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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

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

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)

1033 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

02138
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (617) 497-7090

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 NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Stock, \$.01 par value Nasdaq National Market System

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

Indicate 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. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 21, 1997 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately \$44.1 million.

As of March 21, 1997, 8,301,052 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, 1996 are incorporated by reference into Part III hereof.

PART I

ITEM 1. BUSINESS

GENERAL

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

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

Forrester targets its products and services to both large enterprises and technology vendors. As of December 31, 1996, Forrester's research was delivered to 885 client companies. No single client company accounted for over 3% of the Company's revenues during the year ended December 31, 1996. Approximately 74% of Forrester's client companies with memberships expiring during the year ended December 31, 1996 renewed one or more memberships for the Company's products and services.

The Company was incorporated in Massachusetts on July 7, 1983 and reincorporated in Delaware on February 21, 1996.

INDUSTRY BACKGROUND

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

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

THE FORRESTER SOLUTION

Forrester addresses the growing demand for thematic, prescriptive analysis of technology by providing business-focused research to senior management, business strategists, and IT professionals. The Company's

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

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

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

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

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

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

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

STRATEGY

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

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

EXPAND CLIENT BASE AND PENETRATE EXISTING ACCOUNTS. The Company believes that its current offerings of products and services, and anticipated new products and services, can continue to be successfully marketed and sold to new client companies, as well as to new organizations within existing client companies. Forrester currently targets senior management, business strategists, and IT professionals within Fortune 1,000 companies. The Company seeks to expand its international audience by targeting

select geographic markets. The Company also aims to increase the number of Strategy Research Services that each client purchases through increased marketing of new and current products and services.

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

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

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

PRODUCTS AND SERVICES

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

STRATEGY RESEARCH SERVICES

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

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

SENIOR MANAGEMENT RESEARCH

SAMPLE TOPICS

LEADERSHIP STRATEGIES -- introduced in September 1995, analyzes how executives can maximize the business benefits of technology and guides them in making effective decisions about strategic direction, investment priorities, and resource management

-- Strategic planning
 -- IT cost management
 -- Best practices/benchmarking
 -- Strategic vendor selection
 -- High Performance IT

INFORMATION TECHNOLOGY RESEARCH

SAMPLE TOPICS

COMPUTING STRATEGIES -- introduced in November 1983, analyzes the rollout and management of large-scale client/server systems, the impact of the Internet on computing architectures, and the changing IT organization

-- Systems and network management
 -- Directories
 -- Strategic outsourcing
 -- Servers, PCs, workstations
 -- Internet Computing

NETWORK STRATEGIES -- introduced in December 1986, analyzes high-performance network services and guides companies to build advanced networks that support client/server applications, link mobile workers, and connect business partners and customers

-- ATM
 -- Video
 -- EDI
 -- Internetworking equipment
 -- Networking protocols and services
 -- Internet/Intranet

PACKAGED APPLICATION STRATEGIES -- introduced in April 1996, analyzes the impact of emerging technologies on application strategy and helps clients acquire, manage, and leverage packaged software applications

-- Cost of ownership analysis
 -- Commerce packages
 -- Suite vs. best-of-breed
 -- Application data warehousing
 -- Impact of Internet/Intranet

SOFTWARE STRATEGIES -- introduced in April 1990, analyzes and defines strategies for the overall software architecture needed to meet business objectives, including strategic use of data, documents, and development

-- Object-oriented technology
 -- Internet/Intranet software
 -- Document management
 -- Data warehousing
 -- Internet commerce

TELECOM STRATEGIES -- introduced in June 1996, analyzes telecommunications in the era of deregulation and the Internet and helps clients use communications technologies to gain competitive advantage and cut costs

-- Wide area networking
 -- Wireless communications
 -- Internet access
 -- Deregulation

NEW MEDIA RESEARCH

SAMPLE TOPICS

INTERACTIVE TECHNOLOGY STRATEGIES -- introduced in March 1996, analyzes how companies use new technologies to provide a compelling consumer experience

-- Internet site development
 -- Web site management tools
 -- Personal broadcast networks
 -- Multimedia content

MEDIA & TECHNOLOGY STRATEGIES -- introduced in September 1996, analyzes electronic media business models for publishers, broadcasters, and information service providers and helps clients build technology-based media franchises

-- Internet advertising
 -- On-line magazines
 -- Electronic yellow pages
 -- Future of business information services

NEW MEDIA RESEARCH (CONTINUED)

SAMPLE TOPICS

MONEY & TECHNOLOGY STRATEGIES -- introduced in September 1995, analyzes consumer financial services, focusing on technology's impact on how consumers spend, save, and invest

-- Commerce
 -- Integrated financial services
 -- Smart cards
 -- On-line payments
 -- On-line banking and investing
 -- Web strategies for financial firms
 -- Consumer demographics
 -- On-line services and the Internet
 -- On-line business models

PEOPLE & TECHNOLOGY STRATEGIES -- introduced in May 1994, analyzes how emerging technologies affect consumer lifestyles and behavior

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

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

FORRESTER BRIEFS AND TAKES offer timely analysis on industry events, issues, technology, or other specific research topics. Information Technology and New Media clients receive 24 Briefs per year, and Leadership Strategies clients receive 26 Executive Takes per year.

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

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

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

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

FORRESTER RESEARCH FOR LOTUS NOTES USERS provides access to Forrester's full research archive from 1994 to the present via replication to Forrester's Lotus Notes server. Documents can be viewed and sorted by Strategy Research Service, analyst, technology, product, company, people, or date.

ADVISORY SERVICES AND EVENTS

Forrester provides advisory services to a limited number of clients through its Partners Program and Strategy Review Program. These programs leverage Forrester's research expertise to address clients' long-term planning issues and align Forrester's core research and insight with specific business goals. As of December 31, 1996, 79 client companies were members of the Partners Program and 223 client companies were members of the Strategy Review Program. In addition to core research, each client purchasing a membership to the Partners Program and Strategy Review Program receives the following deliverables, respectively:

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

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

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

PRICING

The prices for Forrester's core research are a function of the number of services purchased, the number of research recipients within the client organization, and the delivery format (i.e., printed or electronic). The average contract for annual memberships sold to Forrester clients for core research, excluding annual memberships for core research in connection with Forrester's Partners and Strategy Review Programs, for the year ended December 31, 1995 was approximately \$10,200 and for the year ended December 31, 1996 was approximately \$15,200. The prices for Forrester's Partners and Strategy Review Programs are also a function of the number of services purchased, the number of research recipients within the client organization, delivery format, and amount and type of advisory services. All Partners Program and Strategy Review Program memberships sold include core research. The average contract for annual memberships sold to Forrester clients for the Partners Program for the year ended December 31, 1995 was approximately \$65,700 and for the year ended December 31, 1996 was approximately \$85,000. The average contract price of annual memberships sold to Forrester clients for the Strategy Review Program for the year ended December 31, 1995 was approximately \$33,300 and for the year ended December 31, 1996 was approximately \$37,800.

Forrester believes that the agreement value of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the annualized fees payable under all core research and advisory services contracts in effect at a given point in time, without regard to the remaining duration of the contracts. Agreement value at December 31, 1994 was \$10.2 million and grew to \$17.8 million at December 31, 1995. At December 31, 1996, agreement value was \$30.0 million.

