, we use the following primary research inputs:

- Confidential interviews with early adopters and mainstream users of new technologies.
- In-depth interviewing with technology vendors and suppliers of related services.
- Ongoing briefings with vendors to review current positions and future directions.

For our TechRankings research, we combine in-depth product test results and user interviews with market and strategic analysis to score attributes of emerging technologies. We then apply this research and strategic analysis to determine the weighting of each attribute and create interactive scorecards, databases, and reports.

All of our research begins with discussion sessions with analysts to generate ideas for research. Analysts test ideas throughout the research report process at both informal and weekly research meetings. Our reports are consistent in format and we require our analysts to write research reports in a structure that combines graphics with easy-to-read text to deliver concise, decisive, and objective research to our clients. At the final stage of the research process, senior analysts meet to test the conclusions of each research report. An analyst who has not been involved in the creation of a particular report reviews the report to ensure quality, clarity, and readability. All research is reviewed and graded by senior research management.

## SALES AND MARKETING

We sell our products and services through our headquarters in Cambridge, Massachusetts, our research centers in Amsterdam, Frankfurt, London, and San Francisco, and our sales offices in Austin, Chicago, Sydney, and Tokyo. In 2001, we reorganized our direct sales force to better serve clients and address additional markets. We also closed our sales offices in Atlanta, Los Angeles, Melbourne, New York, and Zurich. We employed 184 sales representatives as of December 31, 2001, a decrease of 31% from 267 as of December 31, 2000. Our direct sales force consists of:

- Account managers who are responsible for maintaining and leveraging the current client base by renewing and selling additional products and services to existing clients.
- Account executives who develop new business in assigned territories.
- Sales directors who focus on high-level client contact and service.
- Telesales representatives who operate from our headquarters in Cambridge.

We also sell our research products directly online through our Web site and use local independent sales representatives to market and sell our products and services internationally in Brazil, Hong Kong, India, Italy, Korea, Mexico, Portugal, South Africa, Turkey, and the United Arab Emirates.

Our marketing efforts are designed to increase awareness of the Forrester brand and further our reputation as a leader in emerging technology research. We actively promote brand awareness via our Web site, Forum and Summit Events, extensive worldwide press relations, and direct mail campaigns. We also

employ an integrated direct marketing strategy that uses Internet, mail, and telephone channels for identifying and attracting high-quality sales leads. We encourage our analysts to increase our visibility by having their research ideas selectively distributed through various Internet, print, and television outlets.

As of December 31, 2001, our research was delivered to 1,542 client companies. No single client company accounted for more than 2% of our revenues for the year ended December 31, 2001.

#### COMPETITION

We believe that the principal competitive factors in our industry include the following:

- Quality of research and analysis.
- The ability to offer products that meet the changing needs of organizations for research and analysis.
- Independence from vendors and clients.
- Timely delivery of information.
- Customer service.
- The ability to leverage new technologies.
- Price.

We believe that we compete favorably with respect to each of these factors. We feel that our early focus on emerging technologies is a significant competitive advantage. Additionally, we believe that our advanced eResearch technology platform, our WholeView research approach, and easy-to-read research format distinguish us from our competitors.

We compete in the market for research about emerging technologies. Our principal direct competitors include other independent providers of similar services, such as Gartner Group, as well as Internet and digital media measurement services. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. Our indirect competitors could choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into our market and new competitors could readily seek to compete against us in one or more market segments addressed by our research. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

#### EMPLOYEES

As of December 31, 2001, we employed a total of 581 persons, including 191 research staff and 184 sales representatives.

Our culture emphasizes certain key values -- client service, quality, and creativity -- that we believe are critical to our future growth. We promote these values through rigorous training and frequent recognition for achievement. We encourage teamwork and promote individuals who foster these values. Each new employee that we hire undergoes a week-long training process. This training includes workshops and presentations by our executives, which focus on our corporate goals and provide individuals with the skills necessary to achieve our key values.

All members of our research staff participate in our incentive compensation bonus plan. Their performance is measured against individual and team goals to determine an eligible bonus funded by our overall performance against key business objectives. Individual and team goals include on-time delivery of high-quality research and advisory services support to clients. In addition, analysts, research directors, and research management are eligible to receive equity awards under our incentive stock option plan.

All of our direct sales representatives participate in our annual commission plan. Under this plan, we pay commissions monthly to sales personnel based upon attainment of net bookings against established quotas. In addition, all account managers, account executives, regional managers, and regional directors are eligible to participate in our incentive stock option plan based on performance.

## RISKS AND UNCERTAINTIES

We are subject to risks and uncertainties that could cause our actual future activities and results of operations to be materially different from those set forth in forward-looking statements made by us. These risks and uncertainties include:

**THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PROFESSIONAL STAFF.** Our future success will depend in large measure upon the continued contributions of our senior management team, research analysts, and experienced sales and marketing personnel. Thus, our future operating results will be largely dependent upon our ability to retain the services of these individuals and to attract additional professionals from a limited pool of qualified candidates. We experience competition in hiring and retaining professionals from developers of Internet and emerging technology products, other research firms, management consulting firms, print and electronic publishing companies and financial services companies, many of whom have substantially greater ability, either through cash or equity, to attract and compensate professionals. If we lose professionals or are unable to attract new talent, we will not be able to maintain our position in the market or grow our business.

**FLUCTUATIONS IN OUR OPERATING RESULTS.** Our revenues and earnings may fluctuate from quarter to quarter based on a variety of factors, many of which are beyond our control, and which may affect our stock price. The factors include, but are not limited to:

- The timing and size of new and renewal memberships for our research from clients.
- The timing of revenue-generating Forum and Summit Events sponsored by us.
- The use of our Strategic Services by our clients.
- The introduction and marketing of new products and services by us and our competitors.
- The hiring and training of new analysts and sales personnel.
- Changes in demand for our research.
- General economic conditions.

As a result, our operating results in future quarters may be below the expectations of securities analysts and investors, which could have an adverse effect on the market price for our common stock. Factors such as announcements of new products, services, offices, or strategic alliances by us or the technology services industry may have a significant impact on the market price of our common stock. The market price for our common stock may also be affected by movements in prices of stocks in general.

**A DECLINE IN RENEWALS FOR OUR MEMBERSHIP-BASED RESEARCH SERVICES.** Our success depends in large part upon renewals of memberships for our research products. Approximately 51%, 74%, and 74% of our client companies with memberships expiring during the years ended December 31, 2001, 2000, and 1999, respectively, renewed one or more memberships for our products and services. The decline in renewal rates for our research products in 2001 is reflective of the more difficult economic environment, and any future declines in renewal rates could have an adverse effect on our revenues.

**LOSS OF KEY MANAGEMENT.** Our future success will depend in large part upon the continued services of a number of our key management employees. The loss of any one of them, in particular George F. Colony, our founder, Chairman of the Board, and Chief Executive Officer, could adversely affect our business.

**FAILURE TO ANTICIPATE AND RESPOND TO MARKET TRENDS.** Our success depends in part upon our ability to anticipate rapidly changing technologies and market trends and to adapt our research to meet the changing information needs of our clients. The technology and commerce sectors that we analyze undergo frequent and often dramatic changes. The environment of rapid and continuous change presents significant challenges to

our ability to provide our clients with current and timely analysis, strategies and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources. Any failure to continue to provide insightful and timely analysis of developments, technologies, and trends in a manner that meets market needs could have an adverse effect on our market position and results of operations.

**ABILITY TO DEVELOP AND OFFER NEW PRODUCTS AND SERVICES.** Our future success will depend in part on our ability to offer new products and services. In January 2002, we introduced WholeView Research to provide clients fully integrated, barrier-free access to our core research offerings. These new products and services must successfully gain market acceptance by addressing specific industry and business organization sectors, anticipating, and identifying changes in client requirements and changes in the technology industry. The process of internally researching, developing, launching, and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is risky and costly. We may not be able to introduce new, or assimilate acquired, products or services successfully. Our failure to do so would adversely affect our ability to maintain a competitive position in our market and continue to grow our business.

**COMPETITION.** We compete in the market for research products and services with other independent providers of similar services. We may also face increased competition from Internet-based research firms. Some of our competitors have substantially greater financial, information-gathering and marketing resources than we do. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms and general business consulting firms. Our indirect competitors may choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into our market and new competitors could readily seek to compete against us in one or more market segments addressed by our products and services. Increased competition could adversely affect our operating results through pricing pressure and loss of market share.

This list of uncertainties and risks is not exhaustive. Certain factors that could affect our actual future activities and results and cause actual results to differ materially from those contained in forward-looking statements made by us include, but are not limited to, those discussed above as well as those discussed in other reports filed by us with the Securities and Exchange Commission.

## EXECUTIVE OFFICERS

The following table sets forth information about our directors and executive officers as of March 18, 2002.

NAME	AGE	POSITION
George F. Colony	48	Chairman of the Board, Chief Executive Officer, and President
Richard C. Belanger	37	Chief Technology Officer
Joel Blenner	58	Vice President, Sales
Tahar Bouhafs	45	Managing Director, Forrester Asia, MEA, Latin America
Neil Bradford	29	Managing Director, Forrester Global
Robert W. Davidson	54	Managing Director, Forrester Europe
Stanley H. Dolberg	52	Vice President, Strategy
Emily Nagle Green	44	Managing Director, Forrester North America
Warren Hadley	33	Chief Financial Officer and Treasurer
Timothy J. Moynihan, Esq.	32	General Counsel and Secretary
Timothy M. Riley	50	Vice President, Strategic Growth
CarolAnn Shindelar	47	Vice President, Marketing
Henk W. Broeders	49	Director
Robert M. Galford	49	Director
George R. Hornig	47	Director
Michael H. Welles	47	Director

George F. Colony, Forrester's founder, has served as Chairman of the Board and Chief Executive Officer since its inception in July 1983.

Richard C. Belanger became Forrester's chief technology officer in May 1998. Prior to joining Forrester, from 1996 to 1998, Mr. Belanger served as vice president of interactive media and vice president of technology for Mainspring Communications, an Internet strategy research consulting firm. He was vice president of technology at Information Access Company, an online information provider, from 1995 to 1996, and vice president of information services at Information Access Center, formerly Ziff-Davis Technical Information Company, from 1992 to 1995.

Joel Blenner became Forrester's vice president, sales in April 1999. Prior to joining Forrester, Mr. Blenner was vice president of sales at MicroTouch Systems, a supplier of touch- and pen-sensitive input screens, from 1996 to 1999, and vice president of North American sales at Corporate Software, a reseller of software and services for personal computers, from 1989 to 1992.

Tahar Bouhafs became Forrester's managing director, Asia, MEA, Latin America in October 2001. Mr. Bouhafs was previously our director of international channels from 1998 to 2001 and director of European sales from 1992 to 1998. Prior to joining Forrester, Mr. Bouhafs was a faculty member in the computer science departments at Fitchburg State College and Boston University from 1985 to 1992.

Neil Bradford became managing director, Forrester Global in October 2001. Mr. Bradford was previously managing director for Forrester Research Ltd., a role he assumed after Forrester's acquisition of Fletcher Research Limited, a UK-based research firm cofounded by Mr. Bradford in November 1999. Prior to

cofounding Fletcher and joining Forrester, Mr. Bradford was a consultant at McKinsey and Company, a management consulting firm, from 1995 to 1997.

Robert W. Davidson became managing director, Forrester Europe in June 2001. Prior to joining Forrester, Mr. Davidson was vice president and corporate controller from 2000 to 2001 and vice president, finance from 1998 to 2000 for Baan Company N.V., a software solutions and services company. Previously,

Mr. Davidson spent seven years at PSI/Vicorp, a software solutions company, where he served as chief operating officer, Europe, from 1996 to 1998.

Stanley H. Dolberg currently serves as Forrester's vice president, strategy. Mr. Dolberg was previously our vice president, research from 1999 to 2001 and group director for the business-to-business strategy research group and director of commerce technology strategies from 1998 to 1999. He was also the director of software from 1996 to 1998 and a senior analyst for the software team from 1995 to 1996.

