FTI CONSULTING INC
Form S-3
October 08, 2002
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As filed with the Securities and Exchange Commission on October 8, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

FTI CONSULTING, INC.

(Exact name of registrant as specified in its charter)

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900 Bestgate Road, Suite 100
Annapolis, MD 21401
(410) 224-8770
(Address of principal executive offices)

Maryland	**52-1261113**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

Jack B. Dunn, IV
Chairman of the Board and
Chief Executive Officer
FTI Consulting, Inc.
900 Bestgate Road, Suite 100
Annapolis, MD 21401
(410) 224-8770
(Name, address, including zip code and telephone number, including area code of agent for service)

Copies to:

Richard C. Tilghman, Jr., Esquire	**Kevin P. Kennedy, Esquire**
Piper Rudnick LLP	**Simpson Thacher & Bartlett**
6225 Smith Avenue	**3330 Hillview Avenue**
Baltimore, Maryland 21209	**Palo Alto, California 94304**
(410) 580-3000	**(650) 251-5000**

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

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act) check the following box. ¨

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value $0.01	2,437,389 shares	$ 36.70	$ 89,452,167	$ 8,230

(1) Includes 317,920 shares of common stock which may be purchased by the underwriters to cover over-allotments, if any.
(2) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended, based on the closing price of our common stock of $36.70 on October 7, 2002, as reported on the New York Stock Exchange.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated October , 2002

PROSPECTUS

2,119,469 Shares

FTI Consulting, Inc.

Common Stock

FTI Consulting, Inc. is offering 2,100,000 shares of common stock and the selling stockholders are offering 19,469 shares of common stock by this prospectus. We will not receive any of the proceeds from the shares sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol FCN. The last reported sale price of our common stock on October 7, 2002 was $36.70 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 6.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to FTI Consulting, Inc. (before expenses)	$	$
Proceeds to Selling Stockholders	$	$

Some of the executive officers of FTI Consulting, Inc. have granted the underwriters the right to purchase up to 317,920 additional shares of common stock to cover any over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the common stock on or about , 2002.

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

ADAMS, HARKNESS & HILL, INC.

JANNEY MONTGOMERY SCOTT LLC

SUNTRUST ROBINSON HUMPHREY

, 2002

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You should rely only on the information contained in this document or in those documents to which we refer you. We and the underwriters have not authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. The information in this document is accurate only as of the date of this document, regardless of the time of its delivery or of any sale of common stock.

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SUMMARY

This summary highlights selected information from this prospectus. It may not contain all the information that is important to you. To understand this offering fully, you should carefully read the entire prospectus, including the risk factors and the financial statements and related notes. Unless the context requires otherwise, in this prospectus, FTI, we, us and our refer to FTI Consulting, Inc. and its subsidiaries, BRS refers to the U.S. Business Recovery Services Division of PricewaterhouseCoopers LLP (excluding the broker-dealer business of that division), which we acquired on August 30, 2002, and PwC refers to U.S. PricewaterhouseCoopers LLP.

The information in this prospectus, unless otherwise indicated, assumes that the underwriters will not exercise their option to purchase additional shares.

Our Business

We are one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. Our highly skilled professionals assist distressed companies in improving their financial position or their creditors or other stakeholders in maximizing recovery of their claims. We assist our clients in exploring and implementing the various strategic alternatives available to troubled companies. Our professionals have extensive experience in crisis management, negotiations of complex mergers, acquisitions and capital restructurings, as well as the liquidation of surplus assets.

We also help clients in all phases of the litigation process. We assist our clients in refining issues relating to litigation and venue selection, and provide fraud investigation, securities litigation assistance, trial graphics and technology and electronic evidence services. Furthermore, we provide forensic accounting and economic consulting services. In recent months, we have begun initiatives in the areas of mergers and acquisitions and dispute settlement services.

Through a combination of organic growth and acquisitions, our revenues have grown from $44.2 million in 1997 to $166.4 million in 2001, a compounded annual growth rate of nearly 40%. In 2001, we had $289.6 million in revenues on a pro forma basis, which includes BRS revenues but excludes revenues from our applied sciences practice group, which we have announced our intention to sell. For the first six months of 2002, we had $101.8 million in revenues on an actual basis and $169.1 million in revenues on a pro forma basis.

Our clients include troubled companies and financial institutions and the law firms that represent them. Our services typically represent non-discretionary engagements for businesses facing decisions that are critical to their survival. We are regularly engaged by the largest banks in the U.S., including Bank of America, N.A., Wachovia, N.A. and JP Morgan Chase Bank. We are currently providing our services in connection with the largest bankruptcy proceedings and out-of-court restructurings in the U.S., including the bankruptcies of Enron Corp., WorldCom, Inc., US Airways, Inc. and Adelphia Communications Corporation.

We believe demand for our services will continue to be strong, driven by a number of current and anticipated trends, including:

- high debt default rates and ongoing bankruptcy filings;
- continuing use of debt for corporate financings;
- escalating competitive and regulatory complexity faced by businesses;
- the current wave of corporate reform legislation that encourages, and in some cases, requires the use of outside financial consultants; and
- the need for objective, independent expertise for critical, business processes.

We believe that our reputation, national scale and large staff of highly qualified professionals position us well to capitalize on the trends that we believe will drive the growth in our industry.

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Business Strategy

We intend to continue to provide high caliber financial consulting services on even the most complex assignments. We also intend to expand the range of consulting services we offer. The following are the key elements of our business strategy:

- maintain high utilization rates among all of our professionals rather than intermittently expanding our staff in anticipation of short-term demand;
- maintain a sufficient staff of highly qualified professionals to enable us to handle a number of large, complex assignments simultaneously;
- successfully leverage our reputation, experience and client base to obtain a greater number of engagements from both existing and new clients;
- diversify our range of service offerings, including further development of new practice areas such as lender and transactional support, dispute settlement, intellectual property consulting and mergers and acquisitions advice, in order to better insulate our business from changing market demands; and
- selectively pursue strategic acquisitions to expand our range of consulting services, expand our staff of expert professionals and add new clients to which we can sell our existing services.

Our Company

We were incorporated in Maryland in 1982 and completed our initial public offering of common stock in May 1996. Our executive offices are located at 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401. Our telephone number is (410) 224-8770. Our website is located at www.fticonsulting.com. Information contained on our website does not constitute part of this prospectus.

Recent Developments

Acquisition of BRS

On August 30, 2002, we acquired BRS for $141.1 million in cash and 3,000,000 shares of our common stock valued at $101.9 million. We incurred expenses of approximately $1.4 million in connection with this acquisition. BRS had revenues of $179.3 million and operating income of $66.8 million for its fiscal year ended June 30, 2002. On a pro forma basis, as adjusted to present BRS as a company separate from PwC, BRS had revenues of $167.2 million and operating income of $51.4 million for the year ended December 31, 2001, and revenues of $91.4 million and operating income of $29.3 million for the six-month period ended June 30, 2002.

Our acquisition of BRS greatly enhances our ability to provide consulting services in the largest and most complex U.S. turnarounds, restructurings and bankruptcies. The BRS professionals have developed a premier practice handling turnarounds, restructurings and bankruptcies of comparable scale and complexity as we have. As a result of the acquisition of BRS, we have added 371 professionals, including the 49 BRS partners that we hired, to our pool of talented, experienced professionals. The BRS acquisition also significantly diversifies our client base. Immediately after the acquisition, we began integrating BRS into our turnaround, restructuring and bankruptcy practice group.

Intended Sale of Our Applied Sciences Practice Group

In connection with the BRS acquisition, we have decided to sell our applied sciences practice group because the practice is no longer a core part of our business. We expect to complete the sale by the end of 2002. We intend to use the proceeds from the sale to reduce our outstanding debt under our credit facility. However, we cannot assure you that we will be able to sell our applied sciences practice group within the stated timeframe or at what price we will be able to sell it. For the six months ended June 30, 2002, our applied sciences practice group accounted for 23.6% of our total revenues and 12.7% of our segment operating income.

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The Offering

Common stock offered by FTI Consulting, Inc.	2,100,000 shares
Common stock offered by the selling stockholders	19,469 shares
Total shares offered	2,119,469 shares
Common stock to be outstanding after this offering	25,813,052 shares
Use of proceeds	We will use all of the net proceeds that we receive from this offering to repay a portion of our outstanding debt. We will not receive any proceeds from the sale of shares by the selling stockholders.
New York Stock Exchange symbol	FCN
Risk factors	You should carefully read and consider the information set forth in Risk Factors beginning on page 6 and all other information set forth in this prospectus before investing in our common stock.

The number of shares of our common stock to be outstanding after this offering is based on 23,713,052 shares outstanding at September 30, 2002. The number of outstanding shares excludes:

- 1,131,944 shares of our common stock reserved for future option awards or stock grants under our stock option plans;
- 3,651,714 shares of our common stock reserved for issuance upon exercise of stock options outstanding under our stock option plans with a weighted average exercise price of $18.73 per share at September 30, 2002; and
- 278,893 shares of our common stock reserved for future grants under our employee stock purchase plan.

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**Summary Historical Consolidated and Unaudited
Pro Forma Combined Financial and Other Data**

The following summary historical consolidated and unaudited pro forma combined financial and other data present our:

- audited historical consolidated statement of income and other data for each of the three years in the period ended December 31, 2001;
- unaudited historical consolidated statement of income and other data for the six-month periods ended June 30, 2001 and 2002;
- unaudited pro forma combined statement of income data for the year ended December 31, 2001 and for the six-month period ended June 30, 2002; and
- unaudited historical consolidated, pro forma combined and pro forma as adjusted balance sheet data at June 30, 2002.

Our unaudited pro forma combined statement of income data for the year ended December 31, 2001 and the six months ended June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition had occurred on January 1, 2001. Our unaudited pro forma combined statement of income data are also adjusted to remove the historical operating results of the applied sciences practice group from our historical continuing operations for the periods presented. In July 2002, we committed to a plan to sell the applied sciences practice group. As a result, the operations for this practice group will be presented as discontinued operations in all financial statements that we prepare after July 31, 2002.

Our unaudited pro forma combined balance sheet data at June 30, 2002 give effect to the acquisition of BRS, including the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002. Our unaudited pro forma as adjusted balance sheet data at June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002, the receipt of the estimated net proceeds from the sale of 2,100,000 shares of our common stock by us in this offering and the application of these proceeds to repay $72.0 million of our debt under our credit facility.

The pro forma adjustments are described in the notes accompanying the unaudited pro forma combined financial statements beginning on page 15 and are based upon available information and various assumptions that management believes are reasonable. These adjustments give effect to events directly attributable to the transactions and do not reflect any restructuring or integration related costs, or any potential cost savings or other synergies that management expects to realize as a result of the transaction. The unaudited pro forma combined financial statements do not purport to represent what our financial position and results of operations would actually have been had these transactions occurred on January 1, 2001 or June 30, 2002.

You should also refer to our historical consolidated financial statements and the historical financial statements of BRS, which we have included elsewhere in this prospectus.

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Statement of Income and Other Data:

	Year ended December 31,				Six months ended June 30,		
	Historical				Historical		
	1999	2000	2001	Pro Forma 2001	2001	2002	Pro Forma 2002
	(in thousands, except percentages and per share data)						
Revenues	$ 84,607	$ 134,764	$ 166,359	$ 289,561	$ 83,629	$ 101,755	$ 169,143
Direct cost of revenues	44,149	68,667	83,449	156,102	43,483	51,386	86,941
Selling, general and administrative expenses	28,829	36,732	45,591	51,951	21,240	26,690	33,137
Amortization expense	2,313	4,723	5,049	6,235	2,507		1,000
Total costs and expenses	75,291	110,122	134,089	214,288	67,230	78,076	121,078
Income from operations	9,316	24,642	32,270	75,273	16,399	23,679	48,065
Interest expense, net	(4,014)	(10,771)	(4,356)	(10,234)	(2,588)	(1,340)	(4,357)
Income before income taxes and extraordinary item	5,302	13,871	27,914	65,039	13,811	22,339	43,708
Income taxes	2,311	5,917	11,445	26,138	5,801	9,047	17,493
Income before extraordinary item	$ 2,991	$ 7,954	$ 16,469	$ 38,901	$ 8,010	$ 13,292	$ 26,215
Net income	$ 2,991	$ 2,561	$ 16,469		$ 8,010	$ 13,292	
Income before extraordinary item per share, diluted	$ 0.39	$ 0.66	$ 0.84	$ 1.72	$ 0.43	$ 0.62	$ 1.07
Earnings per common share, diluted	$ 0.39	$ 0.21	$ 0.84	$ 1.72	$ 0.43	$ 0.62	$ 1.07
Weighted average shares outstanding, diluted	7,543	11,988	19,631	22,631	18,612	21,501	24,501
EBITDA (1)	$ 14,012	$ 32,134	$ 41,185	$ 84,749	$ 20,761	$ 25,980	$ 51,053
EBITDA margin (2)	16.6%	23.8%	24.8%	29.3%	24.8%	25.5%	30.2%

Balance Sheet Data:

	At June 30, 2002		
	Historical FTI	Pro Forma	Pro Forma As Adjusted
Cash and cash equivalents	$ 21,236	$ 4,000	$ 4,000
Working capital	47,502	10,732	10,732
Total assets	176,663	454,998	454,998

Total debt	26,000	155,214	83,190
Total stockholders equity	132,150	234,030	306,054

(1) EBITDA refers to earnings before taxes, net interest expense and depreciation and amortization. Because all companies do not calculate EBITDA or similarly titled financial measures in the same manner, other companies disclosures of EBITDA may not be comparable with EBITDA as we calculate it. EBITDA should not be considered as an alternative to net income or loss (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under generally accepted accounting principles. EBITDA is intended to provide additional information for evaluating the ability of an entity to meet its financial obligations.