RESEARCH AND ANALYSIS

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

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

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

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

All members of Forrester's research staff participate in the Company's incentive compensation bonus plan. Each employee's performance against individual and team goals determines an eligible bonus that is funded by the Company's overall performance against key business objectives. Individual and team goals include on-time delivery of high-quality research, core research bookings, and advisory services support to Partners and Strategy Review Program clients. Senior analysts and research directors are eligible to receive equity awards under the Company's stock plans.

SALES AND MARKETING

Forrester has made a substantial investment in its direct sales force to better serve clients and address additional markets. The Company's direct sales force, comprised of 43 sales representatives as of December 31, 1996, consists of business development managers who are responsible for maintaining and leveraging the current client base by renewing and selling additional Strategy Research Services to existing clients, corporate account managers who develop new business in assigned territories, and regional sales directors who focus on high-level client contact and service.

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

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

As of December 31, 1996, Forrester's research was delivered to 885 client companies, including 57 Fortune 100 companies and 159 Fortune 500 companies. No single client company accounted for over 3% of the Company's revenues for the year ended December 31, 1996.

COMPETITION

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

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

EMPLOYEES

As of December 31, 1996, Forrester employed a total of 134 persons, including 60 research staff, 50 sales and marketing personnel, and 24 operations personnel.

EXECUTIVE OFFICERS

Listed below are the executive officers of the Company:

NAME	AGE	POSITION
George F. Colony.....	43	Chairman of the Board, President, and Chief Executive Officer
William M. Bluestein, Ph.D. ...	39	Group Director, New Media Research
Paul D. Callahan.....	48	Group Director, Information Technology Research
Ruth Habbe.....	42	Director, Marketing
John C. McCarthy.....	37	Group Director, Research
Mary A. Modahl.....	34	Group Director, New Media Research
David H. Ramsdell.....	46	Director, Finance
Jon D. Schwartz.....	37	Director, Worldwide Sales
Paul J. Warren.....	31	Director, IT
Susan M. Whirty, Esq.	39	Director, Operations, General Counsel, Secretary, and Treasurer
Stuart D. Woodring.....	36	Group Director, Information Technology Research

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

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

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

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

John C. McCarthy currently serves as Group Director, Research. He was previously Director with the Company's Interactive Technology Strategies from June 1996 to December 1996 and Director with the Company's Software Strategies from January 1996 to June 1996. He also served as Director of the Company's New Customer Connection Research from 1995 to 1996, Director of the Company's Information Technology Research Services from 1993 to 1994, and Director with the Company's Computing Strategies from 1994 to 1995 and 1990 to 1993.

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

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

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

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

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

Stuart D. Woodring currently serves as Group Director, Information Technology Research. He was previously Director of the Company's Information Technology Research services from 1994 to 1995 and Director with the Company's Software Strategies from 1990 to 1994.

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently a party to any material legal proceedings.

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

The Company did not submit any matters during the fourth quarter of the fiscal year covered by this report after becoming subject to the Securities Exchange Act of 1934, to a vote of the stockholders through solicitation or otherwise.

PART II

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

The Company's common stock has been traded on the Nasdaq National Market under the symbol "FORR" since its initial public offering at \$16.00 per share on November 26, 1996. Since the Company's initial public offering through March 21, 1997 the high sale price for the Company's common stock was \$29.13 per share, and the low sale price was \$18.00 per share, as reported on the Nasdaq National Market. On March 21, 1997, the closing price of the Company's common stock was \$19.25 per share.

During the fiscal year for which this report is filed the Company did not sell any securities which were not registered under the Securities Act of 1933, as amended (the "Securities Act"). In February 1996, the Company issued 6,000,000 shares of its common stock to its former sole stockholder in connection with its reincorporation merger in Delaware. Such transaction was not a "sale" because it fit within the exemption pursuant to Rule 145(a)(2) under the Securities Act.

As of March 21, 1997 there were approximately 32 stockholders of record of the Company's common stock. The Company estimates that there are approximately 1,400 beneficial holders of its common stock.

In the year ended December 31, 1995, the Company paid a cash dividend of \$1,121,342 to the former sole stockholder of the Company, and in the year ended December 31, 1996, the Company paid a cash dividend of

\$5,493,197 and accrued a cash dividend of \$67,000 in each case to the former sole stockholder of the Company. The Company anticipates that future earnings, if any, will be retained for the development of its business, and the Company does not anticipate paying any cash dividends on its common stock in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below is derived from the consolidated financial statements of the Company and its wholly owned subsidiary, Whitcomb Investments, Inc., and should be read in connection with those statements which are included herein.

	YEAR ENDED DECEMBER 31,				
	1992	1993	1994	1995	1996
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)					
CONSOLIDATED STATEMENT OF INCOME DATA:					
Revenues:					
Core research.....	\$ 2,626	\$ 4,691	\$ 6,363	\$ 10,150	\$ 18,206
Advisory services and other.....	2,139	2,608	3,336	4,439	6,757
Total revenues.....	4,765	7,299	9,699	14,589	24,963
Operating expenses:					
Cost of services and fulfillment.....	1,866	2,406	3,424	5,486	8,762
Selling and marketing.....	1,645	2,693	3,593	5,643	8,992
General and administrative.....	599	1,148	1,045	1,389	2,509
Depreciation and amortization.....	69	105	150	287	618
Total operating expenses.....	4,179	6,352	8,212	12,805	20,881
Income from operations.....	586	947	1,487	1,784	4,082
Interest income, net.....	68	79	125	340	634
Income before income tax provision.....	654	1,026	1,612	2,124	4,716
Income tax provision.....	--	46	73	97	712
Net income.....	654	980	1,539	2,027	4,004
Pro forma income tax adjustment.....	262	365	583	739	1,198
Pro forma net income.....	392	615	956	1,288	2,806
Pro forma net income per common share.....	\$ 0.06	\$ 0.10	\$ 0.15	\$ 0.20	\$ 0.43
Weighted average common shares outstanding.....	6,293,449	6,293,449	6,293,449	6,293,449	6,556,255
CONSOLIDATED BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities.....					
Working capital.....	\$ 409	\$ 901	\$ 528	\$ 991	\$ 31,291
Total assets.....	\$ 4,964	\$ 6,367	\$ 8,784	\$ 15,426	\$ 56,782
Stockholders' equity.....	\$ 696	\$ 1,331	\$ 1,120	\$ 2,047	\$ 33,762

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

OVERVIEW

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 the Company's 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. The Company undertakes no obligation to update publicly any forward-

looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to "Certain Factors That May Affect Future Results" below.

Forrester has experienced year-to-year revenue growth every year since its inception in 1983, and the Company's total revenues increased to \$25.0 million in 1996 from \$14.6 million in 1995. Forrester attributes its growth to the Company's continuing reputation for quality research and services, accurate analysis of technology industry developments, the introduction of new products and services, and the expansion of the Company's sales and marketing organization. In addition, the Company believes the speed of technology change and the increasingly participatory nature of technology decisions have led to a growing market need for independent research and analysis on the impact of technology on large enterprises, consumers, and society.

Revenues from core research also increased to \$18.2 million in 1996 from \$10.1 million in 1995 and increased as a percentage of total revenues to 73% in 1996 from 70% in 1995. Forrester attributes this growth to, in addition to the factors cited above, an increase in total Strategy Research Services offered -- from six in 1995 to a total of 10 Strategy Research Services as of December 31, 1996.