Emily Nagle Green currently serves as managing director, Forrester North America. Ms. Green previously was managing director, Forrester Research B.V. from 1998 to 2001 and director, people & technology strategies, from 1996 to 1998. Prior to joining Forrester, Ms. Green was vice president of marketing and sales at Point of View, Inc., a video technology training firm, from 1994 to 1995, and vice president of strategic marketing for ADC Fibermux, a computer networking hardware manufacturer, from 1991 to 1994.

Warren Hadley became Forrester's chief financial officer in February 2002. Mr. Hadley previously was our director of finance from 1999 to 2001 and corporate controller from 1996 to 1999. Prior to joining Forrester, Mr. Hadley served as an audit manager for MacDonald, Levine, Jenkins, an accounting firm, from 1993 to 1995.

Timothy J. Moynihan, Esq. became Forrester's general counsel in February 2002. Mr. Moynihan previously served as our corporate counsel from 1998 to 2002. Mr. Moynihan also has served as secretary of Forrester since 2001, as assistant secretary from 2000 to 2001, and as a member of Forrester's legal department since 1996.

Timothy M. Riley became Forrester's vice president, strategic growth in 1997. Prior to joining Forrester, Mr. Riley served as the vice president of human resources at Renaissance Solutions, a strategy and knowledge management consulting firm, from 1993 to 1997. Mr. Riley served as director of human resources at Bolt Beranek and Newman, a technology research and development company, from 1987 to 1993.

CarolAnn Shindelar became Forrester's vice president, marketing in August 2001. Ms. Shindelar previously served as our director, product marketing, having joined us in December 2000. Prior to joining Forrester, Ms. Shindelar served as Senior Vice President of marketing for AntiquesAmerica, an Internet e-commerce startup, in 2000, and vice president of marketing for Cahners In-Stat Group, a technology research firm, from 1998 to 1999.

Henk W. Broeders became a director of Forrester in May 1998. Mr. Broeders is currently Chairman of the Executive Board of Cap Gemini N.V., a management consulting firm located in the Netherlands. Cap Gemini NV is the Dutch subsidiary of the global CGEY organization. From 1992 to 1998, Mr. Broeders was general manager of IQUIP Informatica B.V., a software company in the Netherlands.

Robert M. Galford became a director of Forrester in November 1996. Mr. Galford is currently managing partner of the Center for Executive Development, an executive education provider, in Boston. From 1999 to April 2001 he was the executive vice president and chief people officer at Digitas, Inc., a technology and marketing services firm. From 1994 to 1999 he consulted to professional services firms and taught in the Executive Programs at the Kellogg School of Management at Northwestern University and Columbia University's Graduate School of Business. Before joining Columbia's Executive Programs, he taught at Boston University from 1993 to 1994. Prior to his work in executive education, Mr. Galford was vice president of the MAC Group from 1986 to 1991 and its successor firm, Gemini Consulting, both of which are management consulting firms, from 1991 to 1994.

George R. Hornig became a director of Forrester in November 1996. Mr. Hornig is currently a managing director at Credit Suisse First Boston, an investment banking firm. He was an executive vice president of Deutsche Bank Americas Holding Corporation, a diversified financial services holding company, and several of its affiliated entities, from 1993 to 1998. He is also a Director of Unity Mutual Life Insurance Company and U.S. Timberlands Company, L.P.

Michael H. Welles became a director of Forrester in November 1996. Mr. Welles is vice president and general manager of the platforms business with NMS Communications, an OEM infrastructure supplier to



the telecom industry, since July 2000. He previously served as vice president of news operations and engineering for Individual.com, NewsEdge Corporation, and Individual, Inc., a group of news solutions companies, from May 1997 to June 2000. Before that he was a general manager at Lotus Development Corporation, a software company, from 1991 to 1997.

ITEM 2. PROPERTIES

Our headquarters are located in approximately 147,000 square feet of office space in Cambridge, Massachusetts. This facility accommodates research, marketing, sales, technology, and operations personnel. The initial lease term of this facility expires in January 2006. We have the option to extend this lease for up to two additional terms of five years each.

We also have leased office space for our research centers in Amsterdam, Frankfurt, London, San Francisco, and for our sales offices in Chicago and Tokyo.

We believe that our existing facilities are adequate for our current needs and that additional facilities are available for lease to meet future needs.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "FORR". All share and per share amounts contained herein give effect to our two-for-one stock split effected on February 7, 2000. On March 18, 2002, the closing price of our common stock was \$18.96.

As of March 18, 2002 there were approximately 58 stockholders of record of our common stock.

The following table represents the ranges of high and low sale prices of our common stock for the fiscal years ended December 31, 2000, and December 31, 2001:

	2000		2001	
	HIGH	LOW	HIGH	LOW
Quarter.....				
	\$65.13	\$22.84	\$58.56	\$22.13
Quarter.....				
	\$81.50	\$31.00	\$28.98	\$18.40
Quarter.....				
	\$73.25	\$43.38	\$22.72	\$14.27
Quarter.....				
	\$62.88	\$35.06	\$20.52	\$14.65

We did not declare or pay any dividends during the fiscal years ended December 31, 2000 and 2001. We anticipate that future earnings, if any, will be retained for the development of our business, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below is derived from our consolidated financial statements and should be read in connection with those statements which are included herein.

YEAR ENDED DECEMBER 31, -----	-----	-----	-----	-----	-----
					1997
1998	1999	2000	2001		
----- (IN THOUSANDS,					
EXCEPT PER SHARE DATA) CONSOLIDATED					
STATEMENT OF INCOME DATA: Revenues: Core					
research.....					
\$30,431	\$46,842	\$64,697	\$120,477		
\$123,695 Advisory services and					
other.....					
9,990	14,725	22,571			
36,670	35,425				
----- Total					
revenues.....					
40,421					
61,567	87,268	157,147	159,120		
-----					
Operating expenses: Cost of services and					
fulfillment.....					
13,698	22,038				
27,715 45,470 49,113 Selling and					
marketing.....					
14,248					
20,896 31,131 57,957 58,334 General and					
administrative.....					
4,500					
6,688 9,865 18,632 16,854 Depreciation					
and amortization.....					
1,209	2,763				
4,003 7,944 11,094 Reorganization					
costs.....					
3,108 Costs related to					
acquisition.....					
		694			
-----					
- Total operating expenses.....					
33,655	52,385	73,408	130,003	138,503	
-----					
Income from operations.....					
6,766	9,182	13,860	27,144	20,617	
Other					
income, net.....					
2,515	2,957	3,710	6,893	6,425	
----- Income					
before income tax					
provision.....					
9,281					
12,139 17,570 34,037 27,042 Income tax					
provision.....					
3,683					
4,592	6,589	12,423	8,925		
----- Net					
income.....					
\$ 5,598					
\$ 7,547	\$10,981	\$ 21,614	\$ 18,117		
=====					
===== Basic net income per common					
share.....					
\$ 0.34	\$ 0.44	\$ 0.61	\$		
1.03	\$ 0.80				
=====					
===== Diluted net income per					
common share.....					
\$ 0.32	\$ 0.40	\$			
0.55	\$ 0.88	\$ 0.76			
=====					
===== Basic weighted					
average common shares					
outstanding.....					
16,679	17,041	18,028	20,989	22,551	
=====					
===== Diluted weighted average common					
shares					
outstanding.....					
17,703	18,744	20,067	24,526	23,907	
=====					
=====					

DECEMBER 31, -----	-----	-----	-----	-----
				1997 1998
1999	2000	2001		
----- (IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET				
DATA: Cash, cash				

equivalents, and			
marketable			
securities.....			
\$54,914	\$ 66,483	\$ 98,787	
\$174,739	\$205,182	Working	
capital.....			
\$36,016	\$ 45,720	\$ 65,366	
\$115,547	\$155,412	Deferred	
revenue.....			
\$27,074	\$ 38,894	\$ 66,233	
\$102,527	\$ 59,930	Total	
assets.....			
\$73,536	\$100,518	\$159,393	
\$303,803	\$305,152	Total	
stockholders'			
equity.....	\$40,505	\$	
53,533	\$ 78,805	\$176,928	
	\$220,398		

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

We are a leading independent emerging-technology research firm that conducts research and analysis on the impact of emerging technologies on business, consumers, and society. We provide our clients with an integrated perspective on technology and business, which we call the WholeView. Our approach provides companies with the strategies, data, and product evaluations they need to evolve their business models and infrastructure to embrace broader on-line markets and to scale their operations. We help our clients develop business strategies that use technology to win customers, identify new markets, and gain competitive operational advantages. Our products and services primarily benefit the senior management, business strategists, and marketing and technology professionals at Global 3,500 companies who use our prescriptive, actionable research to understand and capitalize on business models and emerging technologies.

We derive revenues from memberships to our core research and from our advisory services and Forum and Summit events. We offer contracts for our products and services that are typically renewable annually and payable in advance. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Research revenues are recognized ratably on a monthly basis over the term of the contract. Our advisory services clients purchase such services together with memberships to our research. Billings attributable to advisory services are initially recorded as deferred revenue and recognized as revenue when performed. Similarly, Forum and Summit billings are initially recorded as deferred revenue and are recognized upon completion of each event.

Our operating expenses consist of cost of services and fulfillment, selling and marketing expenses, general and administrative expenses, and depreciation and amortization. Cost of services and fulfillment represents the costs associated with the production and delivery of our products and services, and they include the costs of salaries, bonuses, and related benefits for research personnel and all associated editorial, travel, and support services. Selling and marketing expenses include salaries, employee benefits, travel expenses, promotional costs, sales commissions, 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 strategy groups and our other administrative functions.

We believe that the "agreement value" of contracts to purchase research and advisory services provides a significant measure of our business volume. We calculate agreement value as the total revenues recognizable from all research and advisory service contracts in force at a given time, without regard to how much revenue has already been recognized. Agreement value decreased 38% to \$116.2 million at December 31, 2001 from \$187.8 million at December 31, 2000. Agreement value increased 62% at December 31, 2000 from \$115.8 million at December 31, 1999. No single client accounted for more than 2% of agreement value at December 31, 2001. Our historical experience is that a substantial portion of client companies renew expiring contracts for an equal or higher level of total research and advisory service fees each year. Approximately 51%, 74%, and 74% of our client companies with memberships expiring during the years ended December 31, 2001, 2000, and 1999, respectively, renewed one or more memberships for our products and services. These renewal rates are not necessarily indicative of the rate of future retention of our revenue base. The declines in agreement value and renewal rates in 2001 are reflective of the more difficult economic environment and may lead to a decrease in revenue for 2002.

On July 12, 2001, we announced a sales force reorganization and general work force reduction in response to conditions and demands of the market and a slower economy. As a result, we reduced our work force by 111 positions, closed sales offices in Atlanta, Los Angeles, Melbourne, New York, and Zurich, and recorded a reorganization charge of approximately \$3.1 million in the quarter ended September 30, 2001. Approximately 66% of the terminated employees had been members of the sales force, while 12% and 22% had held research and administrative roles, respectively. This charge consisted primarily of severance and related expenses from the work force reduction. This charge also included office consolidation costs, such as contractual lease commitments for space that was vacated, the write-off of related leasehold improvements, and other payments for professional services incurred in connection with the reorganization. Additional depreciable assets that

were written off include computer equipment, software, and furniture and fixtures related to employees and locations terminated in connection with the reorganization.

Reorganization costs as of December 31, 2001 are as follows (in thousands):

ACCRUED AS OF TOTAL NON-CASH CASH DECEMBER					
31, CHARGE CHARGES PAYMENTS 2001 ----- ----					
----- Workforce					
reduction.....	\$2,149	\$			
-- \$2,045 \$104 Facility consolidations and					
other related					
costs.....					
488 -- 370 118 Depreciable					
assets.....	471	471	--		
-----					
Total.....					
\$3,108 \$471 \$2,415 \$222 =====					
=====					

A significant portion of the remaining liabilities accrued as of December 31, 2001 are expected to be paid out in the three months ended March 31, 2002.

