

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

OR

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

COMMISSION FILE NUMBER: 000-21433

FORRESTER RESEARCH, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

04-2797789

(I.R.S. Employer
Identification Number)

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

02139
(Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 4, 2004, 21,855,569 shares of the registrant's common stock were outstanding.

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FORRESTER RESEARCH, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,621	\$ 22,385
Marketable securities	91,779	104,348
Accounts receivable, net	25,113	40,013
Deferred commissions	5,150	5,999
Prepaid expenses and other current assets	7,325	7,079
Total current assets	<u>165,988</u>	<u>179,824</u>
Long-term assets:		
Property and equipment, net	6,025	8,266
Goodwill	56,894	57,006
Intangible assets, net	8,345	13,456
Deferred income taxes	39,709	40,159
Non-marketable investments and other assets	13,822	12,264
Total long-term assets	<u>124,795</u>	<u>131,151</u>
Total assets	<u>\$290,783</u>	<u>\$310,975</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,570	\$ 2,566
Accrued expenses	27,363	31,457
Deferred revenue	60,769	68,630
Total current liabilities	<u>90,702</u>	<u>102,653</u>
Stockholders' equity:		
Preferred stock, \$.01 par value		
Authorized— 500 shares		
Issued and outstanding—none	—	—
Common stock, \$.01 par value		
Authorized — 125,000 shares		
Issued — 24,559 and 24,355 shares as of September 30, 2004 and December 31, 2003, respectively		
Outstanding— 21,827 and 22,461 shares as of September 30, 2004 and December 31, 2003, respectively	246	243
Additional paid-in capital	177,793	172,523
Retained earnings	67,551	66,945
Treasury stock, at cost— 2,732 and 1,894 shares as of September 30, 2004 and December 31, 2003, respectively	(44,923)	(30,300)
Accumulated other comprehensive loss	(586)	(1,089)
Total stockholders' equity	<u>200,081</u>	<u>208,322</u>
Total liabilities and stockholders' equity	<u>\$290,783</u>	<u>\$310,975</u>

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

FORRESTER RESEARCH, INC.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
	(UNAUDITED)			
Revenues:				
Research services	\$ 23,544	\$ 23,798	\$ 69,579	\$ 68,169
Advisory services and other	10,335	8,410	30,950	22,499
Total revenues	33,879	32,208	100,529	90,668
Operating expenses:				
Cost of services and fulfillment	13,266	12,525	40,782	36,380
Selling and marketing	11,036	10,749	33,701	29,523
General and administrative	4,291	3,927	11,687	10,985
Depreciation	744	1,520	2,801	5,052
Amortization of intangible assets	1,384	2,608	5,112	6,140
Reorganization costs	—	1,230	8,751	1,230
Integration costs	—	167	—	938
Total operating expenses	30,721	32,726	102,834	90,248
Income (loss) from operations	3,158	(518)	(2,305)	420
Other income (expense):				
Other income, net	680	787	2,168	2,692
Gains on sales of marketable securities	678	—	678	509
Non-marketable investment gains (impairments), net	313	—	370	(572)
Income before income tax provision	4,829	269	911	3,049
Income tax provision	1,618	83	305	945
Net income	\$ 3,211	\$ 186	\$ 606	\$ 2,104
Basic net income per common share	\$ 0.15	\$ 0.01	\$ 0.03	\$ 0.09
Diluted net income per common share	\$ 0.14	\$ 0.01	\$ 0.03	\$ 0.09
Basic weighted average common shares outstanding	21,952	22,462	22,094	22,572
Diluted weighted average common shares outstanding	22,345	22,741	22,577	22,793

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	(UNAUDITED)	
Cash flows from operating activities:		
Net income	\$ 606	\$ 2,104
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation	2,801	5,052
Amortization of intangible assets	5,112	6,140
Non-marketable investment (gains) impairments, net	(370)	572
Realized gains on sales of marketable securities	(678)	(509)
Tax benefit from exercises of employee stock options	256	239
Deferred income taxes	(2)	747
Non-cash reorganization costs	1,541	—
Increase in provision for doubtful accounts	224	—
Accretion of premiums on marketable securities	635	618
Changes in assets and liabilities, net of acquisition—		
Accounts receivable	15,541	9,088
Deferred commissions	849	(434)
Prepaid expenses and other current assets	(296)	2,401
Accounts payable	(116)	(1,395)
Accrued expenses	(3,722)	(4,714)
Deferred revenue	(8,770)	(16,914)
Net cash provided by operating activities	13,611	2,995
Cash flows from investing activities:		
Acquisition of Giga Information Group, Inc., net of cash acquired	—	(57,027)
Purchases of property and equipment	(2,423)	(1,122)
Purchases of non-marketable investments	(2,263)	(3,150)
Decrease (increase) in other assets	842	(1,439)
Purchases of marketable securities	(107,478)	(164,338)
Proceeds from sales and maturities of marketable securities	121,623	230,641
Net cash provided by investing activities	10,301	3,565
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,959	2,070
Acquisition of treasury stock	(12,623)	(6,796)
Structured stock repurchase	54	(1,793)
Net cash used in financing activities	(9,610)	(6,519)
Effect of exchange rate changes on cash and cash equivalents	(66)	(178)
Net increase (decrease) in cash and cash equivalents	14,236	(137)
Cash and cash equivalents, beginning of period	22,385	11,479
Cash and cash equivalents, end of period	\$ 36,621	\$ 11,342
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 1,201	\$ 940

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

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related notes that appear in the Annual Report of Forrester Research, Inc. (“Forrester”) as reported on Form 10-K for the year ended December 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations, and cash flows as of the dates and for the periods presented have been included. The results of operations for the nine months ended September 30, 2004 may not be indicative of the results that may be expected for the year ended December 31, 2004, or any other period.

Stock-Based Compensation

Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” and SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure,” requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. Forrester has determined it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion (“APB”) No. 25 and elect the disclosure-only alternative under SFAS No. 123. There is no compensation expense related to option grants reflected in the accompanying financial statements.

If compensation cost for Forrester’s stock option plans had been determined using the fair value method prescribed in SFAS No. 123, net income for the three and nine months period ended September 30, 2004 and 2003 would have been approximately as follows (in thousands, except per share data):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
	(IN THOUSANDS)		(IN THOUSANDS)	
Net income, as reported	\$ 3,211	\$ 186	\$ 606	\$ 2,104
Less: Total stock-based employee compensation expense determined under fair value based method for all awards	(1,045)	(1,349)	(3,334)	(4,724)
Pro-forma net income (loss)	\$ 2,166	\$(1,163)	\$(2,728)	\$(2,620)
Basic net income per share — as reported	\$ 0.15	\$ 0.01	\$ 0.03	\$ 0.09
Diluted net income per share — as reported	\$ 0.14	\$ 0.01	\$ 0.03	\$ 0.09
Basic and diluted net income (loss) per share — pro forma	\$ 0.10	\$ (0.05)	\$ (0.12)	\$ (0.12)

Income Taxes

Forrester provides for income taxes on an interim basis according to management’s estimate of the effective tax rate expected to be applicable for the full fiscal year ending December 31.

NOTE 2 — ACQUISITIONS

(a) Giga Information Group, Inc.

In the first quarter of 2003, Forrester acquired Giga Information Group, Inc. (“Giga”), a global technology advisory firm, pursuant to a cash tender offer and second step merger. The acquisition increased agreement value and the number of client companies and has reduced operating expenses of the combined entity through economies of scale. The aggregate purchase price was \$62,510,000 in cash which consisted of \$60,347,000 for the acquisition of all outstanding shares of Giga common stock; \$981,000 of estimated direct acquisition costs; and \$1,182,000 for severance related to 27 employees of Giga terminated as a result of the acquisition. The results of Giga’s operations have been included in Forrester’s consolidated financial statements since February 28, 2003. Forrester elected

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to treat the acquisition of Giga as a stock purchase for income tax purposes, and accordingly, the goodwill and intangible assets are not deductible for income tax purposes.