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

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

The Company has had income from operations in each of the last six years from 1991 through 1996. Income from operations rose 129% to \$4.1 million in 1996 from \$1.8 million in 1995.

The Company was an S corporation under section 1362 of the Internal Revenue Code of 1986, as amended, until prior to the closing of its initial public offering. As an S corporation, the taxable income of the Company was passed through to the sole stockholder and was reported on his individual federal and state income tax returns. The Company is now taxed as a C corporation and accordingly is subject to federal and state income taxes at prevailing corporate rates. The statements for each of the three years ended December 31, 1994, 1995, and 1996 include a pro forma income tax adjustment for the income taxes that would have been recorded if the Company had been a C corporation for those periods. The Company has calculated these amounts based on an estimated effective tax rate for the respective periods. Upon termination of the S corporation election, the Company recorded a net deferred income tax liability, reflecting the tax effect of cumulative differences between the financial reporting and tax bases of certain assets and liabilities, of approximately \$510,000 as a one-time increase in the actual tax provision during 1996.

The Company believes that the "agreement value" of contracts to purchase core research and advisory services provides a significant measure of the Company's business volume. Forrester calculates agreement value as the annualized fees payable under all core research and advisory services contracts in effect at a given point in time, without regard to the remaining duration of such contracts. Agreement value increased 69% to \$30.0 million at December 31, 1996 from \$17.8 million at December 31, 1995. The Company's experience is

that a substantial portion of client companies renew expiring contracts for an equal or higher level of total core research and advisory service fees each year. Approximately 74% and 71% of Forrester's client companies with memberships expiring during 1996 and 1995, respectively, renewed one or more memberships for the Company's products and services, although these renewal rates are not necessarily indicative of the rate of future retention of the Company's revenue base. The number of client companies increased to 885 at December 31, 1996 from 799 at December 31, 1995, and no single client company accounted for over 3% of the Company's revenues in 1996 or over 4% of the Company's revenues in 1995.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER		
	31,		
	1994	1995	1996
Core research.....	66%	70%	73%
Advisory services and other.....	34	30	27
	---	---	---
Total revenues.....	100	100	100
Cost of services and fulfillment.....	35	37	35
Selling and marketing.....	37	39	36
General and administrative.....	10	9	10
Depreciation and amortization.....	2	2	3
	---	---	---
Income from operations.....	16	13	16
Interest income.....	1	2	3
	---	---	---
Income before state income tax provision.....	17	15	19
Provision for income taxes.....	1	1	3
	---	---	---
Net income.....	16%	14%	16%
	===	===	===
Pro forma income tax adjustment.....	6	5	5
	---	---	---
Pro forma net income.....	10%	9 %	11%
	===	===	===

YEARS ENDED DECEMBER 31, 1996 AND DECEMBER 31, 1995

REVENUES. Total revenues increased 71% to \$25.0 million in the year ended December 31, 1996 from \$14.6 million in the year ended December 31, 1995. Revenues from core research increased 79% to \$18.2 million in the year ended December 31, 1996 from \$10.1 million in the year ended December 31, 1995. Increases in total revenues and revenues from core research were primarily attributable to an increase in the number of clients, the introduction of four new Strategy Research Services, and continued expansion and increased productivity of the Company's sales force.

Advisory services and other revenues increased 52% to \$6.8 million in the year ended December 31, 1996 from \$4.4 million in the year ended December 31, 1995. This increase was primarily attributable to demand for the Partners and Strategy Review Programs.

Revenues attributable to customers outside the United States increased 106% to \$5.3 million in the year ended December 31, 1996 from \$2.6 million in the year ended December 31, 1995, and also increased as a percentage of total revenues to 21% for the year ended December 31, 1996 from 18% for the year ended December 31, 1995. The increase was due primarily to the addition of direct international sales personnel. The Company invoices its international clients in U.S. dollars.

Agreement value grew to \$30.0 million at December 31, 1996 from \$17.8 million at December 31, 1995. No single client company accounted for more than 2% of agreement value at December 31, 1996 or 3% of revenues for the year ended December 31, 1996.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment decreased as a percentage of total revenues to 35% in the year ended December 31, 1996 from 37% in the year ended December 31, 1995. These expenses increased 60% to \$8.8 million in the year ended December 31, 1996 from \$5.5 million in the year ended December 31, 1995. The expense increase in this period was principally due to increased analyst staffing for Strategy Research Services and related compensation expense. The decrease as a percentage of total revenues was principally due to the Company's increased leverage of its core research services.

SELLING AND MARKETING. Selling and marketing expenses decreased as a percentage of total revenues to 36% in the year ended December 31, 1996 from 39% in the year ended December 31, 1995. These expenses increased 59% to \$9.0 million in the year ended December 31, 1996 from \$5.6 million in the year ended December 31, 1995. The increase in expenses was principally due to the addition of direct salespersons and increased sales commission expense associated with increased revenues. The decrease as a percentage of total revenues was principally due to increased productivity of the Company's direct sales force.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased as a percentage of total revenues to 10% in the year ended December 31, 1996 from 9% in the year ended December 31, 1995. These expenses increased 81% to \$2.5 million in the year ended December 31, 1996 from \$1.4 million in the year ended December 31, 1995. The increase in expenses was principally due to staffing increases in operations and IT and higher costs associated with the expansion of the Company's Cambridge headquarters.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 115% to \$618,000 in the year ended December 31, 1996 from \$287,000 in the year ended December 31, 1995. The increase in this expense was principally due to purchases of computer equipment, software, and office furnishings to support business growth, and the expansion of the Company's Cambridge headquarters.

INTEREST INCOME. Interest income increased to \$634,000 in the year ended December 31, 1996 from \$340,000 in the year ended December 31, 1995 due to an increase in the Company's cash balances resulting from positive cash flows from operations and net proceeds from the Company's initial public offering.

YEARS ENDED DECEMBER 31, 1995 AND 1994

REVENUES. Total revenues increased 50% to \$14.6 million in 1995 from \$9.7 million in 1994. Revenues from core research increased 59% to \$10.1 million in 1995 from \$6.4 million in 1994. The increases in total revenues and revenues from core research were primarily attributable to an increase in the number of clients, the introduction of new Strategy Research Services, continued expansion and increased productivity of the Company's sales force, and growing market acceptance of the Company's products. The Company introduced two new Strategy Research Services in 1995 and one new Strategy Research Service in 1994.

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

Revenues attributable to sales to customers outside the United States increased 61% to \$2.6 million in 1995 from \$1.6 million in 1994. International sales represented 18% and 16% of total revenue for 1995 and 1994, respectively. The increase was due primarily to the Company's expansion of its direct international sales force during 1995.

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

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment increased as a percentage of total revenues to 37% in 1995 from 35% in 1994. These costs increased 60% to \$5.5 million in 1995 from \$3.4 million in 1994. The increase was principally due to investment in new Strategy Research Services and resultant increased analyst staffing and related compensation expense.

SELLING AND MARKETING. Selling and marketing expenses increased as a percentage of total revenues to 39% in 1995 from 37% in 1994. These expenses increased 57% to \$5.6 million in 1995 from \$3.6 million in

1994. The increase in expenses was principally due to the addition of direct salespersons and marketing personnel and increased sales commissions resulting from increased revenues.