(2) EBITDA margin equals EBITDA divided by our total revenues for each period presented, in percentage format.

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RISK FACTORS

You should carefully consider each of the following risks and all of the other information in this prospectus and the documents we incorporate by reference before you decide to buy our common stock. Additional risks and uncertainties not currently known to us may also harm our business, financial condition or results of operations. If any of these risks or uncertainties occurs, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.

We have made statements in this prospectus and in documents incorporated by reference into this prospectus that constitute forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. These forward-looking statements generally are accompanied by words such as believe, intend, anticipate, estimate, expect, should, could, may, will or similar expressions. You should understand that these forward-looking statements are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements include the below described risk factors.

Risks Related to Our Business

If we fail to retain our qualified professionals or hire additional qualified professionals, our future growth and financial performance may suffer.

Our business involves the delivery of professional services. Our continued success depends upon our ability to retain and expand our staff of professionals who have reputations and client relationships critical to maintaining and developing our business. We face intense competition in recruiting and retaining qualified professionals in our fields of practice. We cannot assure you that we will be able to retain our existing professionals or that in the future we will be able to attract and retain enough qualified professionals to maintain or expand our business. Moreover, competition for retaining or hiring qualified professionals could increase our costs of labor, a trend which could harm our margins and results of operations.

Our profitability will suffer if we are not able to maintain our utilization and pricing rates.

We calculate the utilization rate for our professional staff by dividing the number of hours all of our professionals charged our clients during a year by the total available working hours for all of our professionals assuming a 40-hour work week and a 52-week year. The hourly rates we charge our clients for our services and the number of hours our professionals are able to charge our clients for our services are affected by the level of expertise and experience of the professionals working on a particular engagement and, to a lesser extent, the pricing and staffing policies of our competitors. If we fail to maintain an appropriate utilization rate for our professionals and maintain or increase the hourly rates we charge our clients for our services, our profitability will suffer.

We rely heavily on our senior management team and practice group leaders for the success of our business.

We rely heavily upon our senior management team and practice group leaders to manage our business. If one or more members of our senior management team or our practice group leaders leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in managing our business properly, and this could harm our business prospects and results of operations.

We face intense competition in our business. If we fail to compete effectively, we may miss new business opportunities or lose existing clients, and our revenues and profitability may decline.

The market for our consulting services is highly competitive. Our competitors range from large organizations, such as the national accounting firms and the large management consulting companies that offer a broad range of consulting services, to small firms and independent contractors that provide one specialized service. Some of our competitors have significantly more financial resources, larger professional staffs and greater brand recognition than we do. We cannot assure you that we will continue to compete successfully for new business opportunities or retain our existing clients. Although, in connection with our acquisition of BRS, we obtained a limited noncompetition arrangement from PwC, we cannot assure that PwC will not compete with us in the future. For information on our noncompetition arrangement with PwC, see Business Our Acquisition of BRS.

Any claims involving the quality of our services could harm our overall professional reputation, which could harm our ability to compete for new business opportunities or in hiring qualified professionals.

Many of our engagements involve complex analysis and the exercise of professional judgment. Therefore, we are subject to the risk of professional liability. Often, our engagements involve matters that, if resolved unfavorably, may result in a severe impact on the client s business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Since our ability to generate new client engagements depends upon our ability to maintain a high degree of client satisfaction as well as our reputation among industry professionals, any claims against us involving the quality of our services may be more damaging than similar claims against businesses in other industries.

Any claim by a client against us could expose us to professional liability in excess of our insurance limits. We maintain a limited amount of liability insurance. The damages and/or expenses resulting from any successful claims against us in excess of our insurance limits would have to be borne directly by us and could seriously harm our profitability and financial resources.

Our clients may terminate our engagements with little or no notice, which may cause us to experience unexpected declines in our profitability.

Much of our business involves large client engagements that we staff with a substantial number of professionals. If our clients unexpectedly cancel engagements with us or curtail the scope of our engagements, we may be unable to replace the lost revenues from those engagements and may also be unable to quickly eliminate costs associated with those engagements. Any decrease in revenues without a corresponding reduction in our costs will likely harm our profitability.

Our turnaround, restructuring and bankruptcy practice group has an increased risk of fee nonpayment.

Many of our clients have engaged us because they are experiencing financial distress. We recognize that these clients may not have sufficient funds to continue operations or to pay for our services. Despite requiring clients to pay us retainers before we begin performing services on their behalf, we cannot assure you that these retainers will adequately cover our fees for the services we perform on behalf of these clients. We are not always able to obtain retainers from clients in bankruptcy as the bankruptcy court must approve our retainer for those clients. Even if a bankruptcy court approves our retainer, the court may subsequently require us to return all or a portion of it. Therefore, we face the risk of nonpayment, which can result in write-offs. If we were to experience more write-offs than we expect in any period, our results of operations could be harmed.

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If the number of debt defaults, bankruptcies or other factors affecting demand for our services declines, our revenues and profitability could suffer.

Our turnaround, restructuring and bankruptcy practice group is our largest practice group. It provides various restructuring and restructuring-related services to companies in financial distress or their creditors or other stakeholders. A number of factors affects demand for this practice group s services. These include:

- the level of lending activity and over-leveraging of companies;
- over-expansion by various businesses;
- increases in merger and acquisition activity;
- management problems; and
- the general decline in the economy in the U.S. during the past several years.

If demand for our restructuring services decreases, our turnaround, restructuring and bankruptcy practice group could suffer a decline in revenues, which would lower our overall profitability. Since most of the clients of BRS are financially distressed companies requiring turnaround, restructuring and bankruptcy services, our acquisition of BRS may increase our exposure to the risk of decreased demand for our services.

We may be unable to develop profitable new service offerings, and our overall profitability may suffer.

As a key part of our strategy, we have been developing new service offerings in addition to our practice group areas of restructuring, forensic accounting and trial support consulting. Developing new service offerings involves inherent risks, including:

- our inability to estimate demand for the new service offerings;
- competition from more established market participants;
- a lack of market understanding; and
- unanticipated expenses to recruit and hire qualified professionals and to market our new service offerings.

If we cannot manage these risks effectively, we are unlikely to be successful in our efforts to develop new service offerings profitably. This inability could harm our overall business, financial condition and results of operations.

If we fail to find suitable acquisition candidates, our ability to expand may be curtailed.

While our disciplined approach has allowed us in the past to acquire businesses on attractive terms, we may experience an increased level of competition in our efforts to make acquisitions in the future. As a result, we may be unable to continue to make acquisitions or be forced to pay more for the companies that we are able to acquire. In either case, we may be unable to grow our business as quickly as we have in the past, and our profitability may decline. Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity securities or obtaining additional debt financing. We cannot assure you, however, that we will be able to obtain financing when we need it or on terms acceptable to us. If we cannot, we may have to curtail our planned growth and not pursue acquisition opportunities.

We may not manage our growth effectively, and our profitability may suffer.

We have experienced rapid growth in recent years. This rapid expansion of our business may strain our management team, human resources and information systems. Despite our recent growth, we plan to continue evaluating opportunities to acquire other businesses and expanding our business rapidly. We cannot assure you, however, that we can successfully manage the integration of any businesses we may acquire or that they will result in the financial, operational and other benefits that we anticipate. To manage our growth successfully, we

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may need to add qualified managers and employees and periodically update our operating, financial and other systems, as well as our internal procedures and controls. We also must effectively motivate, train and manage a larger professional staff. If we fail to manage our growth effectively, our business, results of operations and financial condition may be harmed.

We operate with a substantial amount of debt, with variable interest rates.

Our total debt at September 30, 2002, was approximately $138.9 million. We expect to repay $72.0 million of this debt with the proceeds of this offering as described in the section of this prospectus entitled Use of Proceeds. However, we still will owe about $66.9 million following this offering. Operating with a high amount of leverage could require us to redirect a substantial portion of our cash flow from operations to make payments on our debt. This would reduce the funds available for operations, future business opportunities, capital expenditures, acquisitions and other purposes. It will also limit our flexibility in planning for, or reacting to, changes in our business and our industry. The terms of our debt also require us to meet specified financial covenants. If we fail either to meet these financial requirements or our lenders do not waive them, we will be required to pay fees and penalties. Our lenders could also accelerate the maturity of our debt if we fail to meet these covenants, which would force us to seek alternative financing. If this were to happen, we cannot assure you that we would be able to obtain the additional financing we may need or that it would be on terms favorable to us.

Our debt accrues interest at a variable rate. We have historically reduced our exposure to rising interest rates by entering into interest rate swaps. Although a few of these historical hedge arrangements will remain in place on our existing debt, we do not intend to enter into new hedge arrangements for the credit facility we put in place to finance our acquisition of BRS. If interest rates increase, we will need to dedicate more of our cash flow from operations to make payments on our debt. For more information on our liquidity, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Our revenues, operating income and cash flows are likely to fluctuate.

We have experienced fluctuating revenues, operating income and cash flow in some prior periods and expect that this may occur from time to time in the future. We may experience future fluctuations in our annual or quarterly revenues and operating income because of the timing of our client assignments, the types of assignments we are working on at different times, hiring trends and decreased productivity because of vacations taken by our professionals. This means our profitability will likely decline if we experience an unexpected variation in the number or timing of client assignments or during the third quarter when substantial numbers of professionals take vacations, which reduces their utilization rates. We may also experience future fluctuations in our cash flows because of the timing of the payment of incentive compensation to our professionals, which we generally pay during the first quarter of each year. Also, the timing of any future acquisitions and the cost of integrating them may cause fluctuations in our operating results.

If our goodwill and other intangible assets become impaired, we will be required to write down their carrying value and incur a charge against income.

At August 31, 2002, our goodwill and other intangible assets, net of accumulated amortization, was approximately $344.0 million. We acquired all of our goodwill and other intangible assets in our acquisitions, including the approximately $250.0 million of goodwill and other intangible assets we have recorded from our purchase of BRS. At least once every year, we review whether these assets have been impaired. If these assets become impaired, we would be required to write down their carrying value and to incur charges against our income equal to the amount of the writedown. In addition, if we sell our applied sciences practice group for less than its carrying value, we would be required to take a charge against our income equal to the difference between the carrying value and the sale price. These charges would decrease our reported net income in the period in which we take them, which could cause the price of our common stock to decline.

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Risks Related to Our Acquisition of BRS

A significant portion of BRS revenues results from relationships with clients and industry professionals maintained by a small number of our key professionals. The loss of one or more of these key professionals could decrease our revenues and our profitability.

The success of our acquisition of BRS will depend upon our retention of key partners from BRS as our senior managing directors. These key senior managing directors have reputations in the financial services industry for highly specialized skills as well as important relationships with existing clients and industry professionals. Their reputations and relationships are critical to gaining new client engagements, particularly large, complex matters. Our employment agreements with the former BRS partners provide them with various financial incentives to work for us during the four-year employment period. However, they are not obligated to remain with us for all four years or for any other length of time. The loss of one or more of these key senior managing directors could harm the success of our acquisition of BRS.

We cannot assure you that we can successfully integrate BRS into our business.

We completed the acquisition of BRS on August 30, 2002. The BRS acquisition was substantial for us in several respects, including its potential contribution to our results of operations and the addition of a significant number of professionals and client relationships. We have not previously undertaken an integration process as large as that required by the BRS acquisition. We cannot assure you that we will realize the potential financial, operating or other benefits that we expect from this acquisition. Integrating BRS into our business will require a significant amount of our resources and management time to coordinate our operations and personnel with those of BRS. The process of integrating BRS into our existing operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and expansion of our existing business. To the extent that we have miscalculated our ability to integrate and properly manage BRS, we may have difficulty in achieving our operating and strategic objectives.

We have a different system of governance and management from PwC, which could cause some of our key personnel to leave us.

When BRS was a division of PwC, we believe BRS shared many of the management practices and policies that PwC developed to manage its multinational network of firms. We believe our management practices and policies differ from PwC s. During the transition period while we integrate BRS into our business, it is possible that these different management practices and policies may lead to workplace dissatisfaction on the part of the BRS professionals with our way of conducting business. This may cause some of our key professionals to leave us. The loss of one or more key professionals may harm our business and results of operations.

The benefits BRS enjoyed when it was part of PwC will no longer be available and this could harm the profitability of BRS.