The following table summarizes the estimated fair values of the Giga assets acquired and liabilities assumed at the date of acquisition.

	FEBRUARY 28, 2003
	(IN THOUSANDS)
Assets	
Cash	\$ 5,302
Accounts receivable	10,458
Prepaid expenses and other current assets	1,396
Property and equipment, net	2,108
Goodwill	39,883
Intangible assets	19,484
Deferred Income Taxes	18,666
Non-marketable investments and other assets	1,366
Total assets	\$98,663
Liabilities	
Accounts payable	\$ 1,485
Accrued expenses	9,655
Capital lease obligations	204
Deferred revenue	24,809
Total liabilities	\$36,153
Net assets acquired	\$62,510

The acquired intangible assets are being amortized using an accelerated method according to the expected cash flows to be received from the underlying assets over their respective lives as follows:

	ASSIGNED VALUE	USEFUL LIFE
	(IN THOUSANDS)	
Amortized intangible assets:		
Customer relationships	\$ 17,070	5 years
Research content	1,844	1 year
Registered trademarks	570	1 year
Subtotal	\$ 19,484	

Amortization expense related to identifiable intangible assets was approximately \$1,118,000 and \$2,526,000 during the three months ended September 30, 2004 and 2003, respectively, and \$4,293,000 and \$5,895,000 during the nine months ended September 30, 2004 and 2003, respectively.

The following table presents pro forma financial information as if the acquisition of Giga had been completed as of January 1, 2003.

	NINE MONTHS ENDED SEPTEMBER 30, 2003
	(IN THOUSANDS, EXCEPT PER SHARE DATA)
Revenues	\$101,242
Loss from operations	\$ (23)
Net income	\$ 1,322
Basic and diluted net income per common share	\$ 0.06

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(b) GigaGroup S.A.

As part of the acquisition of Giga discussed above, Forrester acquired an equity investment in GigaGroup S.A. (“GigaGroup”). GigaGroup was created in 2000 through the spin-off of Giga’s French subsidiary, and held an exclusive agreement to distribute all Giga research and certain services in France, Belgium, Netherlands, Luxemburg, Switzerland, Italy, Spain, and Portugal. During 2003, prior to the acquisition discussed below, Forrester recognized revenues of approximately \$964,000 related to this distribution agreement.

On November 30, 2003, Forrester acquired the assets of GigaGroup. The acquisition increased the number of client companies and allows Forrester to sell Giga research and services in France, Belgium, Netherlands, Luxemburg, Switzerland, Italy, Spain and Portugal. The aggregate purchase price of \$4,124,000 consisted of \$2,866,000 in cash, \$118,000 of direct acquisition costs, \$521,000 of outstanding accounts receivable due to Forrester and the contribution of the equity investment in GigaGroup valued at \$619,000. Prior to the acquisition, the equity investment of \$1,215,000 was accounted for using the cost method and, accordingly, was valued at cost unless a permanent impairment in its value occurred or the investment was liquidated. In connection with the acquisition, an impairment of \$596,000 to the carrying value of the investment was included in impairments of non-marketable investments in the consolidated financial statements and, as such, the remaining value of the investment of \$619,000 was included in the purchase price.

Forrester elected to treat the acquisition of GigaGroup as an asset purchase for income tax purposes and, as such, the goodwill and intangible assets are deductible for income tax purposes.

The results of GigaGroup’s operations have been included in Forrester’s consolidated financial statements since December 1, 2003. GigaGroup’s historical financial position and results of operations prior to the date of acquisition were not material to Forrester’s financial position and results of operations.

The following table summarizes the estimated fair values of the GigaGroup assets acquired and liabilities assumed at the date of acquisition. Forrester is continuing to finalize certain estimates and appraisals related to the purchase price allocation and expects to finalize the purchase accounting in 2004.

	NOVEMBER 30, 2003
	(IN THOUSANDS)
Assets:	
Accounts receivable	\$ 548
Goodwill	3,767
Intangible assets	1,990
Other assets	91
Total assets	<u>\$6,396</u>
Liabilities:	
Accrued expenses	\$1,215
Deferred revenue	1,057
Total liabilities	<u>\$2,272</u>
Net assets acquired	<u>\$4,124</u>

The acquired intangible asset is being amortized using an accelerated method according to the expected cash flows to be received from the underlying asset over its life as follows:

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	ASSIGNED VALUE	USEFUL LIFE
	(IN THOUSANDS)	
Amortized intangible asset:		
Customer relationships	\$ 1,990	5 years
Subtotal	\$ 1,990	

Amortization expense during the three and nine months ended September 30, 2004 related to the intangible asset acquired from GigaGroup was \$234,000 and \$723,000, respectively.

NOTE 3 — INTANGIBLE ASSETS

A summary of Forrester's amortizable intangible assets as of September 30, 2004 is as follows:

	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT
	(IN THOUSANDS)		
Amortized intangible assets:			
Customer relationships	\$ 19,960	\$ 11,615	\$ 8,345
Research content	2,444	2,444	—
Registered trademarks	570	570	—
Subtotal	\$ 22,974	\$ 14,629	\$ 8,345

Amortization expense related to identifiable intangible assets was approximately \$1,384,000 and \$2,608,000 during the three months ended September 30, 2004 and 2003, respectively, and \$5,112,000 and \$6,140,000 during the nine months ended September 30, 2004 and 2003, respectively. Estimated amortization expense related to identifiable intangible assets that will continue to be amortized is as follows:

	AMOUNTS (IN THOUSANDS)
Remaining three months ending December 31, 2004	\$ 1,329
Year ending December 31, 2005	3,496
Year ending December 31, 2006	2,062
Year ending December 31, 2007	1,228
Year ending December 31, 2008	230
Total	\$ 8,345

NOTE 4 — REORGANIZATION COSTS

In January 2004, Forrester announced a reduction of its workforce by approximately 15 positions in connection with the integration of GigaGroup's operations. As a result, Forrester recorded a reorganization charge of \$1,957,000 during the three months ended March 31, 2004. Approximately 53% of the terminated employees had been members of the sales force, while 27% and 20% had held administrative and research roles, respectively. The charge consisted primarily of severance and related benefit costs, and other payments for professional services incurred in connection with the reorganization. During the three months ended June 30, 2004, Forrester provided for additional severance and related benefits costs of \$240,000.

In connection with the integration of GigaGroup's operations, Forrester vacated and subleased office space in San Francisco, Amsterdam and London during the three-months ended June 30, 2004. As a result of these vacancies and related subleases, Forrester recorded reorganization charges of approximately \$4,693,000 related to the excess of contractual lease commitments over the contracted sublease revenue and \$1,861,000 for the write-off of related leasehold improvements and furniture and fixtures.

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The activity related to these 2004 reorganizations during the nine months ended September 30, 2004 is as follows:

	Total Charges	Non-Cash Charges	Cash Payments	Accrued as of September 30, 2004
(IN THOUSANDS)				
Workforce reduction	\$2,197	\$ —	\$1,823	\$ 374
Facility costs	4,693	(303)	455	4,541
Depreciable assets	1,861	1,861	—	—
Total	<u>\$8,751</u>	<u>\$1,558</u>	<u>\$2,278</u>	<u>\$4,915</u>

The accrued costs related to these 2004 reorganizations are expected to be paid in the following periods:

	TOTAL	2004	2005	2006	2007	2008	Thereafter
(IN THOUSANDS)							
Facility costs	\$4,915	\$800	\$1,145	\$1,226	\$1,211	\$168	\$365

In connection with reorganizations of its workforce prior to 2004, Forrester consolidated its office space. As a result of those consolidations, Forrester has aggregate accrued facility consolidation costs of \$1.3 million as of September 30, 2004. The activity related to these costs during the nine months ended September 30, 2004 is as follows:

	Accrued as of December 31, 2003	Cash Payments	Accrued as of September 30, 2004
(IN THOUSANDS)			
Facility costs	\$2,806	\$1,490	\$1,316

These accrued facility costs are expected to be paid in the following periods:

	TOTAL	2004	2005
(IN THOUSANDS)			
Facility costs	\$1,316	\$264	\$1,052

NOTE 5 — NET INCOME PER COMMON SHARE

Basic net income per common share was computed by dividing net income by the basic weighted average number of common shares outstanding during the period. Diluted net income per common share was computed by dividing net income by the diluted weighted average number of common shares outstanding during the period. The weighted average number of common equivalent shares outstanding has been determined in accordance with the treasury-stock method. Common stock equivalents consist of common stock issuable on the exercise of outstanding options, when dilutive. A reconciliation of basic to diluted weighted average shares outstanding is as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
(IN THOUSANDS)				
Basic weighted average common shares outstanding	21,952	22,462	22,094	22,572
Weighted average common equivalent shares	393	279	483	221
Diluted weighted average shares outstanding	<u>22,345</u>	<u>22,741</u>	<u>22,577</u>	<u>22,793</u>

During the three month periods ended September 30, 2004 and 2003, options to purchase approximately 2,772,000 and 2,921,000 shares of common stock, respectively, were excluded from the calculation of diluted weighted average shares outstanding as the effect would have been anti-dilutive.