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

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

INTEREST INCOME. Interest income increased 171% to \$340,000 in 1995 from \$125,000 in 1994. This increase resulted primarily from an increase in the Company's cash balances resulting from positive cash flows from operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through funds generated from operations. Memberships for core research, which constituted approximately 73% of the Company's revenues for the year ended December 31, 1996, are annually renewable and are generally payable in advance. These up-front payment terms together with historical year-to-year revenue growth have allowed the Company to generate positive cash flows each year since 1984, one year after its inception in 1983. The Company generated \$11.3 million in cash from operating activities during 1996 compared with \$4.5 million of cash from operating activities during 1995.

The Company's revenues, earnings, and cash flows may fluctuate from quarter to quarter based on a variety of factors including the timing and size of new and renewal memberships from clients, the timing of revenue-generating events sponsored by the Company, the utilization of its advisory services, the hiring and training of new analysts and sales personnel, changes in demand for the Company's research, and general economic conditions. As a result, the Company's operating results in future quarters may be below the expectations of securities analysts and investors which could have a material adverse effect on the market price for the Company's common stock.

In 1996, the Company used \$5.5 million of cash in investing activities, consisting of \$2.0 million for the purchase of property and equipment and \$3.5 million for net purchases of marketable securities. The Company regularly invests excess funds in short- and intermediate-term interest-bearing obligations of investment grade.

In 1996, the Company generated a net \$27.7 million in cash from financing activities. This includes net proceeds of \$33.2 million (net of underwriting discount and offering expenses) to the Company from the sale of 2,300,000 shares of common stock in its initial public offering at a price of \$16.00 per share, and less a \$5.6 million distribution to its sole stockholder prior to the offering, for undistributed S corporation earnings. The Company expects to use the net proceeds of the initial offering for working capital and general corporate purposes, including possible acquisitions. The Company currently has no commitments or agreements with respect to any specific acquisition. Pending such uses, the Company is investing the net proceeds primarily in short- and intermediate-term interest-bearing obligations of investment grade.

As of December 31, 1996, the Company had cash and cash equivalents of \$34.4 million and \$10.3 million in marketable securities. The Company does not have a line of credit and does not anticipate the need for one in the foreseeable future. The Company currently has no material capital commitments and does not foresee that capital expenditures will increase substantially during the next two years. The Company believes that its current cash balance, marketable securities, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time.

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

MANAGEMENT OF GROWTH. The Company's growth has placed significant demands on its management and other resources. The Company's revenues increased approximately 71% to \$25.0 million in 1996 from \$14.6 million in 1995. The Company's staff increased from 61 full-time employees on January 1, 1995 to 134 full-time employees on December 31, 1996. The Company's ability to manage growth, if any, effectively will require it to continue to develop and improve its operational, financial, and other internal systems, as well as its business development capabilities, and to train, motivate, and manage its employees. In addition, the Company may acquire complementary businesses, products, or technologies, although it currently has no commitments or agreements to do so. The Company's management has limited experience integrating acquisitions. If the Company is unable to manage its growth effectively, such inability could have a material adverse effect on the quality of the Company's products and services, its ability to retain key personnel and its business, financial condition, and results of operations.

VARIABILITY OF QUARTERLY OPERATING RESULTS; POSSIBLE VOLATILITY OF STOCK PRICE. The Company's revenues and earnings may fluctuate from quarter to quarter based on a variety of factors including the timing and size of new and renewal memberships from clients, the timing of revenue-generating events sponsored by the Company, the utilization of its advisory services, the introduction and marketing of new products and services by the Company and its competitors, the hiring and training of new analysts and sales personnel, changes in demand for the Company's research, and general economic conditions. As a result, the Company's operating results in future quarters may be below the expectations of securities analysts and investors which could have a material adverse effect on the market price for the Company's common stock. Factors such as announcements of new services or offices or strategic alliances by the Company or its competitors, as well as market conditions in the information technology services industry, may have a significant impact on the market price of the common stock. The market price for the Company's common stock may also be affected by movements in prices of stocks in general.

DEPENDENCE ON RENEWALS OF MEMBERSHIP-BASED RESEARCH SERVICES. The Company's success depends in part upon renewals of memberships for its core research products. Approximately 73% and 70% of the Company's revenues in 1996 and 1995, respectively, were derived from the Company's membership-based core research products. A decline in renewal rates for the Company's core research products could have a material adverse effect on the Company's business, financial condition, and results of operations.

DEPENDENCE ON KEY PERSONNEL. The Company's future success will depend in large part upon the continued services of a number of key employees. The loss of key personnel, in particular George F. Colony, the Company's founder and Chairman of the Board of Directors, President, and Chief Executive Officer, would have a material adverse effect on the Company's business, financial condition, and results of operations. In October 1996, the Company entered into a registration rights and non-competition agreement with Mr. Colony which provides that if Mr. Colony's employment with the Company is terminated he will not compete with the Company for the one-year period following his termination.

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

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

COMPETITION. The Company competes in the market for research products and services with other independent providers of similar services. Several of the Company's competitors have substantially greater financial, information-gathering, and marketing resources than the Company. In addition, the Company's indirect competitors include the internal planning and marketing staffs of the Company's current and prospective clients, as well as other information providers such as electronic and print publishing companies, survey-based general market research firms, and general business consulting firms. The Company's indirect competitors may choose to compete directly against the Company in the future. In addition, there are relatively few barriers to entry into the Company's market and new competitors could readily seek to compete against the Company in one or more market segments addressed by the Company's products and services. Increased competition could adversely affect the Company's operating results through pricing pressure and loss of market share. There can be no assurance that the Company will be able to continue to compete successfully against existing or new competitors.

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 1996 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

	PAGE

Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Income.....	F-4
Consolidated Statements of Stockholders' Equity.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7

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 1996 Annual Report on Form 10-K. The information set forth under the sections captioned "Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's Proxy Statement (the "1997 Proxy Statement") for the Company's Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" of the 1997 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 1997 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" and "Compensation Committee Interlocks and Insider Participation" in the 1997 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 above on Page 16.

2. Financial Statements Schedules. The following additional financial data should be read in conjunction with the consolidated financial statements in this report. Schedules other than those listed below have been omitted because they are inapplicable or not required.

	FORM 10-K PAGE -----
Report of Independent Public Accountants.....	F-2
Report of Independent Public Accountants on Schedule.....	F-15
Valuation and Qualifying Accounts.....	F-16

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, President,
 and Chief Executive Officer

Date: March 28, 1997

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
/s/ GEORGE F. COLONY ----- George F. Colony	Chief Executive Officer, President, and Director of the Company (principal executive officer)	March 28, 1997
/s/ DAVID H. RAMSDELL ----- David H. Ramsdell	Director, Finance (principal financial and accounting officer)	March 28, 1997
/s/ ROBERT M. GALFORD ----- Robert M. Galford	Member of the Board of Directors	March 28, 1997
/s/ GEORGE R. HORNIG ----- George R. Hornig	Member of the Board of Directors	March 22, 1997
/s/ MICHAEL H. WELLES ----- Michael H. Welles	Member of the Board of Directors	March 23, 1997

FORRESTER RESEARCH, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1995 AND 1996
TOGETHER WITH AUDITORS' REPORT

F-1

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 subsidiary as of December 31, 1995 and 1996 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrester Research, Inc. and subsidiary as of December 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
January 22, 1997