On January 10, 2002, in response to conditions and demands of the market and a slower economy, we announced the reduction of our work force by approximately 126 positions and expect to record a reorganization charge of approximately \$4.0 million to \$6.0 million in the quarter ended March 31, 2002. This charge will consist primarily of severance and related expenses from the reduction of the work force, including office consolidations.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 generally accepted accounting principles in the United States. 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 estimates, including those related to our revenue recognition, allowance for doubtful accounts, non-marketable investments, and goodwill and other intangible assets. Management bases its estimates on historical experience 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.

We have identified the following policies as critical to our business operations and the understanding of our results of operations. This listing is not a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to Consolidated Financial Statements in Item 14 of this Annual Report on Form 10-K, beginning on page F-6.

- - REVENUE RECOGNITION. We generally invoice our core research, advisory, and other services when orders are received. The contract amount is recorded as accounts receivable and deferred revenue when the client is invoiced. Core research is generally recorded as revenue ratably over the term of the agreement. Advisory and other services are recognized during the period in which the services are performed. Furthermore, our revenue recognition determines the timing of commission expenses that are deferred and expensed to operations as the related revenue is recognized. We evaluate the recoverability of deferred commissions at each balance sheet date. As of December 31, 2001, deferred revenues and deferred commissions totaled \$59.9 million and \$4.4 million, respectively.
- - ALLOWANCE FOR DOUBTFUL ACCOUNTS. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make contractually obligated payments that totaled approximately \$966,000 as of December 31, 2001. Management specifically analyzes accounts receivable

and historical bad debts, customer concentrations, current economic trends, and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

- - NON-MARKETABLE INVESTMENTS. We hold minority interests in companies and equity investment funds that totaled approximately \$9.8 million as of December 31, 2001. We record an impairment charge when we believe that an investment has experienced a decline in value that is other than temporary. We recorded impairment charges that totaled approximately \$1.0 million in 2000 and \$3.2 million in 2001. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.
- - GOODWILL AND OTHER INTANGIBLE ASSETS. We have goodwill and other intangible assets related to the acquisition of our Research Centre Deutschland in Frankfurt, Germany, that totaled approximately \$14.3 million as of December 31, 2001. We periodically evaluate this acquired business for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on market conditions and operational performance. As of December 31, 2001, we believe that the carrying value of our goodwill and other intangible assets is not impaired. Future events could cause us to conclude that impairment indicators exist and that goodwill or other intangible assets associated with our acquired business are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

We expect to adopt Statement of Financial Accounting Standard (SFAS) No. 142 in the quarter ending March 31, 2002. SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually, or when events indicate that there may be an impairment. The extensive effort needed to comply with adopting SFAS No. 142 makes it impracticable to reasonably estimate the financial statement impact, specifically whether there will be any transitional impairment losses realized as a cumulative effect of this change in accounting principle. As of December 31, 2001, we had unamortized goodwill of \$13.2 million and unamortized identifiable intangible assets of \$1.1 million. Amortization expense related to goodwill and assembled workforce was approximately \$180,000 in 2000 and \$710,000 in 2001. Amortization expense related to other identifiable intangible assets that will continue to be amortized in the future was approximately \$80,000 in 2000 and \$325,000 in 2001.

## RESULTS OF OPERATIONS

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

YEAR ENDED DECEMBER 31, 1999	2000	2001	-----		
			----- Core		
research.....					
	74%	77%	78%	Advisory services and	
other.....			26	23	22
			----- Total		
revenues.....			100	100	
	100	Cost of services and			
fulfillment.....			32	29	31
	Selling and				
marketing.....			36	37	
	37 General and				
administrative.....			11	12	
	10 Depreciation and				
amortization.....			4	5	7
	Reorganization				
costs.....			--	--	2
	Costs related to				
acquisition.....			1	--	--
	----- Income from				
operations.....			16	17	13
	Other				
income, net.....			4	5	4
	----- Income before income tax				
provision.....			20	22	17
	Provision for				
income taxes.....			7	8	6
	----- Net				
income.....			13%	14%	
	11% === === ===				

## YEARS ENDED DECEMBER 31, 2001 AND DECEMBER 31, 2000

Revenues. Total revenues increased 1% to \$159.1 million in 2001, from \$157.1 million in 2000. Revenues from core research increased 3% to \$123.7 million in 2001, from \$120.5 million in 2000. Increases in total revenues and revenues from core research were primarily attributable to sales of additional core research products to existing clients. No single client company accounted for more than 2% of revenues in 2001.

Advisory services and other revenues decreased 3% to \$35.4 million in 2001, from \$36.7 million in 2000. This decrease was primarily attributable to the decrease in demand for advisory services in the second half of the year.

Revenues attributable to customers outside the United States increased 14% to \$46.8 million in 2001, from \$41.1 million in 2000. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 29% in 2001, from 26% in 2000. The increase in international revenues is primarily attributable to the expansion of our international operations, specifically our European headquarters in Amsterdam, Netherlands; our Research Centers in London, England and Frankfurt, Germany; and our sales office in Tokyo, Japan. We invoice our international clients in US dollars, except for those billed by our UK Research Centre, which invoices clients in British pounds sterling. To date, the effect of changes in currency exchange rates have not had a significant impact on our results of operations.

Cost of Services and Fulfillment. Cost of services and fulfillment increased as a percentage of total revenues to 31% in 2001, from 29% in 2000. These expenses increased 8% to \$49.1 million in 2001, from \$45.5 million in 2000. The increases in these expenses and in expense as a percentage of revenues were principally due to additional survey costs associated with our TechRankings(R) and Technographics(R) product offerings, and the opening of our Research Center in San Francisco, California.

Selling and Marketing. Selling and marketing expenses remained constant as a percentage of total revenues at 37% in 2001 and 2000. These expenses increased 1% to \$58.3 million in 2001, from \$58.0 million in 2000. The increase in expenses was principally due to expansion of our international sales offices in Europe and the Asia-Pacific region, offset by cost savings as a result of the July 2001 reorganization.

General and Administrative. General and administrative expenses decreased as a percentage of total revenues to 10% in 2001, from 12% in 2000. These expenses decreased 10% to \$16.9 million in 2001, from \$18.6 million in 2000. The decreases in expenses and expense as a percentage of revenues were principally due to decreased staffing in our technology, operations, finance, and strategy groups and a related decrease in compensation, travel, and recruiting expenses.

Depreciation and Amortization. Depreciation and amortization expenses increased 40% to \$11.1 million in 2001, from \$7.9 million in 2000. The increase in these expenses was principally due to previous purchases of computer equipment, software, and leasehold improvements to support business growth in past years. Further, amortization of goodwill related to our October 2000 acquisition of Forit, GmbH in Frankfurt, Germany, increased to approximately \$1.0 million in 2001, from \$260,000 in 2000.

Other Income, Net. Other income decreased to \$6.4 million in 2001, from \$6.9 million in 2000. Other income in 2001 consisted of \$9.1 million of interest income from marketable securities; a gain of approximately \$1.7 million realized on the sale of our Internet AdWatch(TM) product to Evaliant Media Resources, LLC in exchange for Evaliant membership interests; aggregate write-downs of approximately \$3.2 million on certain non-marketable investments; and \$1.1 million of other miscellaneous non-operating expenses. Other income in 2000 consisted primarily of \$8.0 million of interest income from marketable securities, a non-marketable investment write-down of approximately \$1.0 million, and approximately \$175,000 of other miscellaneous non-operating expenses. We achieved the additional interest income in spite of generally lower yields due to higher cash and marketable securities balances resulting from positive cash flows from operations of \$28.7 million and \$16.4 million from proceeds of stock option exercises and our employee stock purchase plan during 2001.

Income Tax Provision. During 2001, we recorded a tax provision of \$8.9 million, reflecting an effective tax rate of 33.0%. During 2000, we recorded a tax provision of \$12.4 million, reflecting an effective tax rate of 36.5%. The decrease in our effective tax rate resulted primarily from an increase in our investments in tax-exempt marketable securities.

YEARS ENDED DECEMBER 31, 2000 AND DECEMBER 31, 1999

Revenues. Total revenues increased 80% to \$157.1 million in 2000, from \$87.3 million in 1999. Revenues from core research increased 86% to \$120.5 million in 2000, from \$64.7 million in 1999. Increases in total revenues and revenues from core research were primarily attributable to an increase in the number of client companies to 2,378 at December 31, 2000, from 1,793 at December 31, 1999, an increase in the sales organization to 267 employees at December 31, 2000, from 153 employees at December 31, 1999, and sales of additional core research products to existing clients. No single client company accounted for more than 2% of revenues in 2000.

Advisory services and other revenues increased 62% to \$36.7 million in 2000, from \$22.6 million in 1999. This increase was primarily attributable to increased demand for our advisory services programs, the increase in research staff providing advisory services to 207 employees at December 31, 2000, from 125 at December 31, 1999, and the increase in the number of events held to 11 in 2000, from eight in 1999.

Revenues attributable to customers outside the United States increased 108% to \$41.1 million in 2000, from \$19.8 million in 1999. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 26% in 2000, from 22% in 1999. The increase in international revenues was primarily attributable to the continued expansion of our European headquarters in Amsterdam, Netherlands, and our UK Research Centre in London, England; the increase in sales personnel at each location; and our acquisition of Forit, GmbH in Frankfurt, Germany, on October 9, 2000. We invoice our international clients in US dollars, except for those billed by our UK Research Centre, which invoices clients in British pounds sterling. To date, the effect of changes in currency exchange rates have not had a significant impact on our results of operations.

Cost of Services and Fulfillment. Costs of services and fulfillment decreased as a percentage of total revenues to 29% in 2000, from 32% in 1999. These expenses increased 64% to \$45.5 million in 2000, from



\$27.7 million in 1999. The decrease in expenses as a percentage of revenues reflects a larger revenue base in 2000, proportionally lower production costs resulting from the leverage of our eResearch platform, and increased analyst productivity. The expense increase in 2000 reflects an increase in research analyst staffing and related compensation expenses, increased survey costs related to our Technographics and TechRankings offerings, and increased expenditures related to the increase in the number of events hosted during the year.

**Selling and Marketing.** Selling and marketing expenses increased as a percentage of total revenues to 37% in 2000 from 36% in 1999. These expenses increased 86% to \$58.0 million in 2000, from \$31.1 million in 1999. The increase in expenses and expense as a percentage of revenues were principally due to the increase in the number of direct sales personnel and related commission and travel expenses.

**General and Administrative.** General and administrative expenses increased as a percentage of total revenues to 12% in 2000, from 11% in 1999. These expenses increased 89% to \$18.6 million in 2000, from \$9.9 million in 1999. The increase in expenses and expense as a percentage of revenues was principally due to increased staffing in our technology, operations, finance, and strategy groups and related compensation and recruiting expenses, as well as travel costs to integrate operations.

**Depreciation and Amortization.** Depreciation and amortization expenses increased 98% to \$7.9 million in 2000, including approximately \$260,000 related to the amortization of goodwill, from \$4.0 million in 1999. The increase in these expenses was principally due to purchases of computer equipment, software, and leasehold improvements to support business growth.

**Other Income, Net.** Other income, consisting primarily of interest income, increased to \$6.9 million in 2000, from \$3.7 million in 1999. The increase was principally due to additional interest income from higher cash and marketable securities balances resulting from positive cash flows from operations of \$70.4 million, proceeds of \$22.7 million from our public offering in February 2000, and \$21.8 million from proceeds of stock option exercises and our employee stock purchase plan during 2000. Other income also includes a \$1.0 million write-down of a non-marketable investment.

**Income Tax Provision.** During 2000, we recorded a tax provision of \$12.4 million, reflecting an effective tax rate of 36.5%. During 1999, we recorded a tax provision of \$6.6 million, reflecting an effective tax rate of 37.5%. The decrease in our effective tax rate resulted primarily from an increase in our investments in tax-exempt marketable securities and a reduction in our effective state tax rate.