During the nine month periods ended September 30, 2004 and 2003, options to purchase approximately 2,459,000 and 3,145,000 shares of common stock, respectively, were excluded from the calculation of diluted weighted average shares outstanding as the effect would have been anti-dilutive.

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NOTE 6 — COMPREHENSIVE INCOME (LOSS)

The components of total comprehensive income (loss) for the three and nine months ended September 30, 2004 and 2003 are as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
	(IN THOUSANDS)			
Unrealized gain (loss) on marketable securities, net of taxes	\$ 1,487	\$ (419)	\$ 756	\$ (125)
Cumulative translation adjustment	(94)	(608)	(253)	(601)
Total other comprehensive income (loss)	\$ 1,393	\$ (1,027)	\$ 503	\$ (726)
Reported net income	3,211	186	606	2,104
Total comprehensive income (loss)	\$ 4,604	\$ (841)	\$ 1,109	\$ 1,378

NOTE 7 — NON-MARKETABLE INVESTMENTS

In June 2000, Forrester committed to invest \$20.0 million in two private equity investment funds over a period of up to five years. During the three months ended September 30, 2004 and 2003, Forrester contributed approximately \$412,500 and \$1,100,000 to these investment funds, respectively. During the nine months ended September 30, 2004 and 2003, Forrester contributed approximately \$2.0 million and \$3.2 million to these investment funds, respectively, resulting in total cumulative contributions of approximately \$17.5 million as of September 30, 2004. One of these investments is being accounted for using the cost method and, accordingly, is valued at cost unless an other than temporary impairment in its value occurs or the investment is liquidated. The other investment is being accounted for using the equity method. The carrying value of the investment funds as of September 30, 2004 was approximately \$11.7 million. During the nine months ended September 30, 2004 and 2003, distributions of \$313,000 and \$419,000, respectively, were recorded and resulted in a gain in the consolidated statements of income. During the nine months ended September 30, 2003, Forrester recorded net impairments to these investments of approximately \$442,000 which was included in the consolidated statements of income. During the three months ended September 30, 2004 and 2003, fund management charges of approximately \$84,000 were included in other income, net in the consolidated statements of income, respectively. During the nine months ended September 30, 2004 and 2003, fund management charges of approximately \$253,000 and \$326,000 were included in other income, net in the consolidated statement of income, respectively, bringing the total cumulative fund management charges paid by Forrester to approximately \$1.9 million. Fund management charges are recorded as a reduction of the investments' carrying value.

Forrester has adopted a cash bonus plan to pay bonuses, after the return of invested capital, measured by the proceeds of a portion of its share of net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. The payment of such bonuses would result in compensation expense with respect to the amounts so paid. To date, no bonuses have been paid under this plan.

In December 2003, Forrester committed to invest an additional \$2.0 million over an expected period of 2 years in an annex fund of one of the two private equity investment funds. The annex fund investment is outside of the scope of the previously mentioned bonus plan. During the nine months ended September 30, 2004, Forrester contributed \$600,000 to this annex fund. This investment is being accounted for using the cost method and, accordingly, is valued at cost unless an other than temporary impairment in its value occurs or the investment is liquidated. The carrying value of this investment at September 30, 2004 is \$600,000.

The timing of the recognition of future gains or losses from these investment funds is beyond Forrester's control. As a result, it is not possible to predict when Forrester will recognize such gains or losses, if Forrester will award cash bonuses based on the net profit from such investments, or when Forrester will incur compensation expense in connection with the payment of such bonuses. If the investment funds realize large gains or losses on their investments, Forrester could experience significant variations in its quarterly results unrelated to its business operations. These variations could be due to significant gains or losses or to significant compensation expenses. While gains may offset compensation expenses in a particular quarter, there can be no assurance that related gains and compensation expenses will occur in the same quarters.

In July 2000, Forrester invested \$1.6 million to purchase preferred shares of ComScore Networks, Inc. ("comScore"), a provider of infrastructure services which utilizes proprietary technology to accumulate comprehensive information on consumer buying behavior, resulting in approximately a 1.2% ownership interest. This investment is being accounted for using the cost method and, accordingly, is valued at cost unless a permanent

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impairment in its value occurs or the investment is liquidated. In June 2003, Forrester determined that its investment in comScore had been permanently impaired due to an additional round of financing at a significantly lower valuation. As a result, during the nine months ended September 30, 2003, Forrester recorded a further write-down of \$130,000 in the consolidated statement of income.

NOTE 8 — MARKETABLE INVESTMENT

Forrester owns common stock of Greenfield Online, Inc. (“Greenfield”), an Internet-based market research firm. In July 2004, Greenfield (NASDAQ: SRVY) completed an initial public offering. Upon consummation of the offering, Forrester received a conversion payment of approximately \$463,000, and participated in the offering by selling approximately 21,000 shares for which Forrester received net proceeds of approximately \$256,000. Accordingly, in the three months ended September 30, 2004, Forrester recognized a gain of approximately \$678,000. As of September 30, 2004, the remaining investment of approximately \$2.4 million, which is included in marketable securities in the accompanying consolidated balance sheet, is classified as available-for-sale and stated at fair market value with any unrealized gains and losses reported as a component of accumulated other comprehensive income. During the three months ended September 30, 2004, approximately \$1.3 million was recorded as an unrealized gain as a component of other comprehensive income.

NOTE 9 — OTHER ASSETS

Other assets consist primarily of capitalized third-party survey costs which are being amortized over their expected period of benefit.

NOTE 10 — STOCK REPURCHASE

In October 2001, Forrester announced a program authorizing the repurchase of up to \$50 million of its common stock. The shares repurchased may be used, among other things, in connection with Forrester’s employee stock option and stock purchase plans and for potential acquisitions. As of September 30, 2004, Forrester had repurchased approximately 2,732,000 shares of common stock at an aggregate cost of approximately \$44.9 million.

During the three months ended March 31, 2004, Forrester entered into a structured stock repurchase agreement giving Forrester the right to acquire shares of Forrester’s common stock in exchange for an up-front net payment of \$1.5 million. The \$1.5 million up-front net payment was recorded in stockholders’ equity as a reduction of additional paid-in capital. Upon expiration of this agreement in May 2004, Forrester received approximately \$1.6 million in cash which was recorded as an increase to additional paid-in capital in the accompanying consolidated balance sheet.

During the three-months ended December 31, 2003, Forrester entered into a similar agreement in exchange for an up-front net payment of \$2.0 million. Upon expiration of this agreement in February 2004, Forrester received 119,000 shares which were recorded as treasury stock.