FORRESTER RESEARCH, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1996

ASSETS

	1995	1996
	-----	-----
Current Assets:		
Cash and cash equivalents.....	\$ 997,567	\$34,382,194
Marketable securities.....	6,520,481	10,257,717
Accounts receivable, net of allowance for doubtful accounts of approximately \$120,000 and \$200,000 in 1995 and 1996, respectively.....	5,882,980	8,100,494
Deferred commissions.....	891,967	1,341,268
Prepaid expenses and other current assets.....	76,542	229,606
	-----	-----
Total current assets.....	14,369,537	54,311,279
	-----	-----
Property and Equipment, at cost:		
Computers and equipment.....	965,435	1,752,473
Furniture and fixtures.....	288,532	546,595
Computer software.....	206,324	312,111
Vehicles.....	30,098	30,098
Leasehold improvements.....	59,262	683,642
	-----	-----
Total property and equipment.....	1,549,651	3,324,919
Less -- Accumulated depreciation and amortization.....	493,376	853,777
	-----	-----
Property and equipment, net.....	1,056,275	2,471,142
	-----	-----
Total assets.....	\$15,425,812	\$56,782,421
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable.....	\$ 377,344	\$ 1,200,131
Customer deposits.....	97,329	139,293
Accrued expenses.....	1,544,815	3,201,111
Accrued income taxes.....	--	227,037
Deferred revenue.....	11,359,101	17,816,380
Deferred income taxes.....	--	436,714
	-----	-----
Total current liabilities.....	13,378,589	23,020,666
	-----	-----
Commitments (Note 4)		
Stockholders' Equity:		
Preferred stock, \$.01 par value Authorized -- 500,000 shares Issued and outstanding -- none.....	--	--
Common stock, \$.01 par value Authorized -- 25,000,000 shares Issued and outstanding -- 6,000,000 shares and 8,300,000 shares in 1995 and 1996, respectively.....	60,000	83,000
Additional paid-in capital.....	--	33,211,053
Retained earnings.....	1,965,527	409,602
Unrealized gain on marketable securities.....	21,696	58,100
	-----	-----
Total stockholders' equity.....	2,047,223	33,761,755
	-----	-----
Total liabilities and stockholders' equity.....	\$15,425,812	\$56,782,421
	=====	=====

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

	1994	1995	1996
	-----	-----	-----
Revenues:			
Core research.....	\$6,363,335	\$10,149,514	\$18,205,851
Advisory services and other.....	3,335,467	4,439,298	6,757,270
Total revenues.....	9,698,802	14,588,812	24,963,121
Operating expenses:			
Cost of services and fulfillment.....	3,423,844	5,486,346	8,761,718
Selling and marketing.....	3,592,853	5,643,196	8,991,794
General and administrative.....	1,045,340	1,388,868	2,508,845
Depreciation and amortization.....	150,067	286,705	618,290
Total operating expenses.....	8,212,104	12,805,115	20,880,647
Income from operations.....	1,486,698	1,783,697	4,082,474
Interest income, net.....	125,115	339,569	633,798
Income before income tax provision.....	1,611,813	2,123,266	4,716,272
Income tax provision (Note 3).....	73,000	96,000	712,000
Net income.....	1,538,813	2,027,266	4,004,272
Pro forma income tax adjustment (Note 3).....	583,000	739,000	1,198,000
Pro forma net income.....	\$ 955,813	\$ 1,288,266	\$ 2,806,272
Pro forma net income per common share.....	\$ 0.15	\$ 0.20	\$ 0.43
Weighted average common shares outstanding.....	6,293,449	6,293,449	6,556,255

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

	COMMON STOCK			RETAINED EARNINGS	UNREALIZED GAIN ON MARKETABLE SECURITIES	TOTAL STOCKHOLDERS' EQUITY
	NUMBER OF SHARES	\$.01 PAR VALUE	ADDITIONAL PAID-IN CAPITAL			
Balance, December 31, 1993.....	6,000,000	\$60,000	\$ --	\$ 1,270,790	\$ --	\$ 1,330,790
Distributions (Note 3).....	--	--	--	(1,750,000)	--	(1,750,000)
Net income.....	--	--	--	1,538,813	--	1,538,813
Balance, December 31, 1994.....	6,000,000	60,000	--	1,059,603	--	1,119,603
Distributions (Note 3).....	--	--	--	(1,121,342)	--	(1,121,342)
Net income.....	--	--	--	2,027,266	--	2,027,266
Unrealized gain on available-for-sale securities.....	--	--	--	--	21,696	21,696
Balance, December 31, 1995.....	6,000,000	60,000	--	1,965,527	21,696	2,047,223
Issuance of common stock in initial public offering, net of issuance costs of \$3,565,947.....	2,300,000	23,000	33,211,053	--	--	33,234,053
Distributions (Note 3).....	--	--	--	(5,560,197)	--	(5,560,197)
Net income.....	--	--	--	4,004,272	--	4,004,272
Unrealized gain on available-for-sale securities.....	--	--	--	--	36,404	36,404
Balance, December 31, 1996.....	8,300,000	\$83,000	\$33,211,053	\$ 409,602	\$ 58,100	\$ 33,761,755

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

	1994	1995	1996
	-----	-----	-----
Cash flows from operating activities:			
Net income.....	\$ 1,538,813	\$ 2,027,266	\$ 4,004,272
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization.....	150,067	286,705	618,290
Deferred income taxes.....	--	--	436,714
Accretion of discount on marketable securities....	(24,935)	(60,377)	(193,152)
Changes in assets and liabilities --			
Accounts receivable.....	(455,965)	(3,010,742)	(2,217,514)
Deferred commissions.....	(158,244)	(396,752)	(449,301)
Prepaid expenses and other current assets.....	5,113	(15,582)	(153,064)
Accounts payable.....	28,748	335,950	822,787
Customer deposits.....	--	97,329	41,964
Accrued expenses.....	330,913	1,019,763	1,656,296
Accrued income taxes.....	--	--	227,037
Deferred revenue.....	2,268,001	4,261,527	6,457,279
	-----	-----	-----
Net cash provided by operating activities.....	3,682,511	4,545,087	11,251,608
	-----	-----	-----
Cash flows from investing activities:			
Purchases of property and equipment, net.....	(304,736)	(751,850)	(2,033,157)
Purchase of marketable securities.....	(1,960,420)	(9,171,880)	(8,469,888)
Proceeds from sales and maturities of marketable securities.....	--	4,718,827	4,962,208
	-----	-----	-----
Net cash used in investing activities.....	(2,265,156)	(5,204,903)	(5,540,837)
	-----	-----	-----
Cash flows from financing activities:			
Distributions to stockholder.....	(1,750,000)	(1,121,342)	(5,560,197)
Net proceeds of stock offering.....	--	--	33,234,053
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(1,750,000)	(1,121,342)	27,673,856
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents....	(332,645)	(1,781,158)	33,384,627
Cash and cash equivalents, beginning of year.....	3,111,370	2,778,725	997,567
	-----	-----	-----
Cash and cash equivalents, end of year.....	\$ 2,778,725	\$ 997,567	\$34,382,194
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid for income taxes.....	\$ 18,961	\$ 44,893	\$ 87,053
	=====	=====	=====
Supplemental disclosure of noncash investing and financing activities:			
Unrealized gain on available-for-sale securities.....	\$ --	\$ 21,696	\$ 36,404
	=====	=====	=====

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

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying 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 as of and for the year ended December 31, 1996 include the accounts of the Company and its wholly owned subsidiary, Whitcomb Investments, Inc., a Massachusetts corporation. All significant intercompany balances have been eliminated in consolidation.