## RESULTS OF QUARTERLY OPERATIONS

The following tables set forth a summary of our unaudited quarterly operating results for each of our eight most recently ended fiscal quarters. We have derived this information from our unaudited interim consolidated financial statements, which, in the opinion of our management, have been prepared on a basis consistent with our financial statements contained elsewhere in this annual report and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation in accordance with generally accepted accounting principles in the United States when read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report. Historically, our total revenues, operating profit, and net income in the fourth quarter have reflected the significant positive contribution of revenues attributable to advisory services performed and Forum events held in the fourth quarter. As a result, we have historically experienced a decline in total revenues, operating profit, and net income from the quarter ended

December 31 to the quarter ended March 31. Our quarterly operating results are not necessarily indicative of future results of operations.

THREE MONTHS ENDED -----  
 -----  
 -----  
 ----- MAR. 31, JUN. 30, SEP. 30,  
 DEC. 31, MAR. 31, JUN. 30, SEP.  
 30, DEC. 31, 2000 2000 2000 2000  
 2001 2001 2001 2001 -----

(DOLLARS IN THOUSANDS, EXCEPT PER  
 SHARE AMOUNTS) Core

research.....  
 \$23,759 \$28,011 \$32,270 \$36,438  
 \$35,352 \$32,963 \$29,546 \$25,834  
 Advisory services and  
 other..... 7,058 10,269  
 7,867 11,476 8,293 13,451 4,864  
 8,817 -----

--- Total

revenues.....  
 30,817 38,280 40,137 47,914  
 43,645 46,414 34,410 34,651 Cost  
 of services and  
 fulfillment..... 9,295 11,674  
 11,294 13,208 12,298 15,138  
 10,428 11,249 Selling and  
 marketing.....  
 12,214 14,323 14,785 16,635  
 17,745 16,909 12,558 11,122  
 General and  
 administrative..... 3,780  
 4,703 4,729 5,420 4,976 4,790  
 3,361 3,727 Depreciation and  
 amortization..... 1,432  
 1,750 1,984 2,778 2,722 2,777  
 2,850 2,745 Reorganization  
 costs..... -- -- --  
 -- -- 3,108 -----

----- Income from  
 operations..... 4,096 5,830  
 7,345 9,873 5,904 6,800 2,105  
 5,808 Other income,  
 net..... 1,454  
 1,972 2,157 1,310 1,757 2,148  
 2,111 409 -----

----- Income before income tax  
 provision.....  
 5,550 7,802 9,502 11,183 7,661  
 8,948 4,216 6,217 Income tax  
 provision.....  
 2,081 2,926 3,563 3,853 2,796  
 3,266 1,539 1,324 -----

----- Net

income..... \$  
 3,469 \$ 4,876 \$ 5,939 \$ 7,330 \$  
 4,865 \$ 5,682 \$ 2,677 \$ 4,893  
 =====  
 =====  
 Basic net income per common  
 share..... \$ 0.17 \$ 0.23 \$ 0.28  
 \$ 0.34 \$ 0.22 \$ 0.25 \$ 0.12 \$  
 0.21 =====  
 =====  
 Diluted net income per  
 common share.... \$ 0.15 \$ 0.20 \$  
 0.24 \$ 0.30 \$ 0.20 \$ 0.24 \$ 0.11  
 \$ 0.21 =====  
 =====  
 =====

AS A PERCENTAGE OF REVENUES -----

	MAR. 31,	JUN. 30,	SEP. 30,	DEC. 31,	MAR. 31,	JUN. 30,	SEP. 30,	DEC. 31,	2000	2000	2000	2000	2001
research.....	77%	73%	80%	76%	81%	71%	86%	75%					
Advisory services and other.....	23	27	20	24	19	29	14	25					
--- Total revenues.....	100	100	100	100	100	100	100	100	Cost of services and fulfillment.....	30	31	28	29
selling and marketing.....	40	37	37	41	36	37	32	General and administrative.....	12	12	12	12	11
Depreciation and amortization.....	5	5	5	5	6	6	8	8	Reorganization costs.....	9			
Income from operations.....	13	15	18	17	14	15	6	17	Other income, net.....	5	5	6	5
Income before income tax provision.....	18	20	24	22	18	19	12	18	Income tax provision.....	7	7	9	8
Net income.....	11%	13%	15%	14%	11%	12%	8%	14%	===	===	===	===	===

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations during these periods primarily through funds generated from operations. In addition, we received \$22.7 million of net proceeds from our public offering of common stock in February 2000, as well as \$21.8 million and \$16.4 million in proceeds from exercises of employee stock options and our employee stock purchase plan during 2000 and 2001, respectively. Memberships for core research, which constituted approximately 78% of our revenues during 2001, are annually renewable and are generally payable in advance. We generated cash from operating activities of \$28.7 million in 2001 and \$70.0 million in 2000. This decline in cash from operations is primarily the result of the decrease in agreement value to \$116.2 million at December 31, 2001 from \$187.8 million at December 31, 2000, and is reflected in lower

accounts receivable and deferred revenue balances as of December 31, 2001. The decline is also attributable to fewer exercises of employee stock options resulting in reduced tax benefits to us. These declines in key business metrics are reflective of the more difficult economic environment.

Included in cash from operations are deferred tax benefits of \$8.4 million in 2001 and \$13.6 million in 2000, which resulted primarily from stock option exercises. These exercises have generated a cumulative tax deduction of approximately \$111.2 million for us. Approximately \$27.7 million of this tax deduction will eliminate current-year taxable income, while \$34.3 million was used to eliminate taxable income for 2000 and carried back to obtain a refund of certain taxes paid in prior years. The remaining \$49.2 million of this tax deduction will be carried forward to offset future taxable income. The offset of these deferred tax benefits have been recorded as an increase to additional paid-in capital within stockholders' equity.

During 2001, we used \$43.0 million of cash in investing activities, consisting of \$10.0 million for purchases of property and equipment and \$33.0 million for net purchases of marketable securities and other non-marketable investments. We regularly invest excess funds in short-and intermediate-term interest-bearing obligations of investment grade.

As of December 31, 2001, we had cash and cash equivalents of \$17.7 million and \$187.4 million in marketable securities. We do not have a line of credit and do not anticipate the need for one in the foreseeable future. We plan to continue to introduce new products and services and to invest in our infrastructure during the next 12 months. We believe that our current cash balance, marketable securities, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

In June 2000, we committed to invest \$20.0 million in two private equity investment funds over a period of up to five years. We have adopted a cash bonus plan to pay bonuses, after the return of invested capital, measured by the proceeds of a portion of the share of net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. The payment of such bonuses would result in compensation expense with respect to the amounts so paid. As of December 31, 2001, we had contributed approximately \$7.2 million to the funds. Subsequent to December 31, 2001, we contributed an additional \$1.7 million. The timing and amount of future contributions are entirely within the discretion of the investment funds.

As of December 31, 2001, we had recorded total write-downs to the private equity funds of \$907,000 as a result of the impairment of certain investments within the funds. The timing of the recognition of future gains or losses from the investment funds is beyond our control. As a result, it is not possible to predict when we will recognize such gains or losses, if we will award cash bonuses based on the net profit from such investments, or when we will incur compensation expense in connection with the payment of such bonuses. If the investment funds realize large gains or losses on their investments, we could experience significant variations in our quarterly results unrelated to our business operations. These variations could be due to significant gains or losses or to significant compensation expenses. While gains may offset compensation expenses in a particular quarter, there can be no assurance that related gains and compensation expenses will occur in the same quarter.

As of December 31, 2001, we had contractual obligations as follows (in thousands):

PAYMENTS DUE BY PERIOD -----				
-----				
	----- LESS THAN			
CONTRACTUAL OBLIGATIONS TOTAL 1				
YEAR 1-3 YEARS 4-5 YEARS AFTER 5				
YEARS - -----				
-----				
	--- ----- Operating			
leases.....	\$48,331			
	\$7,985	\$17,366	\$16,091	\$6,889
Unconditional purchase				
obligations.....				
1,140	1,140	--	--	-----
-----				
Total.....				
	\$49,471	\$9,125	\$17,366	\$16,091
	\$6,889	=====	=====	=====
		=====	=====	

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

We hold minority interests in companies and equity investment funds having operations or technology in areas within our strategic focus. During 2000 and 2001, we recognized revenues of approximately \$71,000 and \$102,000, respectively, related to a Partners Program purchased by one of the private equity investment firms. The remaining revenues will be recognized in accordance with our revenue recognition policy through the termination date of the contract in March 2003. We believe that the services sold to the private equity investment firm were at arm's-length fair market value. During 1999, 2000 and 2001, we purchased survey services and data from companies in which we held a minority interest that totaled approximately \$220,000, \$699,000, and \$1,404,000, respectively. We believe that the services received were at arm's-length fair market value.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 141 also specifies criteria that acquired intangible assets must meet to be recognized and reported apart from goodwill. The adoption of SFAS No. 141 is not expected to have a material effect on our consolidated financial position or results of operations. SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually, or when events indicate that there may be an impairment. In connection with the SFAS No. 142 transitional goodwill impairment evaluation, we are required to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, we must identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. We will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it with the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an indication exists that the reporting unit goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the date of adoption. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as a cumulative effect of a change in accounting principle in the statement of income.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Early adoption is permitted for companies with fiscal years beginning after March 15, 2001. Although we expect to adopt SFAS No. 142 in the fiscal quarter ended March 31, 2002, the extensive effort needed to comply with adopting the statement makes it impracticable to reasonably estimate the financial statement impact, specifically whether there will be any transitional impairment losses realized as a cumulative effect of a change in accounting principle. As of December 31, 2001, we had unamortized goodwill of \$13.2 million and unamortized identifiable intangible assets of \$1.1 million. Amortization expense related to goodwill and assembled workforce was approximately \$180,000 for 2000 and \$710,000 for 2001. Amortization expense related to other identifiable intangible assets that will continue to be amortized in the future was approximately \$80,000 for 2000 and \$325,000 for 2001.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Under this statement, it is required that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and it broadens the presentation of discontinued operations to include more

disposal transactions. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early adoption permitted. Adoption of SFAS No. 144 is not expected to have a material effect on our consolidated financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Sensitivity. We maintain an investment portfolio consisting mainly of federal and state government obligations and corporate obligations, with a weighted-average maturity of less than one year. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. We have the ability to hold our fixed income investments until maturity. Therefore, we would not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on our securities portfolio. The following table provides information about our investment portfolio. For investment securities, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates.

Principal amounts by expected maturity in US dollars (dollars in thousands):

FAIR VALUE AT YEAR ENDING YEAR ENDING YEAR ENDING YEAR ENDING YEAR ENDING DECEMBER 31, DECEMBER 31, DECEMBER 31, DECEMBER 31, DECEMBER 31, DECEMBER 31, 2001	2002	2003	2004	2005	2006
---					
Cash equivalents..... \$					
\$16,042	\$16,042	\$--	\$--	\$--	\$--
Weighted average interest rate.....					
1.86%	1.86%	--%	--%	--%	--%
Investments.....					
\$187,435	\$111,752				
\$37,162	\$18,683				
\$13,782	\$6,056				
Weighted average interest rate.....					
3.64%	3.67%	3.21%			
3.23%	4.09%	5.83%			
Total portfolio.....					
\$203,477	\$127,794				
\$37,162	\$18,683				
\$13,782	\$6,056				
Weighted average interest rate.....					
3.50%	3.44%	3.21%			
3.23%	4.09%	5.83%			

Foreign Currency Exchange. On a global level, we face exposure to movements in foreign currency exchange rates. This exposure may change over time as business practices evolve and could have a material adverse impact on our financial results. Historically, our primary exposure had been related to non-US dollar denominated operating expenses in Europe, Canada, and Asia, where we sell primarily in US dollars. The introduction of the euro as a common currency for members of the European Monetary Union has not, to date, had a significant

impact on our financial position or results of operations. To date, we have not entered into any hedging agreements. However, we are prepared to hedge against fluctuations that the euro, or other foreign currencies, will have on foreign exchange exposure if this exposure becomes material. As of December 31, 2001, the total assets related to non-US dollar denominated currencies was approximately \$23.8 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed in the following Index to Financial Statements are filed as a part of this 2001 Annual Report on Form 10-K under Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.