NOTE 11 — SEGMENT AND ENTERPRISE WIDE REPORTING

Forrester’s operations are managed within the following three operating groups (“Operating Groups”): (i) North America, (ii) Europe and, (iii) World Markets which includes Asia, Middle East, Africa, and Latin America. All of the Operating Groups generate revenues through sales of the same research, advisory and other service offerings. Each of the Operating Groups is composed of sales forces responsible for clients located in such Operating Group’s region and research personnel focused primarily on issues generally more relevant to clients in that region. Because the three Operating Groups have similar economic characteristics, production processes, and classes of clients, provide similar products and services, and use similar distribution methods, they are aggregated for presentation in Forrester’s consolidated financial statements. Accordingly, the financial information disclosed in the consolidated statements of income for the three and nine months ended September 30, 2004 and 2003 represents the aggregation of the Operating Groups.

Net revenues by geographic client location and as a percentage of total revenues are as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
	(IN THOUSANDS)			
United States	\$ 22,813	\$ 23,286	\$ 67,676	\$ 64,930
Europe (excluding United Kingdom)	4,728	2,833	13,475	8,208
United Kingdom	2,871	2,722	9,095	7,934
Canada	1,651	1,727	4,874	4,519
Other	1,816	1,640	5,409	5,077
	<u>\$ 33,879</u>	<u>\$ 32,208</u>	<u>\$ 100,529</u>	<u>\$ 90,668</u>

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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
United States	67%	72%	67%	72%
Europe (excluding United Kingdom)	14	9	13	9
United Kingdom	9	9	9	9
Canada	5	5	5	5
Other	5	5	6	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 12 — RECENT ACCOUNTING PRONOUNCEMENTS

In March 2004, the Financial Accounting Standards Board (“FASB”) issued a proposed Statement, “Share-Based Payments”, that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments. The proposed statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and would generally require that such transactions be accounted for using a fair value-based method. As discussed in Note 1, Forrester currently accounts for share-based compensation transactions using APB Opinion No. 25. If this statement is issued, the adoption of this interpretation will have a material negative impact on Forrester’s consolidated financial position and results of operations, the level of which Forrester is currently assessing.

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

OVERVIEW

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions are intended to identify these forward-looking statements. These statements include, but are not limited to, statements about the potential success of WholeView 2 and other product offerings, the ability to achieve all of the anticipated benefits from the acquisition of Giga Information Group, the amount of the charge and any cost savings related to reductions in force and associated actions, and our ability to achieve success as the economy improves. These statements are based on our current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, our ability to anticipate business and economic conditions, market trends, competition, the ability to attract and retain professional staff, possible variations in our quarterly operating results, risks associated with our ability to offer new products and services, the actual amount of the charges and any cost savings related to reductions in force and associated actions, and our dependence on renewals of our membership-based research services and on key personnel. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

We are a leading independent technology research firm that conducts research and analysis on the impact of technologies on business, consumers, and society. We provide our clients with an integrated perspective on technology and business, which we call the WholeView. This approach provides companies with the strategies, data, and product evaluations they need to win customers, identify new markets, and gain competitive operational advantages. Our products and services primarily are targeted to benefit the senior management, business strategists, and marketing and technology professionals at companies with revenues of \$1 billion-plus who use our prescriptive, executable research to understand and capitalize on business models and emerging technologies.

We derive revenues from memberships to our research product offerings and from our advisory services and events available through what we refer to as Research, Data, Consulting, and Community offerings. Contracts for our research products are available through our Research, Data, or Community offerings and are typically renewable annually and payable in advance. Research revenues are recognized as revenue ratably over the term of the contract. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Advisory services are available through our Data, Consulting, and Community offerings to supplement and complement memberships to our research. Billings attributable to advisory services are initially recorded as deferred revenue and are recognized as revenue when performed. Event billings are also initially recorded as deferred revenue and are recognized as revenue upon completion of each event. Consequently, changes in the number and value of client contracts, both net decreases as well as net increases, impact our revenues and other results over a period of several months.

Our primary operating expenses consist of cost of services and fulfillment, selling and marketing expenses, general and administrative expenses, depreciation and amortization of intangible assets. Cost of services and fulfillment represents the costs associated with the production and delivery of our products and services, and includes the costs of salaries, bonuses, and related benefits for research personnel and all associated editorial, travel, and support services. Selling and marketing expenses include salaries, employee benefits, travel expenses, promotional costs, sales commissions, and other costs incurred in marketing and selling our products and services. General and administrative expenses include the costs of the technology, operations, finance, and strategy groups and our other administrative functions. Overhead costs are allocated over these categories according to the number of employees in each group. Depreciation expense represents the depreciation of our fixed assets over their estimated useful lives. Amortization of intangible assets represents amortization of our identifiable intangible assets acquired from our acquisitions.

In February 2003, we acquired Giga Information Group, Inc. (“Giga”), a global technology advisory firm, pursuant to a cash tender offer and second step merger. The results of Giga’s operations have been included in our consolidated financial statements since February 28, 2003.

We believe that the “agreement value” of contracts to purchase research and advisory services provides a significant measure of our business volume. We calculate agreement value as the total revenues recognizable from all research and advisory service contracts in force at a given time, without regard to how much revenue has already been recognized. Agreement value increased approximately 6% to \$125.4 million as of September 30, 2004 from \$118.0

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million as of September 30, 2003 and decreased approximately 1% from \$126.3 million as of December 31, 2003. Agreement value increased approximately 5% to \$125.4 million as of September 30, 2004 from \$119.5 million as of June 30, 2004. Client retention, measured as the number of client companies who renewed with memberships as a percentage of those that would have expired, was 75% during the twelve months ended September 30, 2004, as compared with 62% during the twelve months ended September 30, 2003. Dollar retention, measured as a percentage of the dollar value of all client membership contracts renewed during the most recent twelve month period to the total dollar value of all client membership contracts that expired during the period, was 86% during the twelve months ended September 30, 2004, as compared with 73% during the twelve months ended September 30, 2003. Enrichment rate, measured as a percentage of the dollar value of client membership contracts renewed during the period to the dollar value of the corresponding expiring contracts, was 113% during the twelve months ended September 30, 2004, as compared with 91% during the twelve months ended September 30, 2003. Client retention, dollar retention, and enrichment are not necessarily indicative of the rate of future retention of our revenue base. No single client accounted for more than 2% of agreement value at September 30, 2004 or 2003.

Reorganization Costs

In January 2004, Forrester announced a reduction of its workforce by approximately 15 positions in connection with the integration of GigaGroup's operations. As a result, Forrester recorded a reorganization charge of \$1,957,000 during the three months ended March 31, 2004. Approximately 53% of the terminated employees had been members of the sales force, while 27% and 20% had held administrative and research roles, respectively. The charge consisted primarily of severance and related benefit costs, and other payments for professional services incurred in connection with the reorganization. During the three-months ended June 30, 2004, Forrester provided for additional severance and related benefits costs of \$240,000.

In connection with the integration of GigaGroup's operations, Forrester vacated and subleased office space in its San Francisco, Amsterdam and London offices during the three-months ended June 30, 2004. As a result of these vacancies and related subleases, Forrester recorded reorganization charges of approximately \$4,693,000 related to the excess of contractual lease commitments over the contracted sublease revenue and \$1,861,000 for the write-off of related leasehold improvements and furniture and fixtures.

The activity related to these 2004 reorganizations during the nine months ended September 30, 2004 is as follows:

	Total Charges	Non-Cash Charges	Cash Payments	Accrued as of September 30, 2004
				(IN THOUSANDS)
Workforce reduction	\$2,197	\$ —	\$1,823	\$ 374
Facility costs	4,693	(303)	455	4,541
Depreciable assets	1,861	1,861	—	—
Total	\$8,751	\$1,558	\$2,278	\$4,915

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

We consider the following accounting policies to be those that require the most subjective judgment and those most important to the portrayal of our financial condition and results of operations. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. This is not a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available

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alternative would not produce a materially different result. For further discussion of the application of these and our other accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2003, previously filed with the SEC.