Revenue Recognition

The Company invoices its core research, advisory and other services when an order is received. The gross amount is recorded as accounts receivable and deferred revenue when the client is legally obligated to pay the invoice. Core research, which represents monthly distribution of research reports, is recorded as revenue ratably over the term of the agreement as the research is delivered. Advisory and other services are recognized during the period in which the services are performed.

Deferred Commissions

Commissions incurred in acquiring new or renewal contracts are deferred and amortized as the related revenue is recognized. The Company evaluates the recoverability of deferred commissions at each balance sheet date based on the status of the related contract.

Pro Forma Net Income Per Common Share

Pro forma net income per common share is computed by dividing pro forma net income (reflecting the pro forma income tax adjustment discussed in Note 3) by the weighted average number of shares of common stock and common stock equivalents outstanding during the period, adjusted for the reincorporation discussed in Note 6. Common stock equivalents consist of common stock issuable on the exercise of outstanding options.

In accordance with Securities and Exchange Commission requirements, all common stock and common stock equivalents issued during the 12 months preceding an initial public offering have been included in the net income per share computation as if they were outstanding for all periods using the treasury stock method.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Depreciation

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

	ESTIMATED USEFUL LIFE -----
Computers and equipment.....	3 to 5 Years
Furniture and fixtures.....	7 Years
Computer software.....	3 Years
Vehicles.....	5 Years
Leasehold improvements.....	Life of lease

Product Development

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

Concentration of Credit Risk

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

Financial Instruments

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

(2) CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

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

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

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

bought and held principally for the purpose of selling in the near term are classified as trading securities. There were no trading securities as of December 31, 1995 and 1996.

At December 31, 1995 and 1996, marketable securities consisted of the following:

	1995	1996
	-----	-----
U.S. Treasury bills.....	\$3,876,100	\$ 3,473,694
U.S. Treasury notes.....	613,456	2,510,155
Federal agency obligations.....	309,255	854,214
State and municipal bonds.....	1,721,670	3,419,654
	-----	-----
	\$6,520,481	\$10,257,717
	=====	=====

The following table summarizes the maturity periods of marketable securities as of December 31, 1996:

	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	TOTAL
	-----	-----	-----	-----
U.S. Treasury bills.....	\$3,473,694	\$ --	\$ --	\$ 3,473,694
U.S. Treasury notes.....	--	2,006,875	503,280	2,510,155
Federal agency obligations.....	--	445,601	408,613	854,214
State and municipal bonds.....	--	1,887,497	1,532,157	3,419,654
	-----	-----	-----	-----
	\$3,473,694	\$4,339,973	\$2,444,050	\$10,257,717
	=====	=====	=====	=====

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

(3) INCOME TAXES

The Company accounts for income taxes, including pro forma computations, 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 bases of assets and liabilities.

The Company was an S corporation under Section 1362 of the Internal Revenue Code of 1986, as amended (the Code), until prior to the closing of its public offering. As an S corporation, the taxable income of the Company was passed through the sole stockholder and was reported on his individual federal and state income tax returns. Payments to the stockholder to cover the tax liabilities as a result of the Company's taxable income are recorded as distributions in the accompanying statements of stockholders' equity. In December 1996, a distribution was recorded to distribute the cumulative S corporation earnings taxed or taxable to the original stockholder net of amounts previously distributed. This distribution totaled approximately \$5,231,000, of which approximately \$5,164,000 was paid in cash and \$67,000 was accrued as of December 31, 1996.

As discussed above, the Company terminated its S corporation election and became subject to federal and state income taxes at prevailing corporate rates prior to the closing of its initial public offering of common stock. Accordingly, the accompanying statements of income for each of the three years ended December 31, 1994, 1995 and 1996 include a pro forma income tax adjustment for the income taxes that would have been recorded if the Company had been a C corporation for the period presented.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of the historical and pro forma income tax provision are as follows:

	1994	1995	1996
	-----	-----	-----
Current --			
Federal.....	\$ --	\$ --	\$ 67,000
State.....	73,000	96,000	208,000
	-----	-----	-----
	73,000	96,000	275,000
	-----	-----	-----
Deferred --			
Federal.....	--	--	354,000
State.....	--	--	83,000
	-----	-----	-----
	--	--	437,000
	-----	-----	-----
Actual provision for income taxes.....	73,000	96,000	712,000
Pro forma income tax provision.....	656,000	835,000	1,910,000
	-----	-----	-----
Pro forma income tax adjustment.....	\$583,000	\$739,000	\$1,198,000
	=====	=====	=====

The Company's income tax provision for the years ended December 31, 1994 and 1995 consisted of corporate-level state income taxes that were levied against the Company as an S corporation. The pro forma tax provisions do not materially differ from the Company's combined federal and state statutory rate of 40%.

Upon termination of the S corporation election, deferred income taxes were recorded for the tax effect of cumulative temporary differences between the financial reporting and tax bases of certain assets and liabilities, primarily deferred commissions, accrued expenses and cumulative tax depreciation in excess of financial reporting allowances. These temporary differences resulted in a net deferred income tax liability of approximately \$510,000. The Company recorded this tax liability as a one-time increase in the actual tax provision during 1996.

Deferred income taxes as of December 31, 1996 related to the following temporary differences:

Nondeductible reserves and accruals.....	\$ 147,000
Depreciation and amortization.....	(47,000)
Deferred commissions.....	(537,000)

	\$(437,000)
	=====

The Company and George F. Colony, who was the sole stockholder of the Company prior to its initial public offering, have entered into an indemnification agreement relating to their respective income tax liabilities. Mr. Colony will continue to be liable for personal income taxes on the Company's income for all periods prior to the time the Company ceased to be an S corporation, while the Company will be liable for all income taxes subsequent to the time it ceased to be an S corporation. The agreement generally provides that the Company will indemnify Mr. Colony for any increase in his taxes (including interest and penalties) resulting from adjustments initiated by taxing authorities and from payments to him under the agreement, and Mr. Colony will pay to the Company an amount equal to any decrease in his tax liability resulting from adjustments initiated by taxing authorities. The agreement also provides that, if the Company is determined to have been a C corporation for tax purposes at any time it reported its income as an S corporation, Mr. Colony will make a capital contribution to the Company in an amount necessary to hold the Company harmless from any taxes and interest arising from such determination up to the amount of distributions made by the Company to Mr. Colony prior to the termination of the Company's S corporation election less any taxes and interest attributable to such distributions.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(4) COMMITMENTS

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

At December 31, 1996, approximate future minimum rentals due are as follows:

1997.....	\$1,011,000
1998.....	1,001,000
1999.....	1,007,000
2000.....	1,012,000
2001.....	262,000

Total minimum lease payments.....	\$4,293,000
	=====

Rent expense was approximately \$369,000, \$663,000 and \$664,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

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

(5) 401(k) PLAN

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

(6) STOCKHOLDERS' EQUITY

(a) Initial Public Offering

In December 1996, the Company sold through an underwritten public offering 2,300,000 shares of its common stock at \$16.00 per share. The proceeds to the Company from the Company's initial public offering, net of underwriting discounts and expenses, were \$33,234,053.