BRS benefited from the name recognition and reputation of PwC and received referrals from other practices within PwC. Now that BRS is separate from PwC, BRS only has a limited ability to market its services by referring to the PwC name. Existing and potential clients and industry professionals may not recognize the new brand under which the professionals of BRS now provide their services. Consequently, we may need to incur substantial marketing expenses to strengthen and develop our brand, which could lower our profits below the levels BRS was historically able to generate. In addition, PwC has no incentive to refer clients to us, especially since PwC may continue to provide a limited amount of the sort of restructuring services performed by BRS. For information on our noncompetition arrangement with PwC, see Business Our Acquisition of BRS. The loss of client referrals may harm our expected revenue growth and results of operations and cause the actual profitability of the acquired business to differ materially from our expectations and the expectations of the investing public. A failure to meet these expectations could cause the price our stock to decline.

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Conflicts of interest may prevent us from providing services to new and existing clients, which could harm our revenues and results of operations.

Under conflict of interests rules, we generally may not represent both a debtor and its creditors on the same engagement. Accordingly, FTI and BRS together may not be able to accept all the engagements we could have previously accepted as separate entities. Although we have identified six client engagements that have created actual conflicts of interests as a result of our acquisition of BRS, only one of these engagements is a significant engagement for BRS. However, future conflicts of interest may require us to decline new client engagements. Our inability to accept new client engagements as a result of conflicts of interests may harm our revenue growth and results of operations.

Risks Related to the Offering and Ownership of Our Common Stock

If we or our stockholders sell substantial amounts of our common stock after the offering, the market price of our common stock may decline.

Sales of substantial amounts of our common stock in the public market following this offering, or the appearance that a large number of shares are available for sale, may adversely affect the market price of our common stock. After this offering, we will have 25,813,052 shares of common stock outstanding. Of these shares, 22,764,105 shares, including all shares sold in this offering, will be freely tradable under the Securities Act, unless acquired by one of our affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining 3,048,947 shares will be subject to the restrictions of Rule 144. 2,510,045 of these remaining shares may be sold under Rule 144 on or after September 1, 2003, subject to volume and other restrictions, and because of contract restrictions, 235,243 of these shares may not be sold before September 1, 2004 and 235,243 of these shares may not be sold before September 1, 2006. Currently, 1,319,367 shares of our common stock are subject to demand and piggyback registration rights. At September 30, 2002, we had reserved for issuance an additional 3,651,714 shares of common stock issuable upon exercise of outstanding stock options (at exercise prices ranging from $2.17 to $42.87 per share). All of the shares of common stock issuable upon the exercise of stock options will be freely tradable upon issuance as such shares are registered under a registration statement filed under the Securities Act. Some of our executive officers and all of our directors have agreed with the underwriters not to sell or otherwise dispose of any of their shares for 90 days after the date of this prospectus without the prior written consent of Lehman Brothers.

We may raise additional capital in the future through equity financings, which will dilute your ownership in us and may cause the market price of our common stock to decline.

We may need to raise funds through additional public or private equity or debt financings in order to:

- fund working capital needs;
- acquire additional businesses;
- expand our business into new regions or countries;
- introduce new service offerings and develop existing service offerings; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity will dilute your percentage ownership in us and may decrease the market price of our common stock. We cannot assure you, however, that we will be able to raise equity or obtain debt financing when we need it, if at all, or on terms acceptable to us. In addition, our agreement with the underwriters of this offering prohibits us generally from offering or selling shares of our common stock, or securities convertible into or exchangeable into our common stock, for 90 days from the date of this prospectus without the prior consent of Lehman Brothers.

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USE OF PROCEEDS

We expect to receive about $72.0 million of net proceeds from the sale of the 2,100,000 shares of our common stock that we are offering by this prospectus, at an assumed public offering price of $36.70 per share (after deducting underwriting discounts and commissions and estimated offering expenses). We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

At September 30, 2002, we owed approximately $138.9 million under our credit facility. We used borrowings from our credit facility, as well as some of our existing cash, to purchase BRS.

Under the provisions of our credit facility, we must apply at least half of the net proceeds that we obtain from a public offering of our equity securities to repay our borrowings under the facility. We intend to use the net proceeds we receive from this offering to repay $72.0 million of our debt under our credit facility. We intend to use half of these net proceeds to repay a portion of the $74.0 million term loan under our credit facility and the remainder to repay a portion or all of the revolving credit loan under our credit facility. Bank of America, N.A. and SunTrust Bank, as lenders under our credit facility, will receive their proportionate share of any repayment of debt from the net proceeds we receive from this offering. Each of these lenders is affiliated with an underwriter of this offering. For more information regarding these affiliations, see Underwriting Other.

Debt under our credit facility bears interest at an annual rate equal to LIBOR plus an applicable margin or an alternative base rate defined as the higher of (1) the lender s announced prime rate or (2) the federal funds rate plus the sum of 50 basis points and an applicable margin. At September 30, 2002, the interest rate under the credit facility was 4.95% per annum. If not prepaid, our $24.9 million term loan under our credit facility will mature on December 1, 2005, and our $74.0 million term loan under our credit facility will mature on August 30, 2006. We will not have any prepayment penalties for early payment of the debt under the credit facility. We discuss the provisions of our credit facility in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock has been listed on the New York Stock Exchange under the symbol FCN since August 16, 2001. Prior to that date, our common stock was listed on the American Stock Exchange under the same symbol. The following table shows the high and low closing prices per share for our common stock for the periods shown, as reported by the New York Stock Exchange or the American Stock Exchange, as applicable. These prices have been adjusted to give effect to the three-for-two stock split we paid as a stock dividend to our stockholders of record on January 2, 2002.

	High	Low
2000		
First Quarter	$ 5.00	$ 3.42
Second Quarter	7.33	4.58
Third Quarter	7.75	5.13
Fourth Quarter	6.83	4.17
2001		
First Quarter	8.67	5.67
Second Quarter	14.53	8.67
Third Quarter	19.60	12.83
Fourth Quarter	22.73	18.40
2002		
First Quarter	32.26	21.47
Second Quarter	36.30	29.90
Third Quarter	41.95	29.01
Fourth Quarter (through October 7, 2002)	40.83	36.70

At September 30, 2002, there were about 147 holders of record of our common stock.

We have never paid cash dividends on our common stock, and we do not intend to pay dividends in the foreseeable future. Our existing credit facility limits our ability to pay cash dividends. We expect to retain any future profits to repay existing debt and finance our operations for the foreseeable future.

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CAPITALIZATION

The following table shows our cash and cash equivalents and capitalization at June 30, 2002:

- on an actual basis;
- on a pro forma basis to give effect to the acquisition of BRS, including the debt financing transactions related to the acquisition; and
- on a pro forma as adjusted basis to give effect to the:
  - acquisition of BRS, including the debt financing transactions related to the acquisition;
  - receipt of the estimated net proceeds from the sale of 2,100,000 shares of our common stock by us in this offering, after deducting estimated underwriting commissions and offering expenses; and
  - retirement of $72.0 million of our debt under our credit facility with the proceeds from this offering.

You should also refer to our historical consolidated financial statements and our unaudited pro forma combined financial statements, which we have included elsewhere in this prospectus.

	At June 30, 2002		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share amounts)		
Cash and cash equivalents	$ 21,236	$ 4,000	$ 4,000
Total debt	26,000	155,214	83,190
Less current portion	4,333	12,167	12,167
Total long-term debt	21,667	143,047	71,023
Stockholders equity:			
Preferred stock, $0.01 par value, 5,000,000 shares authorized, no shares issued or outstanding, actual, pro forma and pro forma as adjusted			
Common stock, $0.01 par value, 45,000,000 shares authorized, 20,540,102 shares issued and outstanding, actual, 23,540,102 shares issued and outstanding, pro forma, and 25,640,102 shares issued and outstanding, pro forma as adjusted	205	235	256
Additional paid-in capital	88,907	190,757	262,760
Unearned compensation	(465)	(465)	(465)
Retained earnings	44,328	44,328	44,328
Accumulated other comprehensive loss	(825)	(825)	(825)
Total stockholders equity	132,150	234,030	306,054
Total capitalization	$ 158,150	$ 389,244	$ 389,244

The table above excludes 3,165,064 shares of our common stock issuable upon the exercise of stock options outstanding under our stock option plans at June 30, 2002.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On August 30, 2002, we acquired BRS for $141.1 million in cash and 3,000,000 shares of our common stock, valued at $101.9 million. We also incurred acquisition-related expenses of approximately $1.4 million. In addition, we borrowed $119.0 million on August 30, 2002 to pay part of the cash consideration for the BRS acquisition.

In addition, in July 2002, we committed to a plan to sell our applied sciences practice group. Our historical financial statements beginning in the third quarter of 2002 will present the operations of the applied sciences practice group as discontinued operations.

The accompanying unaudited pro forma combined statements of income for the year ended December 31, 2001 and the six months ended June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition had occurred on January 1, 2001. BRS operated under a fiscal year ending June 30. The accompanying pro forma combined statements of income for both the annual and six-month period presented have been prepared after adjusting BRS accounting period to conform to our year end of December 31. Our unaudited pro forma combined statements of income also are adjusted to remove the historical operating results of the applied sciences practice group from our historical continuing operations for the periods presented.

The accompanying unaudited pro forma combined balance sheet at June 30, 2002 gives effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002. We will allocate the cost of the acquisition of BRS to identifiable assets and liabilities based on their estimated relative fair values. We have not completed our allocation process, and therefore the allocation of the purchase price for BRS included in the accompanying pro forma combined financial statements is preliminary. We are performing a valuation of the intangible assets that we acquired from BRS. The estimated valuation of these intangible assets for purposes of preparing the accompanying unaudited pro forma combined financial statements is based on the data that we have developed to date, and we expect to complete our valuation in October 2002. The final purchase price allocation is not expected to vary significantly from the preliminary allocation included in the accompanying unaudited pro forma combined financial statements.

The pro forma adjustments are described in the accompanying notes and are based upon available information and various assumptions that management believes are reasonable. These adjustments give effect to events directly attributable to the transactions and do not reflect any restructuring or integration costs, or any potential cost savings or other synergies that management expects to realize as a result of the transaction. The unaudited pro forma combined financial statements do not purport to represent what our financial position and results of operations would have actually been had the acquisition occurred on the dates indicated. The unaudited pro forma combined financial statements should be read in conjunction with our historical consolidated financial statements and the historical financial statements of BRS, which are included elsewhere in this prospectus and together with Management s Discussion and Analysis of the Financial Condition and Results of Operations.

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Unaudited Pro Forma Combined Statements of Income

	Year ended December 31, 2001					
	Historical FTI	Discontinued Operations	Pro Forma FTI	BRS(*)	Pro Forma Adjustments	Total
	(in thousands, except per share data)					
Revenues	$ 166,359	$ 44,042	$ 122,317	$ 170,689	$ (3,445)(b)	$ 289,561
Direct cost of revenues	83,449	24,375	59,074	80,840	28,895 (c) (1,721)(d) (10,049)(e) (937)(f)	156,102
Selling, general and administrative expenses	45,591	12,506	33,085	30,828	(11,962)(g)	51,951
Amortization expense (a)	5,049	814	4,235		2,000 (h)	6,235
Total costs and expenses	134,089	37,695	96,394	111,668	6,226	214,288
Income from operations	32,270	6,347	25,923	59,021	(9,671)	75,273
Interest expense, net	(4,356)	(536)	(3,820)	(912)	(6,414)(i) 912 (j)	(10,234)
Income from continuing operations before income taxes	27,914	5,811	22,103	58,109	(15,173)	65,039
Income taxes	11,445	2,481	8,964		17,174 (k)	26,138
Income from continuing operations	$ 16,469	$ 3,330	$ 13,139	$ 58,109	$ (32,347)	$ 38,901
Earnings per common share from continuing operations:						
Basic	$ 0.92					$ 1.87
Diluted	$ 0.84					$ 1.72
Weighted average shares outstanding, basic	17,841				3,000(l)	20,841
Weighted average shares outstanding, diluted	19,631				3,000(l)	22,631

	Six months ended June 30, 2002					
	Historical FTI	Discontinued Operations	Pro Forma FTI	BRS(*)	Pro Forma Adjustments	Total
	(in thousands, except per share data)					
Revenues	$ 101,755	$ 24,058	$ 77,697	$ 94,438	$ (2,992)(b)	$ 169,143
Direct cost of revenues	51,386	13,206	38,180	39,965	15,539 (c) (1,269)(d) (4,921)(e) (553)(f)	86,941
Selling, general and administrative expenses	26,690	6,900	19,790	18,900	(5,553)(g)	33,137
Amortization expense (a)					1,000 (h)	1,000
Total costs and expenses	78,076	20,106	57,970	58,865	4,243	121,078
Income from operations	23,679	3,952	19,727	35,573	(7,235)	48,065
Interest expense, net	(1,340)	(193)	(1,147)	(61)	(3,210)(i) 61 (j)	(4,357)

Income from continuing operations before income taxes	22,339	3,759	18,580	35,512	(10,384)	43,708
Income taxes	9,047	1,605	7,442		10,051 (k)	17,493
Income from continuing operations	$ 13,292	$ 2,154	$ 11,138	$ 35,512	$ (20,435)	$ 26,215
Earnings per common share from continuing operations:						
Basic	$ 0.67					$ 1.14
Diluted	$ 0.62					$ 1.07
Weighted average shares outstanding, basic	19,981				3,000(l)	22,981
Weighted average shares outstanding, diluted	21,501				3,000(l)	24,501

(*) Excludes payments for partner distributions and benefits.