- **REVENUE RECOGNITION.** We generate revenues from licensing research, performing advisory services, and hosting events. We execute contracts that govern the terms and conditions of each arrangement. Revenues from contracts that contain multiple deliverables are allocated among the separate units based on their relative fair values; however, the amount recognized is limited to the amount that is not contingent on future performance conditions. Research service revenues are recognized ratably over the term of the agreement. Advisory service revenues are recognized during the period in which the services are performed. Events revenues are recognized upon completion of the events. While our current business practice is to offer membership contracts with a non-cancelable term, we do from time to time, in response to competitive conditions, offer clients the right to cancel their membership contracts prior to the end of the contract term. For these cancelable contracts that are terminated during the contract term, refunds are issued on a pro-rata basis only. Reimbursed out of pocket expenses are recorded as advisory revenue. Furthermore, our revenue recognition determines the timing of commission expenses that are deferred and expensed to operations as the related revenue is recognized. We evaluate the recoverability of deferred commissions at each balance sheet date. As of September 30, 2004, deferred revenues and deferred commissions totaled \$60.8 million and \$5.2 million, respectively.

- **ALLOWANCE FOR DOUBTFUL ACCOUNTS.** We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make contractually obligated payments that totaled approximately \$1.3 million as of September 30, 2004. Management specifically analyzes accounts receivable and historical bad debts, customer concentrations, current economic trends, and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, and if the financial condition of our customers were to improve, the allowances may be reduced accordingly.

- **NON-MARKETABLE INVESTMENTS.** We hold minority interests in technology-related companies and equity investment funds that totaled approximately \$12.3 million as of September 30, 2004. Our investments are in companies that are not publicly traded, and, therefore, because no established market for these securities exists, the estimate of the fair value of our investments requires significant judgment. We have a policy in place to review the fair value of our investments on a regular basis to evaluate the carrying value of the investments in these companies which consists primarily of reviewing the investee's revenue and earnings trends relative to predefined milestones and overall business prospects. We record impairment charges when we believe that an investment has experienced a decline in value that is other than temporary. As of September 30, 2004, we have no investments that have experienced a decline in value which we believe is only temporary and accordingly no impairment charges have been recorded. We did not record any impairment charges during the three and nine months ended September 30, 2004 and we recorded net impairment charges of \$572,000 during the nine months ended September 30, 2003. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

- **GOODWILL AND OTHER INTANGIBLE ASSETS.** At September 30, 2004, we had goodwill and identified intangible assets with finite lives related to our acquisitions that totaled approximately \$56.9 million and \$8.3 million, respectively. SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill and intangible assets with indefinite lives no longer be amortized but instead be measured for impairment at least annually or whenever events indicate that there may be an impairment. In order to determine if an impairment exists, we obtain an independent appraisal which determines if the carrying amount of the reporting unit exceeds the fair value. The estimates of the reporting unit's fair value are based on market conditions and operational performance. Absent an event that indicates a specific impairment may exist, we have selected November 30th as the date of performing the annual goodwill impairment test. As of September 30, 2004, we believe that the carrying value of our goodwill is not impaired. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Intangible assets with finite lives are valued according to the future cash flows they are estimated to produce. These assigned values are amortized on an accelerated basis which matches the periods those cash flows are estimated to be produced. We continually evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of our intangible assets may warrant revision or that the carrying value of these assets may be impaired. To compute whether assets have been impaired, the estimated undiscounted future cash flows for the

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estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to the estimated fair value of the asset.

- INCOME TAXES. We have deferred tax assets related to temporary differences between the financial statement and tax bases of assets and liabilities as well as operating loss carryforwards (primarily from stock option exercises and the acquisition of Giga) that totaled approximately \$39.7 million as of September 30, 2004. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and the carryforwards expire. Although realization is not assured, based upon the level of our historical taxable income and projections for our future taxable income over the periods during which the deferred tax assets are deductible and the carryforwards expire, management believes it is more likely than not that we will realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carry-forward periods are reduced.

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Research services	69%	74%	69%	75%
Advisory services and other	31	26	31	25
Total revenues	100	100	100	100
Cost of services and fulfillment	39	39	40	40
Selling and marketing	33	33	33	33
General and administrative	13	12	12	12
Depreciation	2	5	3	6
Amortization of intangible assets	4	8	5	7
Reorganization costs	—	4	9	1
Integration costs	—	—	—	1
Income (loss) from operations	9	(1)	(2)	—
Other income, net	2	2	2	3
Gains on sales of marketable securities	2	—	1	1
Non-marketable investment gains (impairments), net	1	—	—	(1)
Income before income tax provision	14	1	1	3
Income tax provision	5	—	—	1
Net income	9%	1%	1%	2%

THREE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003

REVENUES. Total revenues increased 5% to \$33.9 million in the three months ended September 30, 2004 from \$32.2 million in the three months ended September 30, 2003. The increase in revenue is primarily attributable to improving economic conditions, the timing of the acquisition of GigaGroup and the effects of foreign currency translation. Foreign currency translation resulted in approximately a 2% positive effect on revenues in the three months ended September 30, 2004. GigaGroup's results of operations have been included in our consolidated financial statements since November 30, 2003.

Revenues from research services decreased 1% to \$23.5 million in the three months ended September 30, 2004 from \$23.8 million in the three months ended September 30, 2003 and comprised 69% and 74% of total revenues during the three months ended September 30, 2004 and 2003, respectively. The decrease in research revenues is primarily attributable to shifting customer demand towards our advisory services. No single client company accounted for more than 3% of revenues during the three months ended September 30, 2004 or 2003.

Advisory services and other revenues increased 23% to \$10.3 million in the three months ended September 30, 2004 from \$8.4 million in the three months ended September 30, 2003. One forum was held during the three months ended September 30, 2004 and 2003. The increase in advisory services and other revenues is primarily attributable to increased demand for advisory services, as well as an increase in events revenues from event sponsorships by third parties.

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Revenues attributable to customers outside the United States increased 24% to \$11.1 million in the three months ended September 30, 2004 from \$8.9 million in the three months ended September 30, 2003. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 33% during the three months ended September 30, 2004 from 28% during the three months ended September 30, 2003. The increase in international revenues in dollars and as a percentage of total revenues is primarily attributable to the timing of the acquisition of GigaGroup and from the effects of foreign currency translation.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment remained constant at 39% as a percentage of total revenues in the three months ended September 30, 2004 and September 30, 2003. These expenses increased 6% to \$13.3 million in the three months ended September 30, 2004 as compared to \$12.5 million in the three months ended September 30, 2003. The consistency in expense as a percentage of revenue is primarily attributable to increased revenues resulting from customer demand shifting towards advisory services resulting in a reallocation of our existing resources to meet those demands. The increase in expenses is primarily attributable to increased compensation costs resulting from increased incentive-based advisory services performed and to increased survey costs.

SELLING AND MARKETING. Selling and marketing expenses remained constant at 33% as a percentage of total revenues in the three months ended September 30, 2004 and September 30, 2003. These expenses increased 3% to \$11.0 million in the three months ended September 30, 2004 from \$10.7 million in the three months ended September 30, 2003. The increase in expenses is primarily attributable to increases in compensation costs and related office expenses from the opening of our office in France in connection with the acquisition of GigaGroup in December 2003.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased to 13% as a percentage of total revenues during the three months ended September 30, 2004 from 12% in the three months ended September 30, 2003. These expenses increased 9% to \$4.3 million in the three months ended September 30, 2004 from \$3.9 million in the three months ended September 30, 2003. The increase in expenses and expenses as a percentage of total revenues is primarily attributable to our provision for doubtful accounts and annual increases in compensation costs and professional fees.

DEPRECIATION. Depreciation expense decreased 51% to \$0.7 million in the three months ended September 30, 2004 from \$1.5 million in the three months ended September 30, 2003. The decrease is primarily attributable to computer and software assets purchased prior to 2002 becoming fully depreciated and to the write-off of certain depreciable assets in connection with the office vacancies during the three months ended June 30, 2004.

AMORTIZATION OF INTANGIBLE ASSETS. Amortization of intangible assets decreased to \$1.4 million in the three months ended September 30, 2004 from \$2.6 million in the three months ended September 30, 2003. This decrease is primarily attributable to the research content and registered trademarks that were acquired in connection with the Giga acquisition and amortized using an accelerated method becoming fully amortized in 2004.