FORRESTER RESEARCH, INC.  
INDEX TO FINANCIAL STATEMENTS

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    Consolidated Balance  
Sheets..... F-2  
    Consolidated Statements of  
    Income..... F-3  
Consolidated Statements of Stockholders'  
    Equity and Comprehensive  
Income.....  
    F-4 Consolidated Statements of Cash  
Flows..... F-5 Notes to  
    Consolidated Financial  
    Statements..... F-6

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information regarding Executive Officers of the registrant is included in Item 1 in Part I of this 2001 Annual Report on Form 10-K under the section captioned "Executive Officers." The information set forth under the sections captioned "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for our Annual Meeting of Stockholders for the year ended December 31, 2001 (the "2002 Proxy Statement") is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" of the 2002 Proxy Statement, except for the "Report of the Compensation Committee" and the "Performance Graph", is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item may be found under the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the 2002 Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item may be found under the section captioned "Certain Relationships and Related Transactions" in the 2002 Proxy Statement, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements. The financial statements filed as part of this report are listed at Page F-1 and indexed on Page 27.

2. Financial Statements Schedules. None.

3. Exhibits. A complete listing of exhibits required is given in the Exhibit Index that precedes the exhibits filed with this report on page E-1 hereof.

(b) Report on Form 8-K. None.

(c) See Item 14(a)(3) of this report.

(d) See Item 14(a)(2) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ GEORGE F. COLONY

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

Date: March 20, 2002

Pursuant to the requirement of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE  
CAPACITY  
IN WHICH  
SIGNED

DATE -----

-----

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----- /s/

GEORGE F.

COLONY

Chairman

of the

Board of

Directors

March 20,

2002 -----

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--- Henk  
W.  
Broeders  
/s/ ROBERT  
M. GALFORD  
Member of  
the Board  
of  
Directors  
March 20,  
2002 -----  
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--- Robert  
M. Galford  
/s/ GEORGE  
R. HORNIG  
Member of  
the Board  
of  
Directors  
March 20,  
2002 -----  
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--- George  
R. Hornig  
/s/  
MICHAEL H.  
WELLES  
Member of  
the Board  
of  
Directors  
March 20,  
2002 -----  
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Michael H.  
Welles

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of  
Forrester Research, Inc.:

We have audited the accompanying consolidated balance sheets of Forrester Research, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2000, and December 31, 2001, and the related consolidated statements of income, stockholders' equity, and comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrester Research, Inc. and subsidiaries as of December 31, 2000, and December 31, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Boston, Massachusetts  
January 29, 2002

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

DECEMBER 31, -----	2000	2001	-----
----- CURRENT ASSETS: Cash and cash equivalents.....	\$ 15,848	\$ 17,747	Marketable securities.....
158,891	187,435	Accounts receivable, net of allowance for doubtful accounts of approximately \$1,293 and \$966 in 2000 and 2001, respectively.....	49,923
24,498	Deferred commissions.....	7,873	4,444
Prepaid income taxes.....	3,632	559	Prepaid expenses and other current assets.....
6,255	5,483	-----	-----
-- Total current assets.....	242,422	240,166	-----
----- LONG-TERM ASSETS: Property and equipment, net (Note 5).....	22,128	21,258	Goodwill and other intangible assets, net (Note 3).....
15,358	14,333	Deferred income taxes.....	16,968
19,387	Other assets.....	6,927	10,008
-----	-----	Total long-term assets.....	61,381
-----	-----	Total assets.....	\$303,803
-----	-----	-----	\$305,152
=====	=====	CURRENT LIABILITIES: Accounts payable.....	\$ 3,993
-----	-----	Customer deposits.....	\$ 2,667
-----	-----	Accrued expenses.....	1,200
-----	-----	Accrued income taxes.....	498
-----	-----	17,384	17,938
-----	-----	Accrued revenue.....	1,771
-----	-----	Deferred liabilities.....	3,721
-----	-----	102,527	59,930
-----	-----	Total current liabilities.....	126,875
-----	-----	84,754	-----
-----	-----	COMMITMENTS (NOTES 6 AND 8) STOCKHOLDERS' EQUITY: Preferred stock, \$.01 par value Authorized -- 500 shares Issued and outstanding -- none.....	-- --
-----	-----	Common stock, \$.01 par value Authorized -- 125,000 shares Issued and outstanding -- 21,812 and 23,053 shares in 2000 and 2001, respectively.....	218
-----	-----	Additional paid-in capital.....	230
-----	-----	131,018	156,043
-----	-----	Retained earnings.....	46,048
-----	-----	64,165	Accumulated other comprehensive loss.....
-----	-----	(356)	(40)
-----	-----	-----	-----
-----	-----	Total stockholders' equity.....	176,928
-----	-----	220,398	-----
-----	-----	Total liabilities and stockholders' equity.....	\$303,803
-----	-----	-----	\$305,152
-----	-----	=====	=====

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

YEARS ENDED DECEMBER 31, -----			
-- 1999 2000 2001 -----			
	REVENUES: Core		
research.....			
\$64,697	\$120,477	\$123,695	Advisory services and
other.....	22,571	36,670	
35,425	-----		Total
revenues.....			
87,268	157,147	159,120	-----
	OPERATING EXPENSES: Cost of services and		
fulfillment.....	27,715	45,470	
	49,113		Selling and
marketing.....			
31,131	57,957	58,334	General and
administrative.....	9,865		
18,632	16,854		Depreciation and
amortization.....	4,003		
7,944	11,094		Reorganization costs (Note
2).....	-- --	3,108	Costs
related to acquisition (Note 3).....			
694	-----		Total operating
expenses.....	73,408	130,003	
138,503	-----		Income from
operations.....	13,860		
	27,144	20,617	Other income,
net.....	3,710		
6,893	6,425		Income before
income tax provision.....	17,570		
	34,037	27,042	Income tax
provision.....			
6,589	12,423	8,925	-----
income.....			Net
\$10,981	\$ 21,614	\$ 18,117	=====
	Basic net income per common		
share.....	\$ 0.61	\$ 1.03	\$
0.80	===== Diluted net income		
per common share.....	\$ 0.55	\$	
0.88	\$ 0.76	===== Basic weighted	
average common shares outstanding.....	18,028		
20,989	22,551	===== Diluted	
weighted average common shares outstanding.....			
20,067	24,526	23,907	=====

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

COMMON STOCK ACCUMULATED -----				
----- ADDITIONAL				
OTHER TOTAL NUMBER OF \$.01 PAR				
PAID-IN RETAINED COMPREHENSIVE				
STOCKHOLDERS' COMPREHENSIVE				
SHARES VALUE CAPITAL EARNINGS				
LOSS EQUITY INCOME -----				
-----				
-----				
----- Balance, December				
31, 1998.....	17,308	\$173		
\$ 39,548	\$13,494	\$ 318		
53,533 Issuance of common				
stock related to acquisition				
(Note 3).....	804	8	--	(41)
-- (33) Issuance of common				
stock under stock option				
plans, including tax				
benefit.....				
1,184	12	13,846	--	-- 13,858
Issuance of common stock under				
employee stock purchase				
plan... 112	1	1,377	--	--
1,378 Net				
income.....				
-- -- --	10,981	--	--	10,981
\$10,981 Unrealized loss on				
marketable				
securities.....				
-- -- -- --	(563)	(563)	(563)	
Cumulative translation				
adjustment.....				
-- -- -- --	(349)	(349)	(349)	
-----				
----- Total				
comprehensive income...				
\$10,069 =====				
Balance,				
December 31, 1999.....				
19,408	194	54,771	24,434	(594)
78,805 Issuance of common				
stock in public offering, net				
of issuance costs of				
approximately				
\$65.....				
626	6	22,653	--	-- 22,659
Issuance of common stock under				
stock option plans, including				
tax				
benefit.....				
1,715	17	51,259	--	-- 51,276
Issuance of common stock under				
employee stock purchase plan,				
including tax				
benefit.....	63	1	2,335	-
- -- 2,336 Net				
income.....				
-- -- --	21,614	--	--	21,614
\$21,614 Unrealized gain on				
marketable securities, net of				
tax				
provision.....				
-- -- -- --	496	496	496	
Cumulative translation				
adjustment.....				
-- -- -- --	(258)	(258)	(258)	
-----				
----- Total				
comprehensive income...				
\$21,852 =====				
Balance,				
December 31, 2000.....				
21,812	218	131,018	46,048	
(356) 176,928 Issuance of				

common stock under stock option plans, including tax benefit.....					
1,146 11 23,092 -- -- 23,103					
Issuance of common stock under employee stock purchase plan, including tax benefit.....	95 1	1,933 -			
- -- 1,934 Net income.....					
-- -- -- 18,117 -- 18,117					
\$18,117 Unrealized gain on marketable securities, net of tax provision.....					
-- -- -- -- 214 214 214					
Cumulative translation adjustment.....					
-- -- -- -- 102 102 102 -----					
----- ----- Total comprehensive income...					
\$18,433 ===== Balance, December 31, 2001.....					
23,053 \$230 \$156,043 \$64,165 \$					
(40) \$220,398 ===== =====					
===== ===== =====					
=====					

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



## FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

YEARS ENDED DECEMBER 31, -----				
- 1999 2000 2001 -----				Cash flows
				from operating activities: Net
income.....				\$
10,981	\$ 21,614	\$ 18,117		Adjustments to reconcile net
				income to net cash provided by (used in) operating
				activities: Depreciation and
amortization.....	4,003	7,944		
11,094				Write-downs of non-marketable investment (Note
6).....	-- 950	3,217		Non-cash gain on sale of Internet
				Adwatch(TM) (Note
6).....	--			--
	-- (1,664)			Loss on disposals of property and
equipment.....	105	376	254	Tax benefit from
exercises of employee stock options....	5,044	31,787		
8,618				Deferred income
taxes.....		464	(18,194)	
(2,416)				Non-cash reorganization
costs.....	-- --	471		Increase in
provision for doubtful accounts.....	904	1,246		
885				Accretion of discount on marketable
securities.....	(50)	(178)	--	Changes in assets and
liabilities, net of acquisitions --				Accounts
receivable.....		(15,940)		
(13,817)	24,477			Deferred
commissions.....		(2,726)		
(3,023)	3,429			Prepaid income
taxes.....		(853)	(2,446)	
3,094				Prepaid expenses and other current
assets.....	(1,610)	(1,924)	799	Accounts
payable.....		1,103	1,931	
(1,978)				Customer
deposits.....		452	459	
(702)				Accrued
expenses.....		3,875		
6,342	1,536			Accrued income
taxes.....	(328)	1,156	1,950	
Deferred revenue.....				
26,521	35,745	(42,510)		Net
				cash provided by operating activities.....
				31,945
69,968	28,671			Cash flows
				from investing activities: Net cash acquired (paid) in
acquisitions (Note 3).....	355	(14,851)	--	Purchases
of property and equipment.....		(8,892)		of
(18,044)	(10,046)			Proceeds related to disposals of
property and equipment... 1,056	-- --			Purchases of non-
marketable investments (Note 6).....	(1,000)	(6,681)		marketable
(4,681)				investments (Note 6).....
				(Decrease) increase in other
assets.....	(835)	(45)	42	Purchases of
marketable securities.....		(466,628)		marketable
(354,613)	(222,567)			Proceeds from sales and maturities of
				marketable
securities.....				
436,843	282,021	194,250		Net
				cash used in investing activities.....
				(39,101)
(112,213)	(43,002)			Cash
				flows from financing activities: Net proceeds from public
offering of common stock.....	--	22,659	--	Proceeds
from issuance of common stock under stock option plans				from
and employee stock purchase plan.....	10,192			issuance of common stock under stock option plans
21,825	16,419			and employee stock purchase plan.....
				10,192
				Net cash
				provided by financing activities.....
				10,192
16,419				44,484
				Effect of exchange
				rate changes on cash and cash
equivalents.....				
(5)	164	(189)		Net increase
				in cash and cash equivalents.....
				3,031
2,403	1,899			Cash and cash equivalents, beginning of
year.....	10,414	13,445	15,848	
				Cash and cash equivalents, end of
				year.....
				\$ 13,445
				\$ 15,848
				\$ 17,747
=====	=====	=====		Supplemental disclosure of
				cash flow information: Cash paid for income

taxes.....	\$ 2,217	\$ 95	\$ 919
=====			
===== On October 9, 2000,			
Forrester acquired FORIT GmbH, as follows -- Fair value			
of assets acquired, excluding cash.....	\$ 15,877		
Cash paid for acquisition, net of cash			
acquired.....	\$ (14,851)	-----	Liabilities
assumed.....			\$ 1,026
		=====	

During 1999, Forrester acquired Fletcher Research Limited in a transaction accounted for as a pooling of interests. Due to Fletcher's immateriality to the financial position and results of operations of Forrester, these historical financial statements were not restated.