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Unaudited Pro Forma Combined Balance Sheet

	At June 30, 2002				
	Historical FTI	Historical BRS	Subtotal	Pro Forma Adjustments	Pro Forma Total
			(in thousands)		
Assets:					
Current assets:					
Cash and cash equivalents	$ 21,236	$	$ 21,236	$ (17,236)(1)	$ 4,000
Accounts receivable, net of allowance for doubtful accounts	25,213	15,600	40,813		40,813
Unbilled receivables, net of allowance for doubtful accounts	15,875	19,730	35,605		35,605
Income tax receivable	894		894		894
Deferred income taxes	1,325		1,325		1,325
Prepaid expenses and other current assets	2,430	211	2,641		2,641
Total current assets	66,973	35,541	102,514	(17,236)	85,278
Property and equipment, net	14,423		14,423		14,423
Goodwill, net of accumulated amortization	93,969		93,969	252,030(2)	345,999
Other intangibles				4,000(2)	4,000
Other assets	1,298		1,298	4,000(3)	5,298
Total assets	$ 176,663	$ 35,541	$ 212,204	$ 242,794	$ 454,998
Liabilities and stockholders equity:					
Current liabilities:					
Accounts payable and accrued expenses	$ 3,589	$ 521	$ 4,110	$	$ 4,110
Accrued compensation expense	11,147	6,765	17,912	(5,048)(4)	12,864
Deferred income taxes	130		130		130
Current portion of long-term debt	4,333		4,333	7,834(5)	12,167
Billings in excess of services earned		45,003	45,003		45,003
Amounts due to PwC.		3,184	3,184	(3,184)(4)	
Other liabilities	272		272		272
Total current liabilities	19,471	55,473	74,944	(398)	74,546
Long-term debt, less current portion	21,667		21,667	121,380(5)	143,047
Deferred income taxes	1,748		1,748		1,748
Other long-term liabilities	1,627		1,627		1,627
Stockholders equity:					
Preferred stock					
Common stock	205		205	30(6)	235
Additional paid-in capital	88,907		88,907	101,850(6)	190,757
Unearned compensation	(465)		(465)		(465)
Retained earnings	44,328	(19,932)	24,396	19,932(7)	44,328
Accumulated other comprehensive loss	(825)		(825)		(825)
Total stockholders equity	132,150	(19,932)	112,218	121,812	234,030
Total liabilities and stockholders equity	$ 176,663	$ 35,541	$ 212,204	$ 242,794	$ 454,998

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NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. The BRS Acquisition *(dollar amounts in thousands except per share data)*

On August 30, 2002, we acquired BRS in a purchase business combination. The purchase price includes the cash paid at closing, plus the fair market value of our common stock that we delivered to PwC and estimated acquisition-related costs. The purchase price is summarized as follows:

Cash	$	141,075
Fair value of common stock		101,880
Estimated transaction costs		1,375
	$	244,330

The 3,000,000 shares of common stock issued for BRS were valued using the average stock price of FTI for the five day period beginning two days before and ending two days after July 24, 2002, which was the date the transaction was announced. This resulted in an average stock price of $33.96 per share.

The fair values of BRS assets have been estimated for the purpose of allocating the purchase price of the acquisition and preparing the pro forma financial statements. The allocation of purchase price among the assets acquired and liabilities assumed is based on a preliminary estimate of their relative fair values. These estimates could change based on a final appraisal of some of the intangibles that we acquired. The estimated purchase price of $244,330 has been assigned to the tangible and intangible assets acquired and liabilities assumed as follows:

Current assets at June 30, 2002	$	35,541
Fair value adjustments:		
Identified intangible assets		4,000
Goodwill		252,030
		291,571
Less liabilities assumed at June 30, 2002		(47,241)
	$	244,330

2. Adjustments to Unaudited Pro Forma Combined Statements of Income

Adjustments to the unaudited pro forma combined statements of income for the year ended December 31, 2001 and the six-month period ended June 30, 2002 in connection with the BRS acquisition are presented below:

(a) As of January 1, 2002, we adopted Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets* (Statement 142). Under the new rules, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized but are subject to impairment tests at least annually. Other intangible assets with finite lives continue to be amortized over their useful lives.

In accordance with Statement 142, we are no longer amortizing the $94.0 million of goodwill recorded at December 31, 2001. The goodwill amortization expense for the year ended December 31, 2001 was $5.0 million. All of the pro forma amortization expense recorded for the six-month period ended June 30, 2002 was attributable to the estimated fair value of other intangible assets with finite lives that were recorded in connection with the BRS acquisition.

(b) Adjustment to eliminate the portion of billable revenues of BRS partners and staff working on non-BRS related engagements. Because BRS was a division of a large, multi-disciplined business, BRS partners and staff could be assigned to non-BRS engagements. The historical financial statements include all revenues generated by BRS partners and staff regardless of the nature of the engagement. This adjustment adjusts

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revenues to the amounts generated from the business acquired and eliminates revenue generated from assisting other PwC divisions.

(c) Adjustment to record pro forma compensation expense, including retirement and other benefits, for the former partners of BRS. Historically, the BRS statement of income excluded payments for partner distribution and profits because partners did not receive salaries as compensation for services, but rather received earnings distributions recorded as a reduction of net assets. In connection with the acquisition of BRS, we entered into employment contracts with 49 former partners of BRS that provide for the payment of salaries consistent with the amounts received in BRS fiscal year 2002 as earnings distributions. The pro forma adjustment assumes that earnings distributions to partners for each respective period were expensed as compensation.

(d) Adjustment to eliminate the direct costs, such as partner and staff salaries, related to eliminated revenues generated by BRS partners and staff assigned to non-BRS engagements, as discussed above in Note (b).

(e) Adjustment to reduce to estimated actual cost the direct costs allocated to BRS for personnel costs associated with non-BRS professionals working on BRS engagements. The revenues associated with non-BRS personnel working on BRS matters was included in the historical BRS financial statements. However, there was no gross margin associated with these revenues. The historical financial statements prepared by BRS assumed that the personnel cost of professionals borrowed from other divisions of PwC to complete BRS engagements was equal to the associated revenue recorded for their billable time. The pro forma adjustment assumes that the estimated actual personnel costs of 52% of revenue for the year ended December 31, 2001 and 47% of revenue for the six months ended June 30, 2002 were incurred for revenues generated by borrowed personnel. These estimates are based on actual personnel costs for BRS professionals assigned to BRS engagements.

(f) Adjustment to reduce direct costs for pension expense eliminated in the BRS acquisition. Employee benefit compensation expense under the former PwC defined benefit and contribution plans for the year ended December 31, 2001 and six-month period ended June 30, 2002 was $1.3 million and $754,000, respectively. Under the FTI defined contribution plan, employee benefit compensation expense related to BRS personnel for the year ended December 31, 2001 and six months ended June 30, 2002 would have been $401,000 and $200,000, respectively.

(g) Adjustment to eliminate certain non-recurring selling, general and administrative costs allocated to BRS by PwC. PwC allocated to BRS in the historical financial statements a proportionate share of all overhead costs incurred by PwC. These costs consisted principally of general PwC management and support costs. We have reviewed all overhead cost allocations and have determined the verifiable amount allocated that will not be incurred subsequent to the acquisition.

(h) Adjustment to record pro forma amortization expense for the $4.0 million of estimated other intangible assets recorded upon the acquisition of BRS. These intangible assets consist principally of engagement backlog, intellectual property and non-competition agreements. These assets will be amortized over their estimated useful lives. The weighted-average estimated useful life of these acquired intangible assets is two years.

(i) Adjustment to record pro forma interest expense. In connection with the acquisition of BRS, we incurred $4.0 million of financing costs that are being amortized over the average contractual life of the related debt of four years. In addition, we assumed that we borrowed $129.2 million to pay the cash portion of the acquisition cost. See Note (1) below under Adjustments to Unaudited Pro Forma Combined Balance Sheet. Based on the LIBOR rate in effect at the closing date, the average interest rate associated with the acquisition related borrowings was 4.3% at the closing date of August 30, 2002.

(j) Adjustment to eliminate the interest expense allocated to BRS by PwC. We assumed no debt from PwC in connection with the BRS acquisition but financed a portion of the purchase price. Pro forma interest expense related to the debt we incurred is adjusted as described in Note (i) above.

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(k) Adjustment to record the pro forma income tax expense for (i) the operations of BRS for which no taxes were provided in the historical financial statements because BRS was a component of a partnership, and (ii) the estimated tax effects of pro forma adjustments, all at the combined federal and state statutory income tax rate of approximately 40%.

(l) Adjustment to increase the weighted-average shares outstanding for the 3,000,000 shares that we issued upon the acquisition of BRS.

3. Adjustments to Unaudited Pro Forma Combined Balance Sheet

Adjustments to the unaudited pro forma combined balance sheet at June 30, 2002 in connection with the BRS acquisition are presented below:

(1) Adjustment to record the use of cash to purchase BRS. Upon the closing of the acquisition, we paid PwC $141.1 million and incurred transaction costs of $1.4 million. We also borrowed $119.0 million from our lenders and incurred $4.0 million in financing fees to arrange for this borrowing on August 30, 2002. This adjustment assumes that we borrowed $129.2 million, or the amount we would have borrowed at June 30, 2002 to maintain sufficient cash for operations. Our borrowings include a line-of-credit arrangement with additional borrowing capacity to allow us to manage our working capital needs.

(2) Adjustment to record the allocation of the purchase price to goodwill and other intangible assets acquired in the transaction. The estimated purchase price of $244,330 has been assigned to the tangible and intangible assets acquired and liabilities assumed as discussed above.

(3) Adjustment to record the $4.0 million of deferred financing costs arising from the issuance of debt in connection with the acquisition of BRS.

(4) Adjustment to eliminate certain accrued expenses and amounts due to PwC not assumed by us in accordance with the purchase agreement with PwC.

(5) Adjustment to record the assumed incurrence of $129.2 million of additional debt in order to fund the acquisition of BRS.

(6) Adjustment to record the assumed issuance of 3,000,000 shares of our common stock at an average stock price of $33.96 in accordance with the purchase agreement with PwC.

(7) Adjustment to eliminate the PwC investment balance in BRS.

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4. Unaudited Pro Forma Statement of Income for BRS as a Stand Alone Company

The following unaudited pro forma statements of income are based on the historical financial statements of BRS for the periods presented, adjusted to present BRS as a company separate from PwC. The pro forma adjustments are described in the notes above and are based upon available information and assumptions that management believes are reasonable.

	Year ended December 31, 2001			Six months ended June 30, 2002		
	BRS(*)	Pro Forma Adjustments	Pro Forma As Adjusted	BRS(*)	Pro Forma Adjustments	Pro Forma As Adjusted
	(in thousands)					
Revenues	$ 170,689	$ (3,445)(b)	$ 167,244	$ 94,438	$ (2,992)(b)	$ 91,446
Direct cost of revenues	80,840	28,895 (c)	97,028	39,965	15,539 (c)	48,761
		(1,721)(d)			(1,269)(d)	
		(10,049)(e)			(4,921)(e)	
		(937)(f)			(553)(f)	
Selling, general and administrative expenses	30,828	(11,962)(g)	18,866	18,900	(5,553)(g)	13,347
Total costs and expenses	111,668	4,226	115,894	58,865	3,243	62,108
Income from operations	59,021	(7,671)	51,350	35,573	(6,235)	29,338
Interest expense, net	(912)	912 (j)		(61)	61 (j)	
Income from operations before income taxes	58,109	(6,759)	51,350	35,512	(6,174)	29,338
Income taxes		20,540 (k)	20,540		11,735 (k)	11,735
Income from continuing operations	$ 58,109	$ (27,299)	$ 30,810	$ 35,512	$ (17,909)	$ 17,603

(*) Excludes payments for partner distributions and benefits.

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SELECTED FINANCIAL DATA

The selected historical consolidated financial data for FTI at December 31, 2000 and 2001 and for the three years ended December 31, 2001 have been derived from FTI s audited consolidated financial statements previously filed with the SEC and included elsewhere in this prospectus. The selected historical consolidated balance sheet data of FTI at December 31, 1997, 1998 and 1999 and the selected historical consolidated statement of income data of FTI for the years ended December 31, 1997 and 1998 have been derived from FTI s audited consolidated financial statements previously filed with the SEC but not included in this prospectus. FTI s selected unaudited interim financial data included in this prospectus was derived from its books and records and, in the opinion of management, contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of its financial position and results of operations at and for such periods. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

The selected historical financial data for BRS at June 30, 2000, 2001 and 2002 and for the three fiscal years then ended have been derived from BRS audited financial statements included in this prospectus.