OTHER INCOME, NET. Other income, net, decreased 14% to \$680,000 during the three months ended September 30, 2004 from \$787,000 during the three months ended September 30, 2003. The decrease is primarily attributable to declines in interest income resulting from lower returns on invested capital.

REORGANIZATION COSTS. Reorganization costs in the three months ended September 30, 2003 consisted primarily of lease losses and fixed-asset write-offs in connection with office vacancies and related subleases.

NON-MARKETABLE INVESTMENTS GAINS (IMPAIRMENTS), NET. Net gains on non-marketable investments totaled \$313,000 during the three months ended September 30, 2004 resulting from distributions from one of our investments.

PROVISION FOR INCOME TAXES. During the three months ended September 30, 2004, we recorded an income tax provision of \$1.6 million, which reflected an effective tax rate of 33.5%. During the three months ended September 30, 2003, we recorded an income tax provision of \$83,000 reflecting an effective tax rate of 31%. The increase in our effective tax rate for fiscal year 2004 resulted primarily from our tax-exempt investment income comprising a smaller percentage of our estimated total pre-tax income in 2004 as compared to 2003.

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003

REVENUES. Total revenues increased 11% to \$100.5 million in the nine months ended September 30, 2004 from \$90.7 million in the nine months ended September 30, 2003. The increase in revenue is primarily attributable to

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improving economic conditions, the timing of the acquisition of GigaGroup and the effects of foreign currency translation. Foreign currency translation resulted in approximately a 2% positive effect on revenues in the nine months ended September 30, 2004. GigaGroup's results of operations have been included in our consolidated financial statements since November 30, 2003.

Revenues from research services increased 2% to \$69.6 million in the nine months ended September 30, 2004 from \$68.2 million in the nine months ended September 30, 2003 and comprised 69% and 75% of total revenues during the nine months ended September 30, 2004 and 2003, respectively. Increases in revenues from research services were primarily attributable to improving economic conditions and to the timing of the acquisitions of GigaGroup. The decrease in revenues from research services as a percentage of total revenue is primarily attributable to shifting customer demand towards our advisory services. No single client company accounted for more than 3% of revenues during the nine months ended September 30, 2004 or 2003.

Advisory services and other revenues increased 38% to \$31.0 million in the nine months ended September 30, 2004 from \$22.5 million in the nine months ended September 30, 2003. During the nine months ended September 30, 2004, we held five events, as compared to eight events held during the nine months ended September 30, 2003. The increase in advisory services and other revenues is primarily attributable to increased demand for advisory services as well as an increase in events revenue due to third-party event sponsorships which offset decreased events revenue from holding fewer events in 2004.

Revenues attributable to customers outside the United States increased 28% to \$32.9 million in the nine months ended September 30, 2004 from \$25.7 million in the nine months ended September 30, 2003. Revenues attributable to customers outside the United States increased as a percentage of total revenues to 33% during the nine months ended September 30, 2004 compared to 28% during the nine months ended September 30, 2003. The increase in international revenues in dollars and as a percentage of total revenues is primarily attributable to the timing of the acquisition of GigaGroup and from the effects of foreign currency translation.

COST OF SERVICES AND FULFILLMENT. Cost of services and fulfillment remained constant at 40% as a percentage of total revenues during the nine months ended September 30, 2004 and 2003. These expenses increased 12% to \$40.8 million in the nine months ended September 30, 2004 from \$36.4 million in the nine months ended September 30, 2003. The consistency in expense as a percentage of revenue is primarily attributable to increased revenues resulting from customer demand shifting towards advisory services resulting in a reallocation of our existing resources to meet those demands. The increase in expenses is primarily attributable to increased compensation costs resulting from increased incentive-based advisory services performed and to increased survey costs.

SELLING AND MARKETING. Selling and marketing expenses remained constant at 33% as a percentage of total revenues during the nine months ended September 30, 2004 and 2003. These expenses increased 14% to \$33.7 million in the nine months ended September 30, 2004 from \$29.5 million in the nine months ended September 30, 2003. The increase in expenses is primarily attributable to increased compensation and related office expenses primarily attributable to the timing of the acquisitions of Giga and GigaGroup.

GENERAL AND ADMINISTRATIVE. General and administrative expenses remained constant at 12% as a percentage of total revenues in the nine months ended September 30, 2004 and September 30, 2003. These expenses increased 6% to \$11.7 million in the nine months ended September 30, 2004 from \$11.0 million in the nine months ended September 30, 2003. The increase in expenses is primarily attributable to our provision for doubtful accounts and annual increases in compensation costs and professional fees.

DEPRECIATION. Depreciation expense decreased 45% to \$2.8 million in the nine months ended September 30, 2004 from \$5.1 million in the nine months ended September 30, 2003. The decrease is primarily attributable to computer and software assets purchased prior to 2002 becoming fully depreciated and to the write-off of certain depreciable assets in connection with the offices vacancies during the nine months ended September 30, 2004.

AMORTIZATION OF INTANGIBLE ASSETS. Amortization of intangible assets decreased to \$5.1 million in the nine months ended September 30, 2004 from \$6.1 million in the nine months ended September 30, 2003. This decrease is primarily attributable to the research content and registered trademarks that were acquired in connection with the Giga acquisition and amortized using an accelerated method becoming fully amortized in 2004.

OTHER INCOME, NET. Other income, consisting primarily of interest income, decreased 19% to \$2.2 million during the nine months ended September 30, 2004 from \$2.7 million during the nine months ended September 30, 2003. The decrease is primarily attributable to declines in interest income resulting from lower returns on invested capital coupled with lower cash and investment balances available for investment.

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REORGANIZATION COSTS. Reorganization costs in the nine months ended September 30, 2004 consisted primarily of costs associated with lease losses and fixed-asset write-offs resulting from office vacancies in the three months ended June 30, 2004 and related benefits costs in connection with the elimination of approximately 17 positions in the three months ended March 31, 2004. Reorganization costs in the nine months ended September 30, 2003 consisted primarily of costs associated with severance and related benefits costs in connection with the termination of approximately 30 positions.

NON-MARKETABLE INVESTMENTS GAINS (IMPAIRMENTS), NET. Net gains on non-marketable investments totaled \$370,000 during the nine months ended September 30, 2004 resulting from a distribution from one of our investments as compared to net impairments of \$572,000 during the nine months ended September 30, 2003.

PROVISION FOR INCOME TAXES. During the nine months ended September 30, 2004, we recorded a tax provision of \$305,000, which reflected an effective tax rate of 33.5%. During the nine months ended September 30, 2003, we recorded an income tax provision of \$945,000 reflecting an effective tax rate of 31%. The increase in our effective tax rate for fiscal year 2004 resulted primarily from our tax-exempt investment income comprising a smaller percentage of our estimated total pre-tax income in 2004 as compared to 2003.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through funds generated from operations. Memberships for research services, which constituted approximately 69% of our revenues during the nine months ended September 30, 2004, are annually renewable and are generally payable in advance. We generated cash from operating activities of \$13.6 million and \$3.0 million during the nine months ended September 30, 2004 and 2003, respectively. The increase in cash flow from operations is primarily attributable to increased cash collections of accounts receivable and deferred revenue during the nine months ended September 30, 2004 compared to the nine months ended September 30, 2003 as a result of increased demand for our products and services, and the acquisitions of Giga and GigaGroup.

During the nine months ended September 30, 2004, we generated \$10.3 million of cash from investing activities, consisting primarily of \$14.1 million received from net sales of marketable securities, offset by \$2.3 million for purchases of non-marketable investments and \$2.4 million for purchases of property and equipment. We regularly invest excess funds in short and intermediate-term interest-bearing obligations of investment grade.

In the first quarter of 2003, we acquired Giga pursuant to a cash tender offer and second step merger. The aggregate purchase price was \$62.5 million in cash which consisted of \$60.3 million for the acquisition of all outstanding shares of Giga common stock; \$981,000 of direct acquisition costs; and \$1.2 million for severance related to 27 employees terminated as a result of the acquisition.