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

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Forrester Research, Inc. (Forrester) is a leading independent emerging-technology research firm that conducts research and analysis on the impact of emerging technologies on business, consumers, and society. The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in the accompanying financial statements and notes.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Forrester and its wholly owned subsidiaries. All significant intercompany balances have been eliminated in consolidation.

FOREIGN CURRENCY

The functional currencies of Forrester's wholly owned subsidiaries are generally the respective local currencies. The financial statements of the subsidiaries are translated to United States dollars using period-end exchange rates for assets and liabilities and average exchange rates during the corresponding period for revenues and expenses. Translation gains and losses as a result of this translation are accumulated as a component of accumulated other comprehensive loss. Net gains and losses resulting from foreign exchange transactions are included in other income in the consolidated statements of income and were not significant during the periods presented.

NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the basic weighted average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income by the diluted weighted average number of common 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 stock equivalents consist of common stock issuable upon the exercise of outstanding stock options.

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

1999	2000	2001	-----	-
-----	-----	-----	Basic	
weighted average common shares				
outstanding.....				
18,028	20,989	22,551		
Weighted average common equivalent				
shares.....				
2,039	3,537	1,356	-----	
-	-----	-----	Diluted	
weighted average common shares				
outstanding.....				
20,067	24,526	23,907		
=====	=====	=====		

As of December 31, 1999, December 31, 2000, and December 31, 2001, approximately 672,000, 442,000, and 3,483,000 stock options, respectively, were outstanding but not included in the diluted weighted average common share calculation as the effect would have been anti-dilutive.

REVENUE RECOGNITION

Forrester generally invoices its core research, advisory, and other services when an order is received. The contract amount is recorded as accounts receivable and deferred revenue when the client is invoiced. Core research is generally recorded as revenue ratably over the term of the agreement. Advisory and other services are recognized during the period in which the services are performed.

DEFERRED COMMISSIONS

Commissions incurred in acquiring new or renewal contracts are deferred and expensed to operations as the related revenue is recognized. Forrester evaluates the recoverability of deferred commissions at each balance sheet date.





## CONCENTRATION OF CREDIT RISK

Forrester has no significant off-balance sheet concentration of credit risk such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially subject Forrester to concentrations of credit risk are principally cash equivalents, marketable securities, and accounts receivable. Forrester places its investments in highly rated securities. No single customer accounted for greater than 10% of revenues or accounts receivable in any of the periods presented.

## FINANCIAL INSTRUMENTS

Forrester's financial instruments consist of cash equivalents, marketable securities, accounts receivable and accounts payable. The estimated fair value of these financial instruments approximates their carrying value. The fair market value of marketable securities is based on market quotes. Forrester's cash equivalents and marketable securities are generally investment-grade corporate bonds and obligations of the federal government or municipal issuers.

Forrester does not use derivative financial instruments for speculative or trading purposes.

## MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, non-marketable investments, and goodwill and other intangible assets. Actual results could differ from these estimates.

## RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform with the current year's presentation.

## NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS No. 141 also specifies criteria that intangible assets acquired must meet to be recognized and reported apart from goodwill. The adoption of SFAS No. 141 is not expected to have a material effect on Forrester's consolidated financial position or results of operations. SFAS No. 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be tested for impairment at least annually, or when events indicate that there may be an impairment. In connection with the SFAS No. 142 transitional goodwill impairment evaluation, Forrester is required to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, Forrester must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. Forrester will then have up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an indication exists that the reporting unit goodwill may be impaired and Forrester must perform the second step of the transitional impairment test. In the second step, Forrester must compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill, both of which would be measured as of the date of adoption. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141. The residual fair value after this allocation is



(3) ACQUISITIONS

On October 15, 2000, Forrester acquired 100% of the outstanding shares of Forit, GmbH (Forit) for \$15.0 million in cash and the assumption of approximately \$1.0 million in liabilities. Forit was a provider of technology research to companies primarily located in Germany, Switzerland, and Austria. The acquisition was accounted for under the purchase method, and accordingly, Forit's results of operations have been included within the consolidated results of Forrester since the date of acquisition. The purchase price was allocated to the assets acquired and the liabilities assumed based upon estimated fair values at the date of acquisition. The excess of purchase price over the fair values of the net assets acquired was approximately \$15.6 million and was recorded as goodwill and other intangible assets, which is being amortized on a straight-line basis as follows (in thousands):

	AMOUNT	LIFE	Customer
base.....	\$ 900	7	
		years	Research
content.....	\$ 600	3	
		years	Assembled
workforce.....	\$ 100	7	
		years	
Goodwill.....	\$14,019	20	years

Forit's historical financial position and results of operations prior to the date of acquisition were not material to Forrester's financial position and results of operations.

As of December 31, 2000 and December 2001, goodwill and other intangible assets consisted of the following (in thousands):

	2000	2001	
Goodwill.....	\$14,019	\$14,019	Other intangible
assets.....	1,600	1,600	---
	----- Total goodwill and other intangible		
assets.....	15,619	15,619	Less accumulated
amortization.....	(261)	(1,286)	-
	----- Goodwill and other intangible assets,		
net.....	\$15,358	\$14,333	=====

On November 15, 1999, Forrester acquired 100% of the outstanding shares of Fletcher Research Limited (Fletcher). The transaction was accounted for as a pooling of interests. However, Fletcher's historical financial position and results of operations were not material to Forrester's financial position and results of operations. Accordingly, the historical financial statements of Forrester were not restated. Forrester incurred approximately \$694,000 of various costs including legal, accounting, printing, filing, and other fees and expenses related to this transaction, which were separately stated in the accompanying consolidated statement of income for the year ended December 31, 1999.

(4) CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

Forrester considers all short-term, highly liquid investments with maturities of 90 days or less from the original date of purchase to be cash equivalents.

Forrester accounts for investments in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, securities purchased to be held for indefinite periods of time and not intended at the time of purchase to be held until maturity are classified as available-for-sale securities. At December 31, 2000, and December 31, 2001, these securities consisted of investments in federal and state government obligations and corporate obligations, which were recorded at fair market value, with any unrealized gains and losses reported as a separate component of accumulated other comprehensive loss. There were no held-to-maturity or trading securities at December 31, 2000 and December 31, 2001.



The aggregate market value, amortized cost, gross unrealized gains, and gross unrealized losses on available-for-sale marketable securities are as follows (in thousands):

AS OF DECEMBER 31, 2000				
	GROSS VALUE	GROSS COST	MARKET UNREALIZED GAINS	MARKET UNREALIZED LOSSES
U.S. Treasury				
notes.....	\$ 6,990	\$ 6,989	\$ 1	\$--
Federal agency obligations.....				
	22,697	22,698	4	5
State and municipal				
bonds.....	100,414	62	22	Corporate
obligations.....	28,750	28,707	43	0
			\$158,891	\$158,808
	\$110	\$27	=====	=====
		===		

AS OF DECEMBER 31, 2001				
	GROSS VALUE	GROSS COST	MARKET UNREALIZED GAINS	MARKET UNREALIZED LOSSES
Federal agency				
obligations.....	\$ 91	\$ 57	\$ 34	\$ --
State and municipal				
bonds.....	156,328	651	488	Corporate
obligations.....	30,853	30,753	237	137
			\$187,435	
	\$187,138	\$922	\$625	=====
		=====	=====	=====

The following table summarizes the maturity periods of marketable securities as of December 31, 2001:

	LESS THAN YEARS	1 TO 2 YEARS	3 TO 5 YEARS	1 YEAR TOTAL
Federal agency obligations.....				
	\$ --	\$ 91	\$ 91	State and municipal
bonds.....	87,119	37,162	32,210	156,491
obligations.....	24,633	--	6,220	30,853
				\$111,752
	\$37,162	\$38,521	\$187,435	=====
	=====	=====	=====	=====

Gross realized gains and losses on sales of marketable securities for the years ended December 31, 2000 and 2001, which were calculated based on specific identification, were not material.

#### (5) PROPERTY AND EQUIPMENT

At December 31, 2000, and December 31, 2001, property and equipment consisted of the following (in thousands):

	2000	2001	
equipment.....	\$20,440	\$23,632	Computers and Computer
software.....	7,751	9,784	Furniture and
fixtures.....			

3,289 3,436 Leasehold

improvements.....		
4,852 7,391 -----	-----	Total property and
equipment.....	36,332	44,243
Less accumulated depreciation and		
amortization.....	(14,204)	(22,985) -----
-- -----	Property and equipment,	
net.....	\$22,128	\$21,258
	=====	=====

## (6) NON-MARKETABLE INVESTMENTS

In September 2001, Forrester sold its Internet AdWatch product to Evaliant Media Resources, LLC ("Evaliant"), a privately held international provider of online advertising data, in exchange for membership interests in Evaliant representing approximately 8.3% ownership. Revenues related to the Internet AdWatch product were not material to Forrester's total revenues in any of the periods presented. This transaction resulted in a net gain to Forrester of approximately \$1.7 million during the quarter ended September 30, 2001, which was included in other income in the consolidated statement of income. The investment in Evaliant is being accounted for using the cost method and, accordingly, is being valued at cost unless an impairment in its value that is other than temporary occurs or the investment is liquidated. As of December 31, 2001, Forrester determined that no further impairment had occurred.

In March 2000, Forrester invested \$1.0 million in the common stock of Doculabs, Inc. ("Doculabs"), an independent technology research firm. In March 2001, Forrester invested an additional \$2.0 million, resulting in approximately a 10.4% ownership interest in Doculabs. This investment is being accounted for using the cost method and, accordingly, is being valued at cost unless an impairment in its value that is other than temporary occurs or the investment is liquidated. In December 2001, Forrester determined that its investment had been impaired. As a result, Forrester recorded a write-down of approximately \$1,474,000 during the quarter ended December 31, 2001, which was included in other income in the consolidated statement of income. As of December 31, 2001, Forrester determined that no further impairment had occurred.

During the years ended December 31, 2000 and December 31, 2001, Forrester expensed approximately \$300,000 and \$1,030,000, respectively, to the cost of services and fulfillment related to services purchased from Doculabs. Management believes that the services received from Doculabs were at arm's-length fair market value.

In July 2000, Forrester invested \$1.6 million to purchase preferred shares of comScore Networks, Inc. ("comScore"), a provider of infrastructure services that uses proprietary technology to accumulate comprehensive information on consumer buying behavior, resulting in approximately a 1.2% ownership interest. This investment is being accounted for using the cost method and, accordingly, is valued at cost unless an impairment in its value that is other than temporary occurs or the investment is liquidated. In September 2001, Forrester determined that its investment in comScore had been impaired due to an additional round of financing at a significantly lower valuation. As a result, Forrester recorded a write-down of approximately \$836,000 during the quarter ended September 30, 2001, which was included in other income in the consolidated statement of income. As of December 31, 2001, Forrester determined that no further impairment had occurred.

During the year ended December 31, 2001, Forrester expensed approximately \$60,000 to the cost of services and fulfillment related to services purchased from comScore. Management believes that the services received from comScore were at arm's-length fair market value.