When you read this selected financial data it is important that you read along with it the historical financial statements and related notes included elsewhere in this prospectus as well as Management s Discussion and Analysis of Financial Condition and Results of Operations.

Selected Historical Consolidated Financial Data of FTI

	Year ended December 31,					Six months ended June 30,	
	1997(1)	1998(2)	1999	2000(3)	2001	2001	2002
	(in thousands, except percentages and per share data)						
Statement of Income Data:							
Revenues	$ 44,175	$ 58,615	$ 84,607	$ 134,764	$ 166,359	$ 83,629	$ 101,755
Direct cost of revenues	23,564	31,402	44,149	68,667	83,449	43,483	51,386
Selling, general and administrative expenses	15,159	20,532	28,829	36,732	45,591	21,240	26,690
Amortization of goodwill	82	996	2,313	4,723	5,049	2,507	
Total costs and expenses	38,805	52,930	75,291	110,122	134,089	67,230	78,076
Income from operations	5,370	5,685	9,316	24,642	32,270	16,399	23,679
Interest income (expense), net	173	(1,163)	(4,014)	(10,771)	(4,356)	(2,588)	(1,340)
Income before income taxes and extraordinary item	5,543	4,522	5,302	13,871	27,914	13,811	22,339
Income taxes	2,250	1,954	2,311	5,917	11,445	5,801	9,047
Income before extraordinary item	3,293	2,568	2,991	7,954	16,469	8,010	13,292
Extraordinary loss on early extinguishment of debt, net of income taxes				(5,393)			
Net income	$ 3,293	$ 2,568	$ 2,991	$ 2,561	$ 16,469	$ 8,010	$ 13,292
Income before extraordinary item per common share:							
Basic	$ 0.49	$ 0.36	$ 0.41	$ 0.75	$ 0.92	$ 0.48	$ 0.67
Diluted	$ 0.47	$ 0.34	$ 0.39	$ 0.66	$ 0.84	$ 0.43	$ 0.62
Net Income per common share:							
Basic	$ 0.49	$ 0.36	$ 0.41	$ 0.24	$ 0.92	$ 0.48	$ 0.67
Diluted	$ 0.47	$ 0.34	$ 0.39	$ 0.21	$ 0.84	$ 0.43	$ 0.62

Weighted average shares outstanding, Basic	6,794	7,087	7,308	10,612	17,841	16,584	19,981
Weighted average shares outstanding, Diluted	7,047	7,615	7,543	11,988	19,631	18,612	21,501
Other Data:							
Capital expenditures	$ 2,800	$ 3,327	$ 3,093	$ 6,640	$ 4,366	$ 1,629	$ 4,154
EBITDA (4)	$ 7,111	$ 8,756	$ 14,012	$ 32,134	$ 41,185	$ 20,761	$ 25,908
EBITDA margin (5)	16.1%	14.9%	16.6%	23.8%	24.8%	24.8%	25.5%

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	At December 31,					At June 30,	
	1997	1998	1999	2000	2001	2001	2002
	(in thousands)						
Balance Sheet Data:							
Cash and cash equivalents	$ 2,456	$ 3,223	$ 5,046	$ 3,235	$ 12,856	$ 2,473	$ 21,236
Working capital	10,634	9,071	19,233	20,163	28,766	24,332	47,502
Total assets	29,176	79,747	84,292	146,131	154,353	146,287	176,663
Long-term debt	1,930	46,280	42,727	60,500	28,166	45,333	26,000
Total stockholders equity	21,019	25,594	30,252	68,624	105,136	84,952	132,150

(1) In September 1997, we acquired L.W.G., Inc. and subsidiary, and Bodaken & Associates in business combinations accounted for as purchases.

(2) In June 1998, we acquired Klick, Kent & Allen, Inc. In September 1998, we acquired S.E.A., Inc., Kahn Consulting, Inc. and KCI Management Corp. These business combinations were accounted for as purchases.

(3) Effective January 31, 2000, we acquired Policano & Manzo, L.L.C. in a business combination accounted for as a purchase.

(4) EBITDA refers to earnings before taxes, net interest expense and depreciation and amortization. Because all companies do not calculate EBITDA or similarly titled financial measures in the same manner, other companies disclosures of EBITDA may not be comparable with EBITDA as we calculate it. EBITDA should not be considered as an alternative to net income or loss (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under generally accepted accounting principles. EBITDA is intended to provide additional information for evaluating the ability of an entity to meet its financial obligations.

(5) EBITDA margin equals EBITDA divided by our total revenues for each period presented, in percentage format.

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Selected Historical Financial Data of BRS

	Fiscal year ended June 30,		
	2000	2001	2002
	(in thousands, except per share data)		
Statement of Income Data:			
Revenues	$ 141,093	$ 156,948	$ 179,262
Cost of services (1)	60,744	64,943	64,642
Reimbursables and subcontractor costs	9,401	12,844	14,275
Total costs of services (1)	70,145	77,787	78,917
Selling, general and administrative expenses (1)	30,851	28,387	33,542
Operating income (1)	40,097	50,774	66,803
Interest expense and other	422	715	603
Other expense	364	605	584
Income before partner distributions and benefits (1)	$ 39,311	$ 49,454	$ 65,616

(1) Excludes payments for partner distributions and benefits.

	At June 30,		
	2000	2001	2002
	(in thousands)		
Balance Sheet Data:			
Working capital	$ 2,266	$ (3,007)	$ (19,932)
Total assets	21,583	33,556	35,541
Total liabilities and PwC U.S. investment	21,583	33,556	35,541

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

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in those forward-looking statements as a result of certain factors, including, but not limited to, those described under Risk Factors or in other portions of this prospectus.

Overview

We are one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. Our highly skilled professionals assist distressed companies in improving their financial position or their creditors or other stakeholders in maximizing recovery of their claims. We also provide other consulting services such as corporate recovery, forensic accounting, fraud investigation and asset tracing, regulatory, intellectual property and mergers and acquisitions advisory services. Our trial support practice group advises clients in all phases of litigation, including pre-filing, discovery, jury selection, trial preparation, expert testimony and the actual trial.

Historically, we organized the company into three operating segments: financial consulting, litigation consulting and applied sciences. As a result of our acquisition of BRS and our decision to sell our applied sciences practice group, we will no longer have these operating segments. We will manage our operations as one segment. Accordingly, beginning in the third quarter of 2002, our financial statements will present the operations of the applied sciences practice group as discontinued operations, and we will present our financial condition and results of operations without segment information. We will continue to discuss our historical results through the six month period ended June 30, 2002, based on the segments we previously reported in our financial statements.

Historically, our financial consulting segment included a broad range of our consulting services, such as bankruptcy and restructuring analysis, forensic accounting, expert testimony, damage assessment, cost benefit analysis and business valuations. Our financial consulting segment accounted for 58.4% of our revenues in 2001 and 63.6% of our revenues for the six months ended June 30, 2002. Our litigation consulting segment included discovery, jury selection and trial preparation and support services. Our litigation consulting segment accounted for 15.2% of our revenues in 2001 and 12.8% of our revenues for the six months ended June 30, 2002. Our applied sciences segment included forensic engineering and scientific investigation services. Our applied sciences segment accounted for 26.4% of our revenues in 2001 and 23.6% of our revenues for the six months ended June 30, 2002.

We have evaluated segment performance based on each segment s proportion of our operating income before depreciation and amortization, corporate general and administrative expenses and income taxes. In 2001, our financial consulting segment accounted for 78.7% of our segment operating income, while our litigation consulting segment accounted for 6.2% and our applied sciences segment accounted for 15.1%. For the six months ended June 30, 2002, our financial consulting segment accounted for 81.7% of our segment operating income, while our litigation consulting segment accounted for 5.6% and our applied sciences segment accounted for 12.7%.

Our direct cost of revenues consists primarily of employee compensation and related payroll benefits, the cost of outside consultants assigned to revenue-generating activities and other related expenses billable to clients. In 2001, our direct costs were 50.2% of revenues, consistent with our long-term 50.0% target and an improvement from 51.0% in 2000. For the six months ended June 30, 2002, our direct costs were 50.5% of revenues, an improvement from 52.0% for the six months ended June 30, 2001.

Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, as well as rent, marketing, corporate overhead expenses and depreciation and amortization of

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property and equipment. In 2001, selling, general and administrative expenses, including depreciation and amortization, accounted for about 27.4% of our revenues, approximately the same as the 27.3% result in 2000. Our corporate overhead costs, which are included in selling, general and administrative expenses, represented about 6.3% of revenues in 2001 and 5.9% in 2000. For the six months ended June 30, 2002, selling, general and administrative expenses, including depreciation and amortization, accounted for about 26.2% of our revenues, slightly higher than the 25.4% result for the six months ended June 30, 2001. Our corporate overhead costs represented about 6.0% of revenues for the six months ended June 30, 2002 and 5.4% for the same period in 2001.

We had goodwill of about $94.0 million at June 30, 2002 that we recorded principally from business combinations that we completed in the last five years. This goodwill represented about 53.0% of our total assets at June 30, 2002. As of January 1, 2002, we no longer amortize this goodwill, but rather make annual assessments of impairment. Our acquisition of BRS increased our goodwill and other intangible assets by approximately $250.0 million to approximately $354.0 million at August 31, 2002. We anticipate that the sale of the applied sciences practice group will reduce the amount of our goodwill by approximately $14.0 million when the sale occurs.

Critical Accounting Policies

General. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the U.S. 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 on-going basis, we evaluate our estimates, including those related to bad debts, goodwill, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that we believe are 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 believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We derive substantially all of our revenue from providing professional services to our clients. Most of these services are rendered under arrangements that require the client to pay us a fee for the hours that we incur at agreed-upon rates. We also bill our clients for the cost of the production of our work products and other direct expenses that we incur on behalf of the client, such as travel costs and materials that we purchase to produce presentations for courtroom proceedings. We recognize our revenue from professional services as work is performed and expenses are incurred. The basis for our policy is the fact that we normally obtain engagement letters or other agreements from our clients prior to performing any services. In these letters and other agreements, the clients acknowledge that they will pay us based upon our time spent on the matter and at our agreed-upon hourly rates.

Some clients pay us retainers before we begin any work for them. We hold retainers on deposit until we have completed the work. We apply these retainers to final billings or refund any excess over the final amount billed to clients, as appropriate, upon our completion of the work. If the client is in bankruptcy, fees for our professional services are subject to approval by the court. In some cases, a portion of the fees to be paid to us by a client is required to be held by a court until completion of our work. We make the initial determination whether to record all or a portion of such a holdback as revenue prior to collection on a case-by-case basis.

Bad Debts. We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our clients to pay our fees or for disputes that affect our ability to fully collect our billed accounts receivable as well as potential fee reductions imposed by bankruptcy courts. We estimate this allowance by

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reviewing the status of past-due accounts and recording general reserves based on our experiences in these cases and historical bad debt expense. Our actual experience has not varied significantly from our estimates. However, if the financial condition of our clients were to deteriorate, resulting in their inability to pay our fees, we may need to record additional allowances in future periods. This risk is mitigated by the retainers that we require from some of our clients prior to performing significant services.

We believe that the addition of BRS will not have a significant effect on our bad debt expense as a percentage of revenue.

Goodwill. We have remaining goodwill of about $94.0 million at June 30, 2002 that we recorded for business combinations that we completed principally in the last five years. This goodwill had been amortizing over 20 to 25 year periods and resulted in amortization expense approximating $5.0 million in 2001. As of January 1, 2002, we adopted Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets* (Statement 142). Under the new rules, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with the Statement. Accordingly, we no longer amortize this goodwill, but rather make annual assessments of impairment. During the second quarter of 2002, we completed the transitional impairment tests required by Statement 142 for this goodwill as of January 1, 2002. No impairment of goodwill was identified as a result of these tests. In the future, we will be making impairment tests during the fourth quarter of each year. In making these impairment assessments, we must make subjective judgments regarding estimated future cash flows and other factors to determine the fair value of the reporting units of our business that are associated with this goodwill. It is possible that these judgments may change over time as market conditions or our strategies change, and these changes may cause us to record impairment charges to adjust our goodwill to its estimated fair value.

Effect of Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 145, *Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* (Statement 145). Among other changes, Statement 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be aggregated and classified as an extraordinary item, net of the related tax effect. Statement 145 provides that gains and losses from extinguishment of debt should be classified as extraordinary items only if they are unusual or infrequent or they otherwise meet the criteria for classification as an extraordinary item, and observes that debt extinguishment transactions would seldom, if ever, result in extraordinary item classification of the resulting gains and losses. We will adopt Statement 145 in January 2003, and upon adoption, we will report as other expenses any extraordinary losses that we incur upon the extinguishment of our debt. In addition, when we present for comparative purposes financial statements issued prior to December 31, 2002, we will reclassify to other expenses any extraordinary losses that we recorded upon the early extinguishment of debt in those periods. In 2000, we reported a $5.4 million loss from the early extinguishment of certain debt. We may incur an extraordinary loss from the early extinguishment of our debt from this offering, as well as from application of the proceeds from our intended sale of our applied sciences practice group if the sale occurs in 2002.