(b) Reincorporation

In February 1996, in connection with the Company's reincorporation in Delaware, the Company increased the number of authorized shares of common stock to 7,000,000, and each outstanding share of common stock was exchanged for 6,000 shares of common stock in the reincorporated entity. The accompanying financial statements and notes have been retroactively adjusted to reflect this transaction. Immediately prior to the Company's initial public offering, the Company's Certificate of Incorporation was amended to increase the number of authorized shares of common stock to 25,000,000.

(c) Preferred Stock

Prior to its initial public offering, the Company amended its Certificate of Incorporation to authorize 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.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(7) STOCK OPTION PLANS

In February 1996, the Company adopted the Forrester Research, Inc. 1996 Equity Incentive Plan, which was amended in September 1996 (the Plan). The Plan provides for the issuance of incentive stock options (ISOs) and nonqualified stock options (NSOs) to purchase up to 2,750,000 shares of common stock. Under the terms of the Plan, ISOs may not be granted at less than fair market value on the date of grant (and in no event less than par value). ISO grants to holders of 10% of the combined voting power of all classes of Company stock must be granted at an exercise price of not less than 110% of the fair market value at the date of grant. The fair market value of \$5.50 per share for the options granted in February 1996 was based on an independent appraisal. Options vest ratably over three years and expire after 10 years. Options granted under the Plan immediately vest upon certain events, as defined.

Stock option activity since the Plan's inception to December 31, 1996 was as follows:

	NUMBER OF SHARES	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----	-----
Granted.....	790,046	\$5.50-\$13.00	\$8.16
Canceled.....	(31,355)	5.50	5.50
	-----	-----	-----
Outstanding at December 31, 1996.....	758,691	\$5.50-\$13.00	\$8.28
	=====	=====	=====
Exercisable at December 31, 1996.....	149,376	\$5.50	\$5.50
	=====	=====	=====

The weighted average remaining contractual life of options outstanding at December 31, 1996 is 9.4 years. As of December 31, 1996, options available for future grant under the Plan were 1,991,309.

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

In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS No. 123. The Company has computed the pro forma disclosures required under SFAS No. 123 for options granted in

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1996 using the Black-Scholes option pricing model prescribed by SFAS No. 123. The weighted average assumptions used for 1996 are:

Risk-free interest rate.....	6.21%
Expected dividend yield.....	--
Expected lives.....	7.5 years
Expected volatility.....	0%-64%

The total value of options granted during the year ended December 31, 1996 was computed as approximately \$2,705,000. Of this amount, approximately \$377,000 would be charged to operations for the year ended December 31, 1996, and the remaining amount, approximately \$2,328,000, would be amortized over the related remaining vesting periods. There were no options or warrants issued prior to 1996. The pro forma effect of SFAS No. 123 for the year ended December 31, 1996 is approximately as follows:

	AS REPORTED	PRO FORMA
	-----	-----
Net income.....	\$ 2,806,000	\$2,429,000
	=====	=====
Net income per share.....	\$0.43	\$0.37
	=====	=====

(8) EMPLOYEE STOCK PURCHASE PLAN

In September 1996, the Company adopted the 1996 Employee Stock Purchase Plan (the Stock Purchase Plan), which provides for the issuance of up to 200,000 shares of common stock. The Stock Purchase Plan is administered by the Committee. With certain limited exceptions, all employees of the Company who have completed six months or more of continuous service in the employ of the Company and whose customary employment is more than 20 hours per week, including officers and directors who are employees, are eligible to participate in the Stock Purchase Plan. The first purchase period under the Stock Purchase Plan commenced on the first day that the Company's common stock was publicly traded on the Nasdaq National Market and will end on June 30, 1997. Each subsequent purchase period under the Stock Purchase Plan will be six months in length and will 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. Because the first purchase period under the stock purchase plan ends on June 30, 1997, no shares were purchased under the Stock Purchase Plan during 1996.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(9) NET SALES BY GEOGRAPHIC DESTINATION

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

	1994	1995	1996
	-----	-----	-----
United States.....	\$8,103,708	\$12,025,529	\$19,694,363
Europe.....	629,208	1,066,314	2,751,858
Other.....	965,886	1,496,969	2,516,900
	-----	-----	-----
	\$9,698,802	\$14,588,812	\$24,963,121
	=====	=====	=====
United States.....	84%	82%	79%
Europe.....	6	8	11
Other.....	10	10	10
	-----	-----	-----
	100%	100%	100%
	=====	=====	=====

(10) ACCRUED EXPENSES

Accrued expenses consist of the following:

	1995	1996
	-----	-----
Payroll and related.....	\$ 802,673	\$1,446,752
Other.....	742,142	1,754,359
	-----	-----
	\$1,544,815	\$3,201,111
	=====	=====

(11) SUMMARY SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of selected quarterly financial data for the years ended December 31, 1995 and 1996 (in thousands, except per share data):

	QUARTER ENDED			
	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995
	-----	-----	-----	-----
Revenues.....	\$ 2,708	\$2,873	\$ 3,535	\$5,473
Income from operations.....	\$ 209	\$ 162	\$ 370	\$1,043
Pro forma net income.....	\$ 168	\$ 157	\$ 272	\$ 691
Pro forma net income per common share.....	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.11

	QUARTER ENDED			
	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996
	-----	-----	-----	-----
Revenues.....	\$ 4,746	\$5,316	\$ 6,312	\$8,589
Income from operations.....	\$ 459	\$ 566	\$ 1,129	\$1,928
Pro forma net income.....	\$ 339	\$ 409	\$ 716	\$1,314
Pro forma net income per common share.....	\$ 0.05	\$ 0.07	\$ 0.11	\$ 0.18

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To the Stockholders of
Forrester Research, Inc.:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Forrester Research, Inc., included in this Form 10-K, and have issued our report thereon dated January 22, 1997. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)(2) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
January 22, 1997

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FORRESTER RESEARCH, INC.
VALUATION AND QUALIFYING ACCOUNTS

ALLOWANCE FOR DOUBTFUL ACCOUNTS	ADDITIONS			BALANCE, END OF PERIOD
	BALANCE, BEGINNING OF PERIOD	CHARGED TO COST OR EXPENSE	DEDUCTIONS (WRITE-OFFS)	
Fiscal 1993.....	\$ --	\$ 158,624	\$ (125,290)	\$ 33,334
Fiscal 1994.....	33,334	108,644	(53,519)	88,459
Fiscal 1995.....	88,459	62,245	(30,784)	119,920
Fiscal 1996.....	119,920	312,317	(232,237)	200,000

EXHIBIT NO.	DESCRIPTION
3.1*	Restated Certificate of Incorporation of the Company.
3.2*	Bylaws of the Company, as amended.
4*	Specimen Certificate for shares of Common Stock, \$.01 par value, of the Company.
10.1+*	Registration Rights and Non-Competition Agreement.
10.2+*	Tax Indemnification Agreement dated November 25, 1996.
10.3+	1996 Amended and Restated Equity Incentive Plan as amended (transmitted herewith).
10.4+*	1996 Employee Stock Purchase Plan.
10.5+*	1996 Director Option Plan for Non-Employee Directors.
10.6*	Lease dated May 1, 1995 between Advent Realty Limited Partnership II and the Company for the premises located at 1033 Massachusetts Avenue, Cambridge, Massachusetts (the "Cambridge Lease").
10.7*	First Amendment to the Cambridge Lease, dated August 28, 1995.
10.8*	Second Amendment to the Cambridge Lease, dated May 21, 1996.
11	Statement Regarding Computation of Pro Forma Per Share Earnings (transmitted herewith).
20	Subsidiaries of the Registrant (transmitted herewith).
23	Consent of Arthur Andersen LLP (transmitted herewith).