As part of the acquisition of Giga, we acquired an equity investment in GigaGroup S.A. ("GigaGroup"). In November 2003, we acquired the assets of GigaGroup for a total purchase price of \$4.1 million, consisting of \$2.9 million in cash, \$118,000 in direct acquisition costs, \$521,000 of outstanding accounts receivable due to us, and the contribution of the equity investment in GigaGroup valued at \$619,000.

In June 2000, we committed to invest \$20.0 million in two private equity investment funds over a period of up to five years. As of September 30, 2004, we had contributed approximately \$17.5 million to the funds. The timing and amount of future contributions are entirely within the discretion of the investment funds. We have adopted a cash bonus plan to pay bonuses, after the return of invested capital, measured by the proceeds of a portion of the share of net profits from these investments, if any, to certain key employees, subject to the terms and conditions of the plan. To date, we have not paid any bonuses under this plan.

In December 2003, we committed to invest an additional \$2.0 million over an expected period of 2 years in an annex fund of one of the private equity investment funds. The annex fund investment is outside of the scope of the previously mentioned bonus plan. The timing of this additional investment is within the discretion of the fund. As of September 30, 2004, we had contributed \$600,000 to this annex fund.

We own common stock of Greenfield Online, Inc. ("Greenfield"), an Internet-based market research firm. In July 2004, Greenfield (NASDAQ: SRVY) completed an initial public offering. Upon consummation of the offering, we received a conversion payment of approximately \$463,000, and participated in the offering by selling approximately 21,000 shares for which we received net proceeds of approximately \$256,000. Accordingly, in the three months ended September 30, 2004, we recognized a gain of approximately \$678,000. As of September 30, 2004, our remaining investment of approximately \$2.4 million, which is included in marketable securities in the accompanying

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consolidated balance sheet, is classified as available-for-sale and stated at fair market value with any unrealized gains and losses reported as a component of accumulated other comprehensive income. During the three months ended September 30, 2004, approximately \$1.3 million was recorded as an unrealized gain as a component of other comprehensive income.

During the nine months ended September 30, 2004, we used \$9.6 million of cash in financing activities, consisting of \$12.6 million for the repurchases of our common stock, offset by \$3.0 million in proceeds from the exercise of employee stock options and the issuance of common stock under our employee stock purchase plan.

In October 2001, we announced a program authorizing the repurchase of up to \$50 million of our common stock. The shares repurchased may be used, among other things, in connection with our employee stock option and stock purchase plans and for potential acquisitions. As of September 30, 2004, we had repurchased approximately 2.7 million shares of common stock at an aggregate cost of approximately \$44.9 million.

During the three months ended March 31, 2004, we entered into a structured stock repurchase agreement giving us the right to acquire shares of our common stock in exchange for an up-front net payment of \$1.5 million. The \$1.5 million up-front net payment was recorded in stockholders' equity as a reduction of additional paid-in capital and upon expiration of this agreement in May 2004, we received approximately \$1.6 million in cash which was recorded as an increase to additional paid-in capital in the accompanying consolidated balance sheet.

As of September 30, 2004, we had cash and cash equivalents of \$36.6 million and marketable securities of \$91.8 million. We do not have a line of credit and do not anticipate the need for one in the foreseeable future. We plan to continue to introduce new products and services and expect to make minimal investments in our infrastructure during the next 12 months. We believe that our current cash balance, marketable securities, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for at least the next two years.

As of September 30, 2004, we had future contractual obligations as follows*:

CONTRACTUAL OBLIGATIONS	FUTURE PAYMENTS DUE BY YEAR						Thereafter
	TOTAL	2004	2005	2006	2007	2008	
	(IN THOUSANDS)						
Operating leases	\$35,082	\$3,224	\$11,633	\$8,353	\$3,833	\$2,314	\$5,725
Purchase obligations	477	477	—	—	—	—	—
Total contractual cash obligations	\$35,559	\$3,701	\$11,633	\$8,353	\$3,833	\$2,314	\$5,725

* The above table does not include the remaining \$3.9 million of capital commitments to the private equity funds described above due to the uncertainty in timing of capital calls made by such funds to pay this remaining capital commitment. The above table also does not include future minimum rentals to be received under subleases of \$3.5 million.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

INTEREST RATE SENSITIVITY. We maintain an investment portfolio consisting mainly of corporate, federal agency, and state and municipal obligations with a weighted-average maturity of approximately 14 months. These available-for-sale securities are subject to interest rate risk and will decline in value if market interest rates increase. We have the ability to hold our fixed income investments until maturity. Therefore, we would not expect our operating results or cash flows to be affected to any significant degree by a sudden change in market interest rates on our securities portfolio. The following table provides information about our investment portfolio. For investment securities, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates.

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Principal amounts by expected maturity in U.S. dollars are as follows:

	FAIR VALUE AT SEPTEMBER 30, 2004	FY 2004	FY 2005	FY 2006	FY 2007
		(DOLLARS IN THOUSANDS)			
Cash equivalents	\$ 27,838	\$27,838	\$ —	\$ —	\$ —
Weighted average interest rate	1.48%	1.48%	—	—	—
Investments	\$ 89,416	\$13,157	\$14,692	\$33,682	\$27,885
Weighted average interest rate	3.18%	1.97%	3.61%	3.28%	3.41%
Total portfolio	\$117,254	\$40,995	\$14,692	\$33,682	\$27,885
Weighted average interest rate	2.78%	1.64%	3.61%	3.28%	3.41%

FOREIGN CURRENCY EXCHANGE. On a global level, we face exposure to movements in foreign currency exchange rates. This exposure may change over time as business practices evolve and could have a material adverse impact on our financial results. Historically, our primary exposure has been related to non-U.S. dollar-denominated operating expenses in Canada and Asia, where we sell primarily in U.S. dollars. The introduction of the Euro as a common currency for members of the European Monetary Union has not, to date, had a significant impact on our financial position or results of operations. To date, we have not entered into any hedging agreements. However, we are prepared to hedge against fluctuations that the Euro, or other foreign currencies, will have on foreign exchange exposure if this exposure becomes material. As of September 30, 2004, the total assets related to non-US dollar denominated currencies that are subject to foreign currency exchange risk were approximately \$18.5 million.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2004. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms and were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In October 2001, we announced a program authorizing the repurchase of up to \$50 million of our common stock (“the stock repurchase program”). During each of the three months ended September 30, 2004, we purchased the following shares of our common stock under the stock repurchase program:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs</u>	<u>Maximum Dollar Value that May Yet Be Purchased Under the Stock Repurchase Program</u>
July 1 – July 31	16,400	\$ 17.83	2,547,320	<u>(In Thousands)</u> \$ 8,230
August 1 – August 31	138,994	\$ 17.12	2,686,314	\$ 5,851
September 1 – September 30	46,100	\$ 16.78	2,732,414	\$ 5,077
Total	<u>201,494</u>	<u>\$ 17.10</u>	<u>2,732,414</u>	<u>\$ 5,077</u>

All purchases of our common stock were made under the stock repurchase program.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Form of Stock Option Certificate
- 31.1 Certification of the Principal Executive Officer
- 31.2 Certification of the Principal Financial Officer
- 32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K on July 27, 2004 furnishing under Item 12 our second quarter press release which included our results of operations and financial condition for the second quarter.

SIGNATURES

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

FORRESTER RESEARCH, INC.