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (Statement 146). Statement 146 supersedes EITF Issue No. 94-3 *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity*. Statement 146 requires that costs associated with an exit or disposal plan be recognized when incurred rather than at the date of a commitment to an exit or disposal plan. Statement 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We do not expect that our adoption of Statement 146 will have a material effect on our reported results of operations and financial position.

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Recent Acquisitions

We have made three acquisitions since the beginning of 2000, each of which was treated as a purchase business combination for accounting purposes:

Company	Date Acquired	Purchase Price	Goodwill and Other Intangibles Recorded	Sources of Cash Financing	Services
		(in millions)			
U.S. BRS division of PwC	Aug. 2002	$244.3, in cash and stock	$250.0 (est.)	Bank financing and our available cash	Turnaround, restructuring and bankruptcy consulting
Technology & Financial Consulting, Inc.	Jan. 2002	$4.1, in cash and stock	$ 3.8	Available cash	Intellectual property consulting
Policano & Manzo, L.L.C.	Feb. 2000	$54.9, in cash and stock	$ 52.2	Bank financing and our available cash	Turnaround, restructuring and bankruptcy consulting

Results of Operations

Six Months Ended June 30, 2002 and June 30, 2001

Revenues. Total revenues for the six months ended June 30, 2002 increased 21.8% to $101.8 million from $83.6 million in the same period in 2001. Our financial consulting segment revenues grew by 34.5% to $64.7 million for the six months ended June 30, 2002 from $48.1 million in the same period in 2001. We believe revenues for our financial consulting segment grew during the first half of 2002 primarily because we were able to recruit additional seasoned financial professionals to meet the continued strong demand for our financial consulting services in both restructuring and turnaround activities, and the forensic accounting and strategic consulting portions of the business and because we increased our professional rates (by an average of approximately 8% in our financial consulting segment). We anticipate that the market demand for our services in these areas will continue to be strong throughout 2002. We added several new practice areas to the financial consulting segment in early 2002, including crisis management, intellectual property litigation consulting, electronic evidence discovery, and utility regulatory financial consulting. These new practice areas contributed to the revenues and operating income of the financial consulting segment during the six months ended June 30, 2002, but did not have a major impact on the period.

Our litigation consulting segment revenues decreased 10.3% to $13.0 million for the six months ended June 30, 2002 from $14.5 million in the same period in 2001, representing the continuation of the decline that initially began in the third quarter of 2000 and resurfaced in the third quarter of 2001. We do not foresee this trend reversing during the remainder of 2002 and will continue to monitor this practice area closely. Our goals are to continue to grow our secure extranet services in support of litigation, improve our overall utilization of employees, cross train employees and contract with skilled outside consultants to staff peak workloads. We are also working on enhancing opportunities through our new electronic evidence and intellectual property consulting businesses.

Our applied sciences segment experienced 14.8% revenue growth during the six months ended June 30, 2002 to $24.1 million from $21.0 million in the same period in 2001. This segment grew faster than its historical rate of 6% to 10% due primarily to a significant number of unanticipated assignments. These engagements included restoration assignments near the site of the World Trade Center that were completed in the first quarter of 2002.

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Direct Cost of Revenues. Direct cost of revenues was 50.5% of our total revenues for the six months ended June 30, 2002 and 52.0% in the same period in 2001. The improvement in 2002 resulted primarily from the relative growth of the financial consulting segment, which has a somewhat higher gross margin than our other segments, and is in line with our long-term target of 50.0%.

Selling, General and Administrative Expenses. As a percent of our total revenues, selling, general and administrative expenses, which include depreciation and amortization of property and equipment, were 26.2% for the six months ended June 30, 2002, and 25.4% in the same period in 2001. Selling, general and administrative expenses, excluding depreciation and amortization, were 23.9% of revenues for the six months ended June 30, 2002, and were consistent with our long-term target of 25.0%.

Amortization of Goodwill. As required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, we no longer amortize our goodwill beginning at January 1, 2002. Amortization of goodwill during the first half of 2001 was $2.5 million.

Interest Expense. Interest expense consisted primarily of interest on debt we incurred in order to purchase businesses over the past several years. Interest expense decreased substantially for the six months ended June 30, 2002 compared with the same period in 2001, because interest rates were lower than in the prior year and we were able to retire $45.0 million of our debt in accordance with its terms with cash flow from operations and the proceeds from the exercise of options.

Income Taxes. Our effective tax rate decreased to 40.5% for the six months ended June 30, 2002, from 41.0% for the same period in 2001, principally because the increase in our income before income taxes and other extraordinary items diluted the effect of non-deductible goodwill amortization.

Years Ended December 31, 2001, 2000, and 1999

Revenues. Total revenues in 2001 increased 23.4% to $166.4 million from $134.8 million in 2000. Our financial consulting segment revenues grew by 51.2% to $97.1 million in 2001 from $64.2 million in 2000. We believe revenues for our financial consulting segment grew during 2001 primarily as a result of our ability to recruit seasoned financial professionals to meet the continued strong demand for our financial consulting services in both restructuring and turnaround activities and the forensic accounting and strategic consulting portions of the business, coupled with increases in professional rates. We added several new practice areas to the segment in early 2002, including crisis management, intellectual property litigation consulting, electronic evidence discovery, and utility regulatory financial consulting.

Our litigation consulting segment revenues decreased 19.7% to $25.2 million in 2001 from $31.4 million in 2000, continuing the decline that began in the third quarter of 2000. We believe revenues for our litigation consulting segment declined during 2001 primarily as a result of an unusual number of trials that were deferred or cancelled due to settlement or settlement discussions.

Our applied sciences segment experienced 12.2% revenue growth in 2001 to $44.0 million from $39.2 million in 2000. This segment grew faster than its historical rate of 6% to 10% due primarily to a significant number of unanticipated assignments. These engagements include restoration assignments near the site of the former World Trade Center that were completed early in the first quarter of 2002.

Total revenues for our litigation consulting segment in 2000 increased 59.3% over 1999. Our litigation consulting segment revenues increased 7.9% from 1999 to 2000 as a result of an increased volume of cases. Our applied sciences segment experienced 9.8% growth in 2000 compared to 1999, the high end of its historical growth trend. Our financial consulting segment s revenues grew by 222.6% in 2000 compared to 1999. On a pro forma basis, including the acquisition in February 2000 of P&M described above, the division grew 61.0%, due in part to the faster than anticipated integration of the acquisition and the strong market demand for our financial consulting services.

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Direct Cost of Revenues. Direct cost of revenues was 50.2% of our total revenues in 2001, 50.9% in 2000 and 52.2% in 1999. The improvement in 2001 resulted primarily from the relative growth of the financial consulting segment, which has a higher operating margin than our other segments, and is in line with our long-term target of 50.0%.

Selling, General and Administrative Expenses. As a percent of our total revenues, selling, general, and administrative expenses, which include depreciation and amortization of property and equipment, were 27.4% in 2001, 27.3% in 2000 and 34.1% in 1999. The decrease in 2001 and 2000 compared to 1999 was primarily attributed to the growth of our financial consulting segment that has a lower ratio of selling, general and administrative expenses to revenues than our litigation consulting and applied sciences segments. Selling, general and administrative expenses, excluding depreciation and amortization, was 25.1% of revenues in 2001, and is consistent with our long-term target of 25.0%.

Amortization of Goodwill. Annual amortization of goodwill increased from $4.7 million in 2000 to $5.0 million in 2001, primarily as a result of additional contingent consideration related to our acquisitions. Amortization of goodwill increased from $2.3 million in 1999 primarily as a result of the Policano & Manzo, L.L.C. acquisition.

Interest Income and Expense, Net. Interest expense consisted primarily of interest on debt we incurred to purchase businesses over the past several years. Interest expense decreased substantially in 2001 as compared to 2000 because interest rates were lower and we were able to retire $32.3 million of our debt. We used cash generated from operations, the proceeds of an equity offering in October 2000 and proceeds from the exercise of options and warrants to pay down debt. We achieved lower interest rates by refinancing our outstanding debt in late 2000 and experienced declining market interest rates on our revolving credit facility.

Income Taxes. Our effective tax rate decreased to 41.0% in 2001 from 42.7% in 2000 and 43.7% in 1999, principally because the increase in our net income diluted the effect of non-deductible goodwill amortization.

See Note 7 of Notes to Consolidated Financial Statements for a reconciliation of the federal statutory rate to our effective tax rates during each of these years, and a summary of the components of our deferred tax assets and liabilities.

Extraordinary Loss on Early Extinguishment of Debt, Net of Income Taxes. As a result of the write-off of unamortized debt discount and deferred financing costs associated with the debt that we refinanced or retired early in 2000, we had a $5.4 million loss on early extinguishment of debt, net of taxes in 2000.

Liquidity and Capital Resources

During the six months ended June 30, 2002, net cash provided by our operations was about $13.0 million as compared to about $10.0 million for the comparable period in 2001. Net cash provided by operating activities was $27.3 million in 2001, $15.6 million in 2000, and $8.4 million in 1999. We continue to finance operations and capital expenditures solely through cash flows from operations. Cash flows from operations have improved year-over-year since 1999 primarily due to increases in net income. During the six months ended June 30, 2002, this increase occurred primarily because our total revenues increased by 21.8%, while our direct cost of revenues as a percentage of revenues declined and our selling, general and administrative expenses increased only slightly as a percentage of revenues. Additionally, we realized a $7.0 million income tax benefit from stock option exercises that further increased our cash flows from operations during this period.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, accounts payable and accrued expenses and accrued compensation expense. Changes in these balances are affected by the timing of billings and collections of receivables as well as payments for compensation arrangements. During the six months ended June 30, 2002, changes in operating assets and liabilities reduced cash flow from operations by

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$10.2 million. This was primarily because our billed and unbilled accounts receivables grew by $8.2 million during the six months ended June 30, 2002. Billed and unbilled accounts receivable, net of allowance for doubtful accounts, increased due to strong demand for our financial consulting services throughout the first half of 2002. Our average collection period did not vary significantly from 2001 to 2002. Our customary collection terms range from 30 to 60 days for all of our clients. We do not expect our collection trends to change significantly as a result of the acquisition of BRS.

During the six months ended June 30, 2002, we spent $4.2 million for net additions to property and equipment, primarily for expansion of one of our major offices and investments in technology and equipment for our new practice areas. During all of 2002, we expect to spend approximately $8.0 million for property and equipment additions, including $2.0 million related to the integration of BRS. This trend in investing activities, after giving effect to the recent acquisition of BRS, is in line with our historical net additions to property and equipment of $4.4 million in 2001, $6.6 million in 2000 and $3.1 million in 1999. In 2003, we expect to spend approximately $10.0 million for property and equipment additions, including $4.0 million related to the integration of BRS. We had no outstanding purchase commitments at June 30, 2002.

Our investment activities during the six months ended June 30, 2002 included the acquisition of one business. We paid $3.2 million in cash as part of the purchase price to acquire Technology & Financial Consulting, Inc., which provides intellectual property consulting services.

Our financing activities in all periods have consisted principally of borrowings and repayments under long-term debt arrangements as well as issuances of common stock and exercises of warrants and stock options. Net borrowings or repayments under debt arrangements consisted of a $2.2 million repayment for the six months ended June 30, 2002, a $32.3 million repayment in the same period in 2001, a $20.7 million borrowing in the same period in 2000 and a $2.5 million repayment in the same period in 1999. At June 30, 2002, we had $21.2 million in cash plus availability under our then outstanding revolving credit agreement to borrow $46.6 million. We did not draw on this credit facility during the first half of 2002.

During the six months ended June 30, 2002, stock options to purchase 822,787 shares of our common stock were exercised and 111,661 shares of our common stock were issued under our employee stock purchase plan. These exercises and issuances generated $12.5 million in cash (including the $7.0 million income tax benefit from the stock option exercises).

On August 30, 2002, we completed the acquisition of BRS. The purchase price consisted of $141.1 million in cash plus 3,000,000 shares of our common stock. We financed the cash portion of the purchase price from our existing cash and a new bank credit facility, which consists of an additional term loan of $74.0 million and a revolving credit line of $100.0 million. We acquired BRS related accounts receivable, unbilled receivables and obligations to perform services under retainers but did not acquire BRS related cash. We expect the BRS acquisition to generate immediate positive cash flows from operations.