+ Denotes management contract or compensation arrangements.

* Filed as an Exhibit to the Company's Registration Statement on Form S-1 filed on September 26, 1997 (File No. 333-12761) and incorporated by reference herein.

AMENDED AND RESTATED
AS OF FEBRUARY 28, 1997AMENDED AND RESTATED FORRESTER RESEARCH, INC.
1996 EQUITY INCENTIVE PLAN

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

2. The Committee.

2.1. Administration. The Plan shall be administered by a committee (the "Committee") appointed by the Board of Directors of the Company (the "Board"). Any member of the Committee may be removed at any time, either with or without cause, by resolution adopted by the Board; and any vacancy on the Committee, whether due to action of the Board or due to any other cause, shall be filled by resolution adopted by the Board. For purposes of awards that do not exceed 15,000 shares of Common Stock made to persons who are not Officers of the Company, as that term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, unless otherwise determined by the Board of Directors the duties of the Committee shall be delegated to the Chief Executive Officer, so long as he or she is a director.

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

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

3. Shares Subject to Awards.

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

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

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

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

5. Eligibility.

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

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

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

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

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

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

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

8. Exercisability and Duration of Options.

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

8.2. Automatic Termination of Options. Unless the Committee determines otherwise, either at the time of grant or thereafter, any portion of an option that has not vested on the date a participant's employment with the Company or its subsidiaries terminates shall automatically be canceled. Unless the Committee determines otherwise, either at the time of grant or thereafter, the unexercised portion of any option granted under the Plan shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

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

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

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

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

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

9. Exercise of Option.

9.1. Exercise. Options granted under the Plan shall be exercised by the participant (or by his or her executors or administrators, as provided in Paragraph 10 hereof) as to all or part of the shares covered thereby, by the giving of written notice of exercise to the Company, specifying the number of shares to be purchased, accompanied by payment of the full purchase price for the shares being purchased. Payment of such purchase price shall be made (a) by check payable to the Company, or (b) if so permitted by the Committee (i) through the delivery of shares of Common Stock (which, in the case of Common Stock acquired from the Company, shall have been held for at least six months prior to delivery) having a Fair Market Value on the last business day preceding the date of exercise equal to the purchase price or (ii) by delivery of a promissory note of the participant to the Company, such note to be payable on such terms as are specified by the Committee or (iii) at such time as the Common Stock is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price or (iv) by any combination of the permissible forms of payment. Such notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. No participant or other person exercising

an option shall have any of the rights of a stockholder of the Company with respect to shares subject to an option granted under the Plan until certificates for such shares shall have been issued following the exercise of such option as the case may be. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance. In no event may any option granted hereunder be exercised for a fraction of a share.

9.2. Tax Withholding.

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

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

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

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

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

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

(c) Valuation. Shares so withheld, delivered, or tendered back shall be valued at their Fair Market Value on the date on which the amount of tax to be withheld is determined (the "Tax Date"). The tax withholding obligations that may be paid by such withholding of shares otherwise issuable in connection with a stock option, or the delivery of shares held by such participant for less than six months, may not exceed the minimum withholding requirements imposed by law. The tax withholding obligations that may be paid by the tender back of shares held by the participant for six months or longer may exceed the participant's tax obligations associated with the transaction, including any related FICA obligations, determined based upon the participant's maximum marginal tax rate.

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

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

10. Non-Transferability of Options. Unless the Committee otherwise determines, no option granted under the Plan or any right evidenced thereby shall be transferable by the participant other than by will or by the laws of descent and

distribution, and an option may be exercised, during the lifetime of a participant, only by such participant. In the event of a participant's death during his or her employment by the Company or any of its subsidiaries as the case may be, or during the three-month period following the date of termination of such employment, his or her option shall thereafter be exercisable, during the period specified in Paragraph 8.2(d) hereof, by his or her executors or administrators.

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

12. Restricted and Unrestricted Stock.

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

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

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

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

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

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

13. Recapitalizations, Reorganizations, and the Like.

13.1 Adjustment Upon Changes in Capitalization, etc. In the event of any stock split, stock dividend, reclassification, or recapitalization which changes the character or amount of the Company's outstanding Common Stock while any portion of any option theretofore granted under the Plan is outstanding but unexercised, the Committee shall make such adjustments in the character and number of shares subject to such options and in the option price, as shall be equitable and appropriate in order to make the option, as nearly as may be practicable, equivalent to such option immediately prior to such change; provided, however, that no such adjustment shall give any participant any additional benefits under his or her option; and provided further, that, with respect to any outstanding incentive stock option, if any such adjustment is made by reason of a transaction described in section

424(a) of the Code, it shall be made so as to conform to the requirements of that section and the regulations thereunder. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the option. Any fractional shares or other securities which may be payable upon exercise of the option shall be payable in cash in an amount equal to such fraction multiplied by the then Fair Market Value of such fractional shares at the date of exercise.

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

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

The Committee may grant awards under the Plan in substitution for awards held by directors, employees, consultants, or advisers of another corporation who concurrently become directors, employees, consultants, or advisers of the Company or a subsidiary of the Company as the result of a merger or consolidation of that corporation with the Company or a subsidiary of the Company, or as the result of the acquisition by the Company or a subsidiary of the Company of property or stock of that corporation. The Company may direct that substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

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

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

STATEMENT REGARDING COMPUTATION OF PRO FORMA PER SHARE EARNINGS

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
Computation of income per common share:			
Pro forma net income.....	\$ 955,813	\$ 1,288,266	\$ 2,806,272
Shares:			
Weighted average shares outstanding.....	6,000,000	6,000,000	6,226,849
Add:			
Shares issuable from assumed exercise of options as determined by the application of the treasury stock method.....	293,449	293,449	329,376
Weighted average common and common equivalent shares outstanding.....	6,293,449	6,293,449	6,556,225
Pro forma net income per common share.....	\$ 0.15	\$ 0.20	\$ 0.43

SUBSIDIARIES OF THE REGISTRANT

Whitcomb Investments, Inc., a Massachusetts Corporation.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 22, 1997 included in this Form 10-K, into the Company's previously filed Registration Statements File Nos. 333-22749 and 333-16905.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
March 26, 1997

YEAR			
	DEC-31-1996		
	JAN-01-1996		
	DEC-31-1996		
		34,382,194	
		10,257,717	
		8,300,494	
		200,000	
		0	
	54,311,279		
		3,324,919	
		853,777	
	56,782,421		
23,020,666			
		0	
	0		
		0	
		83,000	
		33,211,053	
56,782,421			
		0	
	24,963,121		
			0
		8,761,718	
	12,118,929		
		0	
		0	
	4,716,272		
		1,910,000	
2,806,272			
		0	
		0	
			0
	2,806,272		
		.43	
		0	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORRESTER RESEARCH, INC.'S DECEMBER 31, 1996 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS CONTAINED IN FORM 10-K.