In June 2000, Forrester committed to invest \$20.0 million in two private equity investment funds over a period of up to five years. Forrester has adopted a cash bonus plan to pay bonuses, after the return of our invested capital, measured by the proceeds of a portion of our share of net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. The payment of such bonuses would result in compensation expense with respect to the amounts so paid. As of December 31, 2001, Forrester had contributed approximately \$7,225,000 to the investment funds. These investment funds are being accounted for using the equity method. Accordingly, Forrester's pro-rata share of the investment funds' performance is recorded each period as other income in the statement of income. The carrying value of the investment funds as of December 31, 2001 was approximately \$5,613,000. During the year ended December 31, 2001, fund management charges of approximately \$1,472,000 were included in other income in the consolidated statement of income, including approximately \$907,000 due to the impairment of certain investments within the portfolio of one of the private equity funds. During the year ended December 31, 2000, fund management charges of approximately \$161,000 were included in other income in the statement of income.

During the years ended December 31, 2000 and December 31, 2001, Forrester recognized revenues of approximately \$71,000 and \$102,000, respectively, related to a Partners Program purchased by one of the private equity investment firms. Management believes that the services sold to the private equity investment firm were at arm's-length fair market value.

In May 1999, Forrester invested \$1.0 million in a holding company that is the majority shareholder of Greenfield Online, Inc. ("Greenfield"), an Internet-based marketing research firm. In March 2000 and June 2000, Forrester entered into additional Note and Warrant Agreements with Greenfield. Pursuant to these agreements, Forrester loaned Greenfield an aggregate of \$216,000 bearing interest at 10% per annum. Forrester also received warrants to purchase additional equity in Greenfield. In August 2000, and concurrent with an additional round of financing in which Forrester did not participate, the notes, related accrued interest, and warrants were all converted into common stock such that Forrester's effective ownership interest in Greenfield was approximately 3.1%.

In December 2000, Forrester determined that its investment in Greenfield had been impaired due to its decision not to participate in an additional round of financing at a significantly lower valuation. As a result, Forrester recorded a write-down of approximately \$1.0 million during the quarter ended December 31, 2000, which was included in other income in the consolidated statement of income. As of December 31, 2001, Forrester determined that no further impairment had occurred.

During the years ended December 31, 1999, December 31, 2000, and December 31, 2001, Forrester expensed approximately \$220,000, \$399,000, and \$314,000, respectively, to the cost of services and fulfillment related to services purchased from Greenfield. Management believes that the services provided by Greenfield were at arm's-length fair market value.

In the aggregate, Forrester included net losses of \$1,111,000 and \$3,782,000 in other income in the consolidated statements of income related to non-marketable investments during the years ended December 31, 2000 and December 31, 2001, respectively. The aggregate carrying value of non-marketable investments included in other assets in the accompanying consolidated balance sheets as of December 31, 2000 and December 31, 2001 were \$6,666,000 and \$9,845,000, respectively.

(7) INCOME TAXES

Forrester accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 prescribes an asset-and-liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities.

Income before income tax provision for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 consists of the following (in thousands):

	1999	2000	2001	-----	-----	-----
Domestic.....						
		\$16,811	\$31,570	\$22,760		
Foreign.....						
	759	2,467	4,282	-----	-----	-----
Total.....						
	\$17,570	\$34,037	\$27,042	=====	=====	=====

The components of the income tax provisions (benefits) for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 are as follows (in thousands):

	1999	2000	2001	-----	-----	-----	Current	--
Federal.....								
		\$5,497	\$11,031	\$8,424				
State.....								
		628	1,463	1,038				
Foreign.....								
--	968	2,153				6,125	13,462	11,615
							Deferred	--
Federal.....								
		415	(471)	(1,846)				
State.....								
		49	(139)	(158)				
Foreign.....								
--	(429)	(686)				464	(1,039)	
		(2,690)						
							Income tax	
provision.....						\$6,589	\$12,423	
		\$8,925	=====	=====	=====			

A reconciliation of the federal statutory rate to Forrester's effective tax rate for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 is as follows:

	1999	2000	2001	----	----	----	Income tax provision
at federal statutory rate.....							35.0%
35.0% 35.0% Increase (decrease) in tax resulting							
from -- State tax provision, net of federal							
benefit.....	3.7	3.3	2.8				Non-deductible
costs related to acquisition.....	1.1	--	--				
-- Non-deductible							
expenses.....						0.6	
	0.6	0.5					Tax-exempt interest
income.....						(1.7)	(3.1)
(5.8) Benefit of foreign sales							
corporation.....	(0.6)	--	--				
							Other,
net.....							
(0.6) 0.7 0.5 ---- ---- ---- Effective income tax							
rate.....							37.5%
	36.5%	33.0%	====	====	====		

Deferred income taxes as of December 31, 2000 and December 31, 2001 are related to the following temporary differences (in thousands):

	2000	2001	-----	-----	Non-deductible reserves
and accruals.....					\$ 2,041
					\$
					2,749
amortization.....					563
					723
					Deferred
commissions.....					
(2,874) (1,555) Net operating loss and other					
carryforwards.....	17,238	17,470	----		
---					
	\$16,968	\$19,387	=====	=====	

Forrester has aggregate net operating loss carryforwards for federal tax purposes of approximately \$49.2 million related to exercises of employee stock options. These net operating losses were recorded as a benefit to additional paid-in capital within stockholders' equity and will expire between the years 2015 and 2021. The use of these net operating loss carryforwards may be limited pursuant to Internal Revenue Code Section 382 as a result of ownership changes.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those

temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment. Although realization is not assured, based upon the level of historical taxable income of Forrester and projections for Forrester's future taxable income over the periods during which the deferred tax assets are deductible, management believes it is more likely than not that Forrester will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

A provision has not been made for US or additional non-US taxes on approximately \$7.4 million of undistributed earnings of foreign subsidiaries that could be subject to taxation if remitted to the US because Forrester plans to keep these amounts permanently reinvested overseas.

(8) COMMITMENTS

Forrester leases its office space and certain office equipment under operating leases. At December 31, 2001, approximate future minimum rentals due are as follows (in thousands):

2002.....	\$ 9,125
2003.....	8,550
2004.....	8,816
2005.....	8,822
2006.....	7,269
Thereafter.....	6,889
	-----
Total minimum lease payments.....	\$49,471
	=====

Aggregate rent expenses were approximately \$2,760,000, \$6,428,000, and \$9,388,000 for the years ended December 31, 1999, December 31, 2000, and December 31, 2001, respectively.

(9) STOCKHOLDERS' EQUITY

STOCK SPLIT

On February 7, 2000, Forrester increased the number of authorized shares of common stock from 25,000,000 to 125,000,000 and effected a two-for-one stock split as a 100% stock dividend. Forrester has retroactively restated all share and per share amounts for the periods presented to give effect to this stock split.

PREFERRED STOCK

Forrester has authorized 500,000 shares of \$.01 par value preferred stock. The Board of Directors has full authority to issue this stock and to fix the voting powers, preferences, rights, qualifications, limitations, or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences and the number of shares constituting any series or designation of such series.

(10) STOCK OPTION PLANS

In February 1996, Forrester adopted the Forrester Research, Inc. 1996 Equity Incentive Plan, which has been subsequently amended (the Plan). The Plan provides for the issuance of incentive stock options (ISOs) and non-qualified stock options (NSOs) to purchase up to 13,500,000 shares of common stock. Under the terms of the Plan, ISOs may not be granted at less than fair market value on the date of grant (and in no event less than par value). ISO grants to holders of 10% of the combined voting power of all classes of Forrester stock must be granted at an exercise price not less than 110% of the fair market value at the date of grant. Options generally vest ratably over three to four years and expire after 10 years. Options granted under the Plan immediately vest upon certain events, as defined.

In September 1996, Forrester adopted the 1996 Stock Option Plan for Non-Employee Directors (the Directors' Plan), which provides for the issuance of options to purchase up to 300,000 shares of common stock. Under the Directors' Plan, each non-employee director shall be awarded options to purchase 12,500 shares of common stock, at an exercise price equal to the fair market value of the common stock upon his or her election as a director. These options vest in three equal annual installments commencing on the date of grant. In addition, each non-employee director will also receive an option to purchase 8,000 shares of common stock, at an exercise price equal to the fair market value of the common stock, each year immediately following Forrester's annual stockholders' meeting. These options will vest in three equal installments on the first, second, and third anniversaries of the date of grant. The Compensation Committee of the Board of Directors (the Compensation Committee) also has the authority under the Directors' Plan to grant options to non-employee directors in such amounts and on such terms as set forth in the Directors' Plan as it shall determine at the time of grant.

Stock option activity under the Plan and under the Directors' Plan from December 31, 1998, to December 31, 2001, was as follows (in thousands, except per share data):

	WEIGHTED AVERAGE NUMBER	EXERCISE PRICE	NUMBER EXERCISE PRICE
	OF SHARES PER SHARE	PER SHARE	PER SHARE
	-----	-----	-----
Outstanding at December 31,			
1998.....	4,097	\$ 2.75-19.88	\$10.85
Granted.....			
	4,414	0.81-33.88	14.31
Exercised.....			
	(1,184)	2.75-19.85	7.46
Forfeitures.....			
(870)	5.50-22.88	15.13	-----
	-----	-----	-----
Outstanding at December 31,			
1999.....	6,457	0.81-33.88	13.28
Granted.....			
	1,763	24.64-75.50	34.80
Exercised.....			
	(1,715)	0.81-23.94	11.31
Forfeitures.....			
(227)	9.57-75.50	20.11	-----
	-----	-----	-----
Outstanding at December 31,			
2000.....	6,278	2.75-70.84	19.65
Granted.....			
	1,361	15.47-55.00	24.83
Exercised.....			
	(1,146)	2.75-34.16	12.81
Forfeitures.....			
(643)	11.69-70.84	29.09	-----
	-----	-----	-----
Outstanding at December 31,			
2001.....	5,850	\$ 2.75-\$70.84	\$21.17
=====	=====	=====	Exercisable at
December 31, 2001.....	2,526	\$	
2.75-\$70.84	\$18.18	=====	=====
=====	=====	=====	Exercisable at
December 31,			
2000.....	1,462	\$ 2.75-\$33.88	\$13.45
=====	=====	=====	Exercisable at
December 31, 1999.....	1,226	\$	
0.81-\$23.94	\$10.19	=====	=====
=====	=====	=====	=====

On January 29, 2002, Forrester approved the grant of approximately 744,000 additional options under the Plan at an exercise price of \$16.28 per share.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2001 (in thousands, except per share data):

WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE REMAINING	WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE DECEMBER 31, OF OPTIONS CONTRACTUAL DECEMBER 31, OF OPTIONS 2001	WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE REMAINING	WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE DECEMBER 31, OF OPTIONS CONTRACTUAL DECEMBER 31, OF OPTIONS 2001	WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE REMAINING	WEIGHTED AVERAGE OPTIONS OUTSTANDING AT EXERCISE PRICE DECEMBER 31, OF OPTIONS CONTRACTUAL DECEMBER 31, OF OPTIONS 2001
-----					
-----					
-----					
---- Range of					
exercise prices \$					
2.75-					
6.50.....					
75 \$ 4.72	4.47	75			
\$ 4.72	9.47-				
11.57.....					
434 10.10	6.06				
359 9.81	11.69-				
13.50.....					
1,574 11.72	6.85				
839 11.75	13.94-				
16.10.....					
153 15.40	7.94	77			
14.98	16.22-				
18.69.....					
238 17.14	7.89				
123 17.42	18.94-				
21.59.....					
683 20.20	7.55				
430 20.06	22.25-				
24.64.....					
1,084 24.08	7.51				
358 24.07	25.16-				
27.68.....					
840 25.23	8.95	--			
--	28.47-				
31.39.....					
211 28.71	8.05	59			
28.75	33.49-				
39.03.....					
118 35.18	8.24	40			
35.00	41.47-				
49.94.....					
262 47.33	8.64				
112 48.07	52.67-				
70.84.....					
177 59.23	8.56	53			
59.81	-----	-----			
--	5,850	\$21.17			
7.54	2,526	\$18.18			
=====	=====	=====			
=====	=====	=====			

The weighted average remaining contractual life of stock options outstanding at December 31, 1999, December 31, 2000, and December 31, 2001 was 8.6, 8.1, and 7.5 years, respectively. As of December 31, 1999, December 31, 2000, and December 31, 2001, options available for future grant under the Plan and the Directors' Plan were approximately 2,261,000, 4,025,000, and 3,307,000, respectively.