On August 30, 2002, we terminated our previous credit facility and entered into the new credit facility in connection with our acquisition of BRS. The new credit facility consisted of our then existing term loan for $26.0 million, a new term loan for $74.0 million and a new revolving credit facility for $100.0 million. On September 30, 2002, we repaid $1.1 million of the $26.0 million term loan. Our debt under the credit facility bears interest at an annual rate equal to LIBOR plus an applicable margin or an alternative base rate defined as the higher of (1) the lender s announced prime rate or (2) the federal funds rate plus the sum of 50 basis points and an applicable margin. If not prepaid, our $24.9 million term loan will mature on December 1, 2005, and our $74.0 million term loan will mature on August 30, 2006. Under the credit facility, we have granted the lenders a security interest in substantially all of our assets. At September 30, 2002, we had outstanding aggregate debt under the credit facility of $138.9 million, bearing interest at 4.95% per annum. We will not be subject to any penalties for early payment of the debt under the credit facility. Under the provisions of the credit facility, we

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must apply at least half of the net proceeds that we obtain from any public offering of our equity securities to repayment of the debt. Because of our increased debt, we anticipate higher interest expenses for the remainder of 2002 and thereafter.

We intend to sell our applied sciences practice group, and we expect to complete the sale by the end of 2002. Under the credit facility, we are required to apply all of the proceeds from the sale to reduce our outstanding aggregate debt under the facility.

We expect that cash generated from our operations and cash available under our credit facility will be sufficient to meet our normal operating requirements for the foreseeable future.

Below is a summary of our contractual obligations and commitments at June 30, 2002:

	Payments Due by Period (in thousands)					
Contractual Obligations	**Total**	**2002**	**2003**	**2004**	**2005**	**Thereafter**
Long-term debt	$ 26,000	$ 2,167	$ 6,500	$ 8,667	$ 8,666	$
Operating leases	35,630	2,810	5,603	5,311	4,953	16,953
Total obligations	$ 61,630	$ 4,977	$ 12,103	$ 13,978	$ 13,619	$ 16,953
Pro forma, as adjusted long-term debt (1)	$ 83,190	$ 2,167	$ 6,500	$ 8,667	$ 25,237	$ 40,619
Operating leases	35,630	2,810	5,603	5,311	4,953	16,953
Pro forma, as adjusted total obligations (1)	$ 118,820	$ 4,977	$ 12,103	$ 13,978	$ 30,190	$ 57,572

(1) We calculated the pro forma information assuming the acquisition of BRS, including the assumed effects of the debt transactions related to the acquisition, and our repayment of $72.0 million of our debt under our credit facility with the estimated net proceeds from the sale of shares by us in this offering. This information does not give effect to our planned sale of the applied sciences practice group (which would lower the amount of our debt and the number of leases) or any additional leases we may enter into as we integrate BRS. We intend to relocate BRS as soon as possible and expect to obtain additional leased facilities on commercially reasonable terms.

Quantitative And Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates on our variable rate debt. In the past, we have managed this risk by entering into interest rate swaps. These hedges reduce our exposure to rising interest rates, but also reduce the benefits we would have otherwise received from lower interest rates. We do not anticipate entering into new interest rate swaps in 2002.

Interest rate swaps with notional principal amounts of $26.0 million at June 30, 2002, were designated as hedges against outstanding debt and were used to convert the interest rate on our variable rate debt to fixed rates for the life of the swap. Without giving effect to our hedge, our interest rate would have been 3.63% at June 30, 2002, but because of the hedge, the rate was 8.39% at that date. Because of the effectiveness of our hedge of variable interest rates associated with our debt, the change in fair value of our interest rate swaps resulting from changes in market interest rates is reported as a component of other comprehensive income (loss).

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BUSINESS

Introduction

We are one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. Our highly skilled professionals assist distressed companies in improving their financial position or their creditors or other stakeholders in maximizing recovery of their claims. We quickly analyze and implement an array of strategic alternatives, such as rightsizing infrastructure, improving working capital management, selling non-core assets or business units and restructuring capital. Through our corporate recovery services, we can help financially distressed companies implement their plans by providing interim management teams. Our teams of professionals have extensive experience in crisis management, negotiations of complex mergers, acquisitions and capital restructurings, as well as the liquidation of surplus assets.

We also help clients in all phases of litigation, including pre-filing, discovery, jury selection, trial preparation, expert testimony and the actual trial. We assist with refining issues in litigation and venue selection, and provide fraud investigation and securities litigation assistance. Our trial graphics and technology and electronic evidence experts assist clients in preparing for and presenting their cases in court. Furthermore, we provide forensic accounting and economic consulting services. Our forensic accounting and data mining (sorting through large volumes of data) services help clients to unravel complex financial transactions and reconstruct events from incomplete and/or corrupt data. Our specialized expertise in economic consulting allows us to help clients in valuing assets of all types and entire businesses, as well as intellectual property disputes. Our industry expertise extends to the telecommunications, railroad, energy and electric utility industries. In recent months, we have begun initiatives in the merger and acquisition area and dispute settlement services.

We began operations in 1982 as a consulting firm focused on providing forensic engineering scientific and trial support services. Beginning in 1998, we further expanded into financial consulting services. We achieved this expansion through two acquisitions in 1998 and one acquisition in 2000 and through our internal growth initiatives. Through a combination of organic growth and acquisitions, we have become one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. Our revenues have grown from $44.2 million in 1997 to $166.4 million in 2001, at a compounded annual growth rate of nearly 40%. For the first six months of 2002, we had $101.8 million in revenues on an actual basis and $169.1 million in revenues on a pro forma basis, which includes BRS revenues but excludes revenues from our applied sciences practice group, which we have announced our intention to sell.

On August 30, 2002, we acquired BRS for $141.1 million in cash and 3,000,000 shares of our common stock valued at $101.9 million. We incurred expenses of approximately $1.4 million in connection with this acquisition. For its fiscal year ended June 30, 2002, BRS had revenues of $179.3 million and operating income of $66.8 million. On a pro forma basis, as adjusted to present BRS as a company separate from PwC, BRS had revenues of $167.2 million and operating income of $51.4 million for the year ended December 31, 2001, and revenues of $91.4 million and operating income of $29.3 million for the six-month period ended June 30, 2002.

We believe our acquisition of BRS greatly enhances our ability to provide consulting services in the largest and most complex U.S. turnarounds, restructurings and bankruptcies. The BRS professionals have developed a premier practice handling turnarounds, restructurings and bankruptcies of comparable scale and complexity as we have. As a result of the acquisition of BRS, we have added 371 professionals, including the 49 BRS partners we hired, to our pool of talented, experienced professionals. The BRS acquisition also significantly diversifies our client base, including an increase in debtor-side clients to complement our historical strength in serving creditor-side clients. Immediately after the acquisition, we began integrating BRS into our turnaround, restructuring and bankruptcy practice group.

Our clients are typically companies facing adverse circumstances, as well as their creditors or other stakeholders, such as financial institutions and private equity firms, and the law firms that represent them. Unlike demand for traditional consulting services, which depends primarily on companies internal budgeting decisions,

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demand for our services is driven by non-discretionary engagements for businesses facing critical situations that are often adverse. These companies typically focus on our track record and reputation rather than our prices. In the case of bankruptcy proceedings, bankruptcy courts often mandate the selection of third party advisors, reinforcing the non-discretionary nature of our services.

We regularly provide our turnaround, restructuring, bankruptcy and related consulting services to the largest banks in the U.S., including Bank of America, N.A., Wachovia Bank, N.A, and JP Morgan Chase Bank. We are involved in many of the largest bankruptcy proceedings and out-of-court restructurings in the U.S. For example, we are currently involved in the bankruptcies of Enron Corp., WorldCom, Inc., US Airways, Inc. and Adelphia Communications Corporation. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas, as well as our reputation for satisfying clients needs. In 2001 and in the six months ended June 30, 2002, no single client accounted for more than 5% of our revenues.

Our applied sciences practice group offers forensic engineering and scientific investigation services. We intend to sell this practice group, and we expect to complete the sale by the end of 2002. We intend to use the proceeds from the sale to reduce our outstanding debt under our credit facility. However, we cannot assure you that we will be able to sell our applied sciences practice group within the stated timeframe or at what price we will be able to sell it.

Industry Overview

Participants in our industry provide a broad range of financial consulting services to companies facing adverse circumstances or their creditors or other stakeholders. These services include turnaround, restructuring, bankruptcy, forensic accounting and trial support services. We believe demand for services in our industry will continue to be strong, driven by a number of current and anticipated trends, including:

- high debt default rates and ongoing bankruptcy filings;
- continuing use of debt for corporate financings;
- escalating competitive and regulatory complexity faced by a wide range of businesses;
- the current wave of corporate reform legislation that encourages, and in some cases, requires the use of outside financial consultants; and
- the need for objective, independent expertise for critical, business processes.

We believe that our reputation, national scale and large staff of highly qualified professionals position us well to capitalize on the trends driving the growth in our industry.

Trends in Debt Default Rates. We believe that corporate debt default rates are important indicators of the potential need for turnaround, restructuring, bankruptcy and related consulting services. The current economic environment provides significant opportunity to companies capable of providing these services.

According to *Moody s Investor Service*, 186 corporate issuers of debt rated by *Moody s* defaulted on $106 billion of debt in 2001, compared to $33.4 billion in 2000. In 2001, *Moody s* also estimated that the dollar volume of the ten largest debt defaults exceeded the total dollar volume of all *Moody s*-rated defaults in 2000. In 2001, *Moody s* rating downgrades exceeded its upgrades by an almost two-to-one margin.

For the first half of 2002, *Moody s* reported that 89 issuers of corporate bond debt rated by it defaulted on $76.7 billion of that debt. This represents a 64% increase in the dollar volume of defaulted debt from the first half of 2001. In the second quarter of 2002 alone, 42 issuers of *Moody s*-rated corporate bond debt defaulted on $42.6 billion in debt, representing approximately twice the defaulted amount as the first quarter of 2001. *Moody s* reported second quarter 2002 global default rates for speculative grade debt at 10.3%, consistent with default levels seen in other periods of economic distress over the past 30 years, including 2001 (10.2%), 1991 (10.5%),

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1990 (9.9%) and 1970 (9.2%). In July 2002, *Moody s* reported that the second quarter of 2002 was one of the most severe periods of credit deterioration since the Great Depression.

We believe that a high correlation exists between default rates and the number of bankruptcy filings. According to the FDIC, a record 257 publicly-traded companies filed for bankruptcy in 2001, representing a 46% increase over the previous record set in 2000. The FDIC also reported that $258.5 billion of assets were involved in U.S. public company bankruptcy filings in 2001. This represented more than twice the assets involved in all 2000 U.S. public company bankruptcies. While the highly visible and large scale publicly-traded company bankruptcies draw the most attention, *BankruptcyData.com* reported a total of 40,099 total business bankruptcy filings in 2001, less than the 1980 through 2001 annual average of 58,871 business bankruptcy filings. Regardless of prevailing economic conditions, we believe that there will be a substantial number of business bankruptcy filings in any given year.

Continuing Use of Corporate Debt. Although the increased number of debt defaults has generated higher demand for restructuring and restructuring-related services in recent years, we believe demand for these services will remain robust even in periods of general economic recovery. While default rates historically have fluctuated depending upon the state of the economy, the size of the debt market, as measured by the amount of aggregate U.S. corporate debt outstanding, has consistently expanded over the past 30 years, regardless of economic cycles. U.S. and international companies have increasingly relied on debt to finance acquisitions, growth initiatives and working capital requirements. According to the Bond Market Association, the amount of U.S. corporate bond debt outstanding increased from $777 billion in 1985 to $3.8 trillion in 2001, a compounded annual growth rate of 10.4%. The outstanding amount of speculative grade debt consistently increased between 1985 and 2001, from $58 billion to $649 billion, a compounded annual growth rate of 16.3%. Although the default rate may fluctuate from time to time, an increasing aggregate volume of corporate debt suggests that the aggregate volume of corporate debt under default should remain high.

Although debt default rates tend to decline during periods of economic expansion, we believe that economic expansion also facilitates new issuances of speculative grade debt, as investors are generally willing to tolerate higher levels of risk during these periods. We believe that most speculative grade bond defaults take place within the first three years after issuance. As such, we believe that economic expansion periods could ultimately result in an increased volume of debt defaults, increasing demand for turnaround, restructuring, bankruptcy and related consulting services in the future.

Escalating Complexity in the Competitive and Regulatory Environment. We believe that many of the factors driving our industry are non-cyclical. These factors include under-performing companies, ineffective business strategies, highly leveraged capital structures, failed acquisitions and roll-ups, corporate fraud, the continuing trend in high-stakes litigation and the adverse effect of increased regulation on entire industries. For example, the Sarbanes-Oxley legislation has added a layer of complex regulatory requirements for public companies. Faced with recent enhanced scrutiny by investors and government agencies of financial reporting and corporate governance, in part as a result of this legislation, companies have begun to hire outside professionals to review and analyze their accounting records and financial reporting. We anticipate that ever increasing litigation costs will require businesses to focus on better managing risks and the litigation process, particularly in large, complex, multi-jurisdiction cases and mass tort claims. We believe that recent mandates as a result of the Sarbanes-Oxley legislation, and the emerging trend toward hiring consulting firms unaffiliated with company auditors, represent a fundamental shift in corporate and governmental policy. These trends should directly benefit independent financial consulting service providers in both distress and non-distress oriented projects.