By: /s/ George F. Colony

George F. Colony
Chairman of the Board of Directors
and Chief Executive Officer (principal
executive officer)

Date: November 8, 2004

By: /s/ Warren Hadley

Warren Hadley
Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: November 8, 2004

Exhibit Index

<u>Exhibit No.</u>	<u>Document</u>
10.1	Form of Stock Option Certificate
31.1	Certification of the Principal Executive Officer
31.2	Certification of the Principal Financial Officer
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

OPTION CERTIFICATE
INCENTIVE STOCK OPTION (Non-Assignable)

For X,XXXShares

To Purchase Common Stock of Forrester Research, Inc.
Issued Pursuant to the Amended and Restated 1996 Equity Incentive Plan of
Forrester Research, Inc. ("Plan")

THIS CERTIFIES that on DATE ("Issuance Date") FIRST NAME LAST NAME (the "Holder") was granted an option (the "Option") to purchase at the option price \$XX.XX per share all or any part of X,XXX fully paid and non-assessable shares ("Shares") of Common Stock (par value of \$.01 per share) of Forrester Research, Inc. (the "Company") upon and subject to the following terms and conditions:

1. Nature of Option. The Option is intended to constitute an "incentive stock option" within the meaning of Section 422A of the Internal Revenue Code of 1986 (the "Code") to the maximum extent permitted under the Code. Any portion of this Option that does not constitute an "incentive stock option" shall constitute a non-qualified option. The right and option to purchase shares hereby granted shall be exercisable as provided in Paragraph 3 hereof, in accordance with the determination made by the Compensation Committee (the "Committee") of the Company's Board of Directors administering the Plan.

2. Expiration. This Option shall expire on DATE ("Expiration Date").

3. Vesting and Exercise. This Option may be exercised or surrendered during the Holder's lifetime only by the Holder. This Option shall not be transferable by the Holder otherwise than by will or by the laws of descent and distribution.

Except as provided below in this Paragraph 3, this Option will not vest and may not be exercised unless the Holder shall have been continuously employed by the Company or any of its subsidiaries for a period of twelve (12) months after the Issuance Date with regard to one-fourth of the total Shares that can be purchased under the Option (rounded to the nearest whole Share), for twenty-four (24) months after the Issuance Date with regard to an additional one-fourth of the total Shares under the Option (rounded to the nearest whole Share), for thirty-six (36) months after the Issuance Date with regard to an additional one-fourth of the total Shares under the Option (rounded to the nearest whole Share), and for forty-eight (48) months after the Issuance Date for the balance of the total Shares under the Option. Upon and after such dates, the applicable portion of this Option shall vest and shall be exercisable. Except as otherwise permitted herein, if the Holder's employment is terminated prior to the full vesting of the Option, all rights with respect to any unvested portion shall be forfeited.

Notwithstanding the foregoing, this Option shall vest in whole upon the 20th day prior to the date upon which there is scheduled to occur 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 the sale or transfer of substantially all the Company's assets. This Option shall be exercised by the delivery of a written notice duly signed by the Holder, together with this Option certificate, and the full purchase price of the Shares purchased pursuant to the exercise of this Option, to the Committee or an officer of the Company appointed by the Committee for the purpose of receiving the same. This Option may not be exercised at any time

when such Option, or the exercise or payment thereof, may result in the violation of any law or governmental order or regulation.

Payment for the Shares purchased pursuant to the exercise of this Option shall be made in full at the time of the exercise of the Option (a) by check payable to the Company, or (b) at such time as the Common Stock is registered under the Securities Exchange Act of 1934, by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price.

4. Delivery of Share Certificates. Within a reasonable time after the exercise of the Option, the Company shall cause to be delivered to the person entitled thereto a certificate for the Shares purchased pursuant to the exercise of the Option. If the Option shall have been exercised with respect to less than all of the Shares subject to the Option, the Company shall also cause to be delivered to the person entitled thereto a new Option certificate in replacement of this Option certificate if surrendered at the time of the exercise of the Option, indicating the number of Shares with respect to which this Option remains available for exercise, or this option certificate shall be endorsed to give effect to the partial exercise of the Option.

5. Withholding. In the event that the Holder elects to exercise this Option or any part thereof, and if the Company or its subsidiaries shall be required to withhold any amount by reason of any federal, state, or local tax rules or regulations in respect of the issuance of Shares to the Holder pursuant to the Option, the Company or any such subsidiary shall be entitled to satisfy such withholding obligations in accordance with the terms of Paragraph 9 of the Plan. The holder of this Option agrees to notify the Company prior to undertaking any sale or disposition of shares of Common Stock acquired upon the exercise of this Option for the one-year period beginning on the date of exercise.

6. Termination. Notwithstanding Paragraph 3 above, all or any part of this Option, to the extent unexercised, shall terminate immediately upon the earliest to occur of the following:

(a) The expiration date of the Option;

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

(c) The expiration of one year from the date of termination of the employment of the Holder due to permanent and total disability within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (other than a termination described in subparagraph (e) below);

(d) The expiration of one year following the Holder's death if it occurs while Holder is employed by the Company or its subsidiaries; or

(e) The termination of the Holder's employment by the Company or any of its subsidiaries if such termination constitutes or is attributable to a breach by the Holder of an employment agreement with the Company or its subsidiaries, or if the Holder is discharged for

cause. The Committee shall have the right to determine whether the Holder 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.

7. Reservation of Shares. The Company hereby agrees that at all times there shall be reserved for issuance and/or delivery upon exercise of the Option such number of Shares as shall be required for issuance or delivery upon exercise hereof.

8. Rights of Holder. Nothing contained herein shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries, or derogate from the right of the Company or any of its Subsidiaries to retire, request the resignation of, or discharge the Holder at any time, with or without cause. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company or its subsidiaries, either at law or equity, and the rights of the Holder are limited to those expressed herein and in the Plan and are not enforceable against the Company or its subsidiaries, except to the extent set forth herein.

9. Exclusion from Pension Computations. By acceptance of the grant of the Option, the Holder hereby agrees that any income realized upon the receipt or exercise hereof, or upon the disposition of the Shares received upon its exercise, is special incentive compensation and will not be taken into account as "wages," "salary," or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit-sharing, bonus, or deferred compensation plan of the Company, or its subsidiaries.

10. Registration; Legend. The Company may postpone the issuance and delivery of Shares upon any exercise of the Option until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same classes are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Holder shall make such representations and furnish such information as, in the opinion of counsel for the Company, may be appropriate to permit the Company to issue the Shares in compliance with the provisions of the Act or any comparable act. The Company may cause an appropriate legend to be set forth on each certificate representing Shares or any other security issued or issuable upon exercise of the Option unless counsel for the Company is of the opinion as to any such certificate that a legend is unnecessary.

11. Amendment. The Committee may, with the consent of the Holder, at any time or from time to time, amend the terms and conditions of the Option.

12. Notices. Any notice which either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, addressed as follows: to the Company, at its office at 400 Technology Square, Cambridge, Massachusetts 02139, or at such other address as the Company by notice to the Holder may designate in writing from time to time; to the Holder, at the address shown below his signature on this Option certificate, or at such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

13. Incorporation of Plan; Interpretation. The Option and this Option certificate are issued pursuant to and are subject to all of the terms and conditions of the Plan, the terms,

conditions, and definitions of which are hereby incorporated as though set forth at length, and the receipt of a copy of which the Holder hereby acknowledges by his signature below. A determination of the Committee as to any questions which may arise with respect to the interpretation of the provisions of this Option and of the Plan shall be final. The Committee may authorize and establish such rules, regulations, and revisions thereof not in consistent with the provisions of the Plan, as it may deem advisable.

Unless otherwise indicated to the contrary herein, defined terms used in this Option certificate shall have the same meaning as used in the Plan.

IN WITNESS WHEREOF, the parties have signed this certificate on the date first above written.

Forrester Research, Inc.

By:

ACCEPTED AND AGREED TO:

First Name, Last Name

Date

Address

City State Postal Code

Country

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, George F. Colony, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE F. COLONY

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

Date: November 8, 2004

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Warren Hadley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ WARREN HADLEY

Warren Hadley
Chief Financial Officer and Treasurer
(Principal financial and accounting
officer)

Date: November 8, 2004

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

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

- 1) the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2004 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George F. Colony

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

Dated: November 8, 2004

EXHIBIT 32.2

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

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

- 1) the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2004 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Warren Hadley

Warren Hadley
Chief Financial Officer and Treasurer

Dated: November 8, 2004