SFAS No. 123, Accounting for Stock-Based Compensation, requires the measurement of the fair value of stock options or warrants to be included in the



statement of income or disclosed in the notes to financial statements. Forrester has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123. Forrester has computed the value of options granted during the years ended December 31, 1999, December 31, 2000, and December 31, 2001 using the Black-Scholes option pricing model prescribed by SFAS No. 123, and the following assumptions:

1999	2000	2001	-----	-----	-----	Risk-free
interest rate.....						
	5.54%	6.22%	4.09%	Expected	dividend	
yield.....				-	Expected	
lives.....						
	5 years	3 years	3 years	Expected		
volatility.....						
	55%	64%	71%	Weighted	average	fair
value.....						\$ 6.65 \$
				15.32	\$ 13.67	

If compensation cost for Forrester's stock option plans had been determined consistent with SFAS No. 123, net income for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 would have been approximately as follows (in thousands, except per share data):

YEARS ENDED DECEMBER 31, -----				
---	1999	2000	2001	----- As
	reported			-- Net
income.....				=====
\$10,981	\$21,614	\$18,117		=====
	Basic net income per common			
share.....	\$ 0.61	\$ 1.03	\$ 0.80	
	Diluted net income per			
common share.....	\$ 0.55	\$ 0.88	\$	
0.76				=====
	Pro forma -- Net			
income.....				=====
\$ 2,902	\$ 8,618	\$ 2,087		=====
	Basic net income per common			
share.....	\$ 0.16	\$ 0.41	\$ 0.09	
	Diluted net income per			
common share.....	\$ 0.14	\$ 0.35	\$	
0.09				=====

In January 1998, Forrester's founder and principal shareholder granted certain key employees options to purchase 2 million shares of his common stock. The options have an exercise price of \$9.57 and vest as follows: one-thirty-sixth of the total number of options granted monthly through January 28, 1999; and one-third of the total number of options granted on and after each of January 28, 2000, and January 28, 2001. As of December 31, 2001, approximately 282,000 options remained outstanding, all of which were exercisable.

(11) EMPLOYEE PENSION PLANS

Forrester sponsors several defined contribution plans covering all eligible employees. Generally, the defined contribution plans have funding provisions which, in certain situations, require contributions based upon formulas relating to employee wages or the level of elective participant contributions, as well as allow for additional discretionary contributions based upon profitability. Further, certain plans contain vesting provisions. Forrester's pension contributions totaled approximately \$521,000, \$813,000, and \$1,276,000 for the years ended December 31, 1999, December 31, 2000, and December 31, 2001, respectively.

(12) EMPLOYEE STOCK PURCHASE PLAN

In September 1996, Forrester adopted the 1996 Employee Stock Purchase Plan (the Stock Purchase Plan), which provides for the issuance of up to 400,000 shares of common stock. The Stock Purchase Plan is administered by the Compensation Committee. With certain limited exceptions, all employees of Forrester who have completed six months or more of continuous service in the employ of Forrester and whose customary employment is more than 30 hours per week, including officers and directors who are employees, are eligible to participate in the Stock Purchase Plan. Purchase periods under the Stock Purchase Plan are generally six months in length and commence on each successive July 1 and January 1. During each purchase period under the Stock Purchase Plan, the maximum number of shares of common stock that may be purchased by an employee is limited to the number of shares equal to \$12,500 divided by the fair market value of a share of common stock on the first day of the purchase period. An employee may elect to have up to a maximum of 10% deducted from his or her regular salary for the purpose of purchasing shares under the Stock Purchase Plan. The price at which the employee's shares are purchased is the lower of: a) 85% of the closing price of the common stock on the day that the purchase period commences, or b) 85% of the closing price of

the common stock on the day that the purchase period terminates. Shares purchased by employees under the Stock Purchase Plan are as follows:

SHARES PURCHASED	PURCHASE PRICE	PURCHASE PERIOD ENDED
		- June 30,
1999.....	38,570 \$10.61	December 31,
1999.....	49,316 \$10.89	June 30,
2000.....	34,238 \$27.94	December 31,
2000.....	28,575 \$42.55	June 30,
2001.....	54,658 \$19.20	December 31,
2001.....	40,580 \$17.12	

(13) OPERATING SEGMENT AND ENTERPRISE WIDE REPORTING

Operating segments are defined as components of an enterprise about which separate discrete financial information is evaluated regularly by the chief operating decision-maker, or decision-making group, as defined under SFAS No. 131, in deciding how to allocate resources and assess performance. Forrester's chief decision-making group is the Executive Team, consisting of the Chief Executive Officer and other executive officers. To date, Forrester has viewed its operations and managed its business as principally one segment, research services. As a result, the financial information disclosed herein materially represents all of the financial information related to Forrester's principal operating segment.

Long-lived tangible assets by location as of December 31, 2000 and December 31, 2001 are as follows (dollars in thousands):

	2000	2001	United
States.....	\$26,004	\$27,075	United
Kingdom.....	1,687	1,604	1,604
Kingdom).....	1,447	2,504	2,504
Canada.....			
Other.....	\$29,055	\$31,266	===== =====

Net revenues by geographic destination and as a percentage of total revenues for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 are as follows (dollars in thousands):

	1999	2000	2001	United
States.....	\$67,477	\$116,077	\$112,349	United
Kingdom.....	13,719	13,450	6,897	6,897
Kingdom).....	5,345	12,671	17,288	17,288
Canada.....	3,571	6,747	7,086	
Other.....	3,978	7,933	8,947	\$87,268
States.....	\$157,147	\$159,120		===== ===== United
States.....	74%	71%		78%
Kingdom.....				8 9 8
Kingdom).....				6 8 11
Canada.....				4 4 4
Other.....	4 5 6			100% 100% 100%

(14) CERTAIN BALANCE SHEET ACCOUNTS

ACCRUED EXPENSES:

Accrued expenses as of December 31, 2000 and December 31, 2001 consist of the following (in thousands):

	2000	2001	-----	-----	Payroll and	
related.....						\$ 8,320 \$
				9,819		
Other.....						
9,064	8,119	-----	-----	\$17,384	\$17,938	=====

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

A roll-forward of the allowance for doubtful accounts as of and for the years ended December 31, 1999, December 31, 2000, and December 31, 2001 is as follows (in thousands):

	1999	2000	2001	----	-----	-----	Balance,
beginning of period.....	\$400	\$ 580	\$ 1,293				
accounts.....				904	1,246	885	
Additions arising from acquisitions (Note 3).....				80	47	--	Write-
offs.....							
(804)	(580)	(1,212)	----	-----	-----		Balance,
end of period.....							
\$580	\$1,293	\$ 966	====	=====	=====		

(15) SUMMARY SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of selected quarterly financial data for the years ended December 31, 2000 and December 31, 2001 (in thousands, except per share data):

QUARTER ENDED -----							
----- MARCH 31, JUNE 30, SEPT. 30,							
DEC. 31, 2000	2000	2000	2000	2000	-----		
-----							
Revenues.....	\$30,817	\$38,279	\$40,137	\$47,914	Income from		
operations.....					\$ 4,096	\$	
	5,830	\$ 7,345	\$ 9,873	Net			
income.....					\$		
	3,469	\$ 4,876	\$ 5,939	\$ 7,330	Basic net		
income per common share.....					\$ 0.17	\$	
	0.23	\$ 0.28	\$ 0.34	Diluted net income per			
common share.....					\$ 0.15	\$ 0.20	\$ 0.24
					\$ 0.30		

QUARTER ENDED -----							
----- MARCH 31, JUNE 30, SEPT. 30,							
DEC. 31, 2001	2001	2001	2001	2001	-----		
-----							
Revenues.....	\$43,645	\$46,414	\$34,410	\$34,651	Income from		
operations.....					\$ 5,904	\$	
	6,800	\$ 2,105	\$ 5,808	Net			
income.....					\$		
	4,865	\$ 5,682	\$ 2,677	\$ 4,893	Basic net		
income per common share.....					\$ 0.22	\$	
	0.25	\$ 0.12	\$ 0.21	Diluted net income per			
common share.....					\$ 0.20	\$ 0.24	\$ 0.11
					\$ 0.21		

(16) SUBSEQUENT EVENT

On January 10, 2002, in response to conditions and demands of the market and a slower economy, Forrester announced it would reduce its workforce by approximately 126 positions and expects to record a reorganization charge of approximately \$4.0 million to \$6.0 million in the quarter ended March 31, 2002. This charge will consist of severance and related expenses from the reduction of the workforce, including office consolidations.



EXHIBIT INDEX

EXHIBIT NO.  
DESCRIPTION - -  
-----  
----- 2.1(1)  
Stock Purchase  
Agreement.  
3.1(3) Restated  
Certificate of  
Incorporation  
of the Company.  
3.2(5)  
Certificate of  
Amendment of  
the Certificate  
of  
Incorporation  
of the Company.  
3.3(3) Bylaws  
of the Company,  
as amended.  
4(3) Specimen  
Certificate for  
shares of  
Common Stock,  
\$.01 par value,  
of the Company.  
10.1+(3)  
Registration  
Rights and Non-  
Competition  
Agreement.  
10.2+(3) Tax  
Indemnification  
Agreement dated  
November 25,  
1996. 10.3+(3)  
1996 Amended  
and Restated  
Equity  
Incentive Plan,  
as amended.  
10.4+(3) 1996  
Employee Stock  
Purchase Plan.  
10.5+(3) 1996  
Director Option  
Plan for Non-  
Employee  
Directors.  
10.10(4) Lease  
dated May 6,  
1999 between  
Technology  
Square LLC and  
the Company for  
the premises  
located at 400  
Technology  
Square,  
Cambridge,  
Massachusetts  
(the  
"Technology  
Square Lease").  
10.11(5)  
Registration  
Rights  
Agreement.  
10.12(5)  
Indemnification  
Agreement.  
21(2)  
Subsidiaries of  
the Registrant.  
23(2) Consent  
of Arthur

- - - - -

+ Denotes management contract or compensation arrangements.

- (1) Filed as an Exhibit to the Company's current Report on Form 8-K filed on November 30, 1999 and incorporated by reference herein.
- (2) Filed herewith.
- (3) Filed as an Exhibit to the Company's Registration Statement on Form S-1 filed on September 26, 1996 and amended on November 5, 1996 (File No. 333-12761) and incorporated by reference herein.
- (4) Filed as an Exhibit to the Company's Form 10-Q filed on August 16, 1999 and incorporated by reference herein.
- (5) Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 10, 2000 and incorporated by reference herein.

SUBSIDIARIES OF THE REGISTRANT

Whitcomb Investments, Inc., a Massachusetts corporation.

Forrester Research, B.V., a Dutch corporation.

Forrester Research FSC, Inc., a Barbados corporation

Fletcher Research Limited, a United Kingdom corporation

Forrester Research KK, a Japanese corporation

Forrester Research Australia Pty. Ltd., an Australian corporation

Forrester Research Canada, Inc., a Canadian corporation

Forrester Research GmbH & Co. KG, a German corporation

Forrester Verwaltungs GmbH, a German corporation

Forrester Beteiligungs GmbH, a German corporation

Forrester Research GmbH, a Swiss corporation



CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 29, 2002 included in this Form 10-K, into the Company's previously filed Registration Statements File No. 333-12761, File No. 333-96393, File No. 333-95663, and File No, 333-38626.

/s/ ARTHUR ANDERSEN LLP

Boston, Massachusetts  
March 19, 2002

LETTER OF QUALITY ASSURANCE BY ARTHUR ANDERSEN LLP

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Ladies and Gentlemen:

Arthur Andersen LLP ("Andersen") has represented to Forrester Research, Inc. that the audit was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on the audit, availability of national office consultation, and availability of personnel at foreign affiliates of Andersen to conduct the relevant portions of the audit.

/s/ Forrester Research, Inc.

Boston, Massachusetts  
March 20, 2002