Increasing Need For Independent Expertise. We believe that businesses, their creditors and other institutional stakeholders are increasingly utilizing consulting firms to provide objective, independent expertise for highly critical business processes. Businesses and financial institutions facing adverse circumstances have a need to access world-class expertise to assist them in implementing tactical operating plans to solve significant business dilemmas. This is particularly true in highly complex and sophisticated areas such as turnarounds, restructurings, bankruptcies and high-stakes legal proceedings.

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Business Strategy

We are one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. We intend to continue to provide high caliber financial consulting services through our staff of professionals who are able to quickly staff even the most complex assignments. We also intend to try to anticipate our clients needs by expanding the range of consulting services we offer. Success in our marketplace depends primarily on having a reputation for providing quality and timely service and the ability to quickly address and staff very large assignments. The following are the key elements of our business strategy:

Maintain High Utilization Rates Among Our Professionals. We carefully manage our growth in order to maintain high utilization rates among all of our professionals rather than intermittently expanding our staff in anticipation of short-term demand. We take a disciplined approach when recruiting additional professionals. Although we maintain enough professionals to staff large, complex assignments, we focus on hiring qualified individuals who meet our selective criteria. High utilization rates allow us to maintain our profitability and make us less vulnerable to temporary declines in our work load.

Retain a Critical Mass of Highly Qualified Professionals. Our professionals are crucial to delivering our services to clients and generating new business. Through our substantial staff of highly qualified professionals, we can handle a number of large, complex assignments simultaneously. We offer each of our professionals significant compensation opportunities, often based on his or her utilization rate, along with a competitive benefits package and the chance to work on challenging engagements.

Leverage Our Relationships and Expertise. We work hard to maintain our existing client relationships and develop new ones. We believe that our existing client relationships and our reputation among industry professionals, coupled with our recognized expertise, track record and size, are the most critical elements in a company s decision to retain us. We have typically received a significant amount of repeat business from our financial institution clients and referrals from our law firm clients. We have been successful in recent years in expanding the range of consulting services we provide to our clients. Moreover, as a result of the BRS acquisition, we have greater capacity to handle simultaneously a number of complex, high-profile matters. By successfully leveraging our reputation, experience and expanded client base, we believe we will obtain a greater number of engagements from both existing and new clients.

Expand the Range of Our Financial and Litigation Consulting Services. We believe that a number of factors driving demand for our services are non-cyclical in nature. These factors include the adverse effects of increased regulation and competition on various industries, under-performing companies, ineffective business strategies, highly leveraged capital structures, failed acquisitions, corporate fraud and the ever increasing number of high-stakes lawsuits. While we anticipate that during more prosperous economic times, demand for turnaround, restructuring, bankruptcy and related consulting services will continue, we intend to continue to diversify the range of our financial and litigation consulting services. We have recently diversified our service offerings to include lender and transactional support, dispute settlement, intellectual property consulting and mergers and acquisitions advice. We intend to continue to broaden the range of our service offerings. We believe this diversification of our service offerings will better insulate our overall business from changing market conditions.

Selectively Acquire Companies to Obtain New Professionals and Capabilities. We have always followed a disciplined approach to acquisitions. Our selective approach has allowed us to acquire businesses on attractive terms. Over the past five years, we have made three significant acquisitions that have greatly enhanced our position in the turnaround, restructuring and bankruptcy market. We will continue to selectively pursue strategic acquisitions of complementary service businesses. This should enable us to expand the range of consulting services we offer our existing client base, expand our staff of expert professionals and add new clients to which we can sell our existing services.

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Our Services

Turnaround, Restructuring and Bankruptcy Practice. Our turnaround, restructuring and bankruptcy professionals regularly advise companies and creditors in some of the largest, most complex bankruptcy proceedings and out-of-court restructurings in the U.S. When advising a corporate client, we work with the company s management to assess the client s financial condition and viability and structure and implement a business rehabilitation plan to manage the client s cash flow to at least a break-even point. We also identify any non-essential assets or business units that could be sold to generate cash for the client. Typically, we then assist these clients as they negotiate with their lenders to restructure their debt. If an out-of-court workout appears unlikely, we assess the impact of a bankruptcy filing on the client s financial condition and operating performance and seek debtor-in-possession financing on the client s behalf. If the client voluntarily files for bankruptcy or is involuntarily forced into bankruptcy, we assist in managing the entire bankruptcy process, including structuring, negotiating with creditors and implementing the plan of reorganization. We also provide expert testimony in bankruptcy proceedings on such issues as business unit valuation and economic loss.

When we represent creditors, we seek to maximize amounts owed to them by the debtor, whether in an out-of-court workout or bankruptcy. In a workout engagement, we evaluate and monitor the quality and value of the collateral and any other assets available to the creditor, analyze the debtor s business plan and underlying cash flow projections and assess the adequacy of the debtor s financial reporting systems. Based on our analysis, we then assess the debtor s viability and develop and evaluate restructuring plans. If we conclude that an out-of-court workout is not feasible, we assist the creditors in deciding whether to provide debtor-in-possession financing, in working through the bankruptcy process and in structuring and evaluating various reorganization plan alternatives.

To better meet the needs of companies suffering a financial or operating crisis, we also offer corporate recovery services. The experienced professionals in our corporate recovery practice group are able to assume interim senior management roles at companies in crisis. Our professionals can function as a chief executive officer, chief operating officer, chief financial officer or chief recovery officer. Our professionals utilize their seasoned business judgment to reevaluate business strategy and financial forecasts and implement plans to meet financial and operating challenges. Our creative approaches and innovative solutions can create short-term liquidity to stabilize the business and afford the distressed company time to explore its options. Our teams of senior experienced professionals are keenly aware of the sensitive nature of these arrangements and the need to build consensus around a realistic restructuring plan.

Forensic Accounting Practice. Our forensic accounting specialists work with companies faced with fraud and financial disclosure issues. Many of these companies are undergoing restructuring or bankruptcy reorganizations. As perpetrators of fraud become more ingenious, the expertise required to unravel their schemes increases. We have a team of forensic accountants, certified fraud examiners and computer technicians who are experts in discovering and analyzing the most sophisticated ways to circumvent internal financial controls. Our forensic accountants routinely unravel complex transactions, reconstruct events from incomplete and/or corrupt data, uncover vital evidence, identify potential claims and assist in the pursuit of recoveries. Our computer technicians utilize sophisticated software tools to analyze and uncover important information from the computer systems used in the frauds. With our advanced search techniques and innovative methods, we are able to uncover valuable information that was considered lost, deleted or hidden.

We also provide asset tracing investigative services. Our forensic accountants and computer experts analyze corporate and personal records and electronic information, conduct interviews and evaluate related financial information to trace the flow of funds and locate assets that may have been misappropriated due to illegal or fraudulent activity. Our financial experts utilize sophisticated software tools, advanced data mining and search techniques as well as databases to conduct asset searches for companies, government agencies and individuals. We have provided investigative services in diverse cases involving misdirected or stolen assets, embezzlements and bank, healthcare, insurance and bankruptcy frauds.

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Trial Support Practice. We develop and deliver creative solutions to litigation problems. From the first computer animations used in court to the latest in digital graphic presentations, we have been one of the leaders in providing high-quality, cost-effective methods to prepare for and try cases. Our trial technology professionals have supported clients in the courtroom in some of the largest and most complex civil trials. Through the use of information technology and the Internet, we have demonstrated our ability to help control litigation costs, speed-up the trial process and provide litigants with superior access to data, a key competitive advantage.

We prepare and enhance presentations and expert testimony on complex subjects, such as toxic torts, financial disputes and intellectual property resolutions. We have responded to the increasing demand for document management in cases involving thousands or even millions of pages of depositions, testimony and exhibits by developing document management and exhibit and trial preparation solutions that enable our clients to better focus on preparing for and trying cases. Our range of services for complex litigation matters include visual communication consulting services; graphic exhibit design and production; customized database development and distribution; video deposition capture and transcript linking; management of designated trial exhibits; courtroom survey, design and configuration; on-site technical trial support; trial-specific hardware procurement and tracking; and secure extranet storage and distribution of data, documents, transcripts, videos and exhibits.

We have developed a number of technology-based tools to assist our clients in managing complex litigation. TrialMax®, our comprehensive trial preparation software, enables a litigation team to easily store, annotate and display documents, computer graphics, video clips and digitized depositions in the courtroom. We employ an automated tool for handling trial data regardless of information source or data type. Secure Extranet Services is our Internet application for clients that are parties to multi-district litigation.

Our Other Financial and Litigation Consulting Practices. We have recently expanded our consulting services to include regulatory, intellectual property, valuation, mergers and acquisitions advisory, lender and transactional support and dispute settlement services. Our statistical and economic experts in our regulatory practice group use a range of tools to help companies evaluate issues such as the economic impact of deregulation on a particular industry, the amount of commercial damages suffered by a business as a result of a tort or a breach of contract or the value of a business or professional practice. We also work with clients to develop business strategy and tactics on an ongoing basis to address these issues. Our specialists advise clients in the telecommunications, energy and transportation industries in antitrust cases, regulatory proceedings, strategic planning and mergers and acquisitions. Our professionals regularly provide expert testimony on damages, rates and prices, merger benefits and valuations.

Our experienced intellectual property professionals provide valuation, damage analysis and expert testimony services. They provide their services to a range of industries, including oil and gas, technology and consumer products. They perform financial analyses of intellectual property in licensing and royalty disputes, antitrust claims and other types of disputes. Our professionals in this group employ industry research, statistical analysis, regression techniques, portfolio analysis and sophisticated financial modeling to support defensible, credible valuation and damage conclusions.

Our mergers and acquisitions advisory specialists assist clients in negotiating and structuring business combinations, acquisitions and dispositions of assets, business units or entire businesses. Our lender and transactional support practice group assists lenders and other institutional clients in performing financial due diligence for loans, acquisitions and other transactions.

Our dispute settlement practice group helps our clients mitigate the cost of, or avoid, litigation by evaluating claims and risks. These professonals coordinate business expertise with legal and technical analysis to develop cost-effective settlement strategies and implement mutually beneficial business resolutions.

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Our Acquisition of BRS

On August 30, 2002, we completed the acquisition of certain assets and liabilities of BRS. The purchase price for BRS consisted of $141.1 million in cash and 3,000,000 shares of our common stock valued at $101.9 million at the closing. In addition, we incurred expenses of approximately $1.4 million in connection with this acquisition.

We believe our acquisition of BRS will provide us with many strategic benefits. The combination has enhanced our position as one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. On a combined basis, with over 60 senior managing directors and 450 other professionals and support staff, we believe we can continue to increase our market position in this industry. The BRS acquisition solidifies our national presence and broadens the platform from which we can more quickly handle increasingly larger and more complex consulting engagements.

We believe we can successfully integrate BRS into our business. Immediately after the acquisition, BRS began operating as part of our turnaround, restructuring and bankruptcy practice group. We have already integrated the BRS operations into our billing and operations systems. This has allowed our management team to instantly monitor the operating performance of the acquired business at very detailed levels. We have entered into a one-year transition services agreement with PwC to provide various infrastructure-related services. PwC has agreed to provide us with information technology and other services as well as office space while we fully integrate all aspects of BRS operations into our business. PwC is providing these transition services to us on the same allocated cost basis as it did when BRS was part of PwC.

We made offers to 49 BRS partners, all of whom have agreed to work for us as senior managing directors. Each has entered into a four-year employment agreement with us. When they withdrew as partners of PwC, 47 of them received shares of our common stock from PwC. These partners received a total of about approximately 1.2 million shares of our common stock and then agreed with us to restrict the transfer of 40% of their shares. All restricted shares are non-transferable for two years. After the second anniversary of the closing of the BRS acquisition, one-half of these restricted shares become unrestricted, and on the fourth anniversary, the remaining shares also become unrestricted. As an added incentive to remain with us, we granted the BRS partners contractual protection against a decline in the value of their restricted shares during the four-year restricted period if the market price for the shares falls below $28.33 per share. If a BRS partner were to terminate his or her employment with us prior to the expiration of the four-year term of the employment agreement, the restricted period for the remaining restricted shares would be extended to eight years from the date of termination, and these shares would lose their price protection. Nearly all of the BRS partners and selected other executives that joined us also received options to purchase a total of 602,000 shares of our common stock at the fair market value of our common stock on August 30, 2002. These options vest in equal annual installments over three years beginning one year from the closing of the acquisition.

We have entered into a three year noncompetition arrangement with PwC. During the noncompetition period, PwC has agreed not to provide restructuring, bankruptcy or insolvency services in the U.S. and to limit the fees it receives for providing its audit clients with debtor-side restructuring services in the U.S. to $12.0 million during the first year of the noncompetition period, $15.0 million during the second year and $17.0 million during the third year. PwC also agreed not to market any of its consulting services using the terms BRS or BRS Services. Our noncompetition arrangement with PwC, however, generally permits non-U.S. PwC firms to provide services in the U.S. that are competitive with BRS services in cases where the primary engagement is outside of the U.S. or where the provision of work is required by a statutory or fiduciary obligation.

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Intended Sale of Our Applied Sciences Practice Group

Our applied sciences practice group offers a broad range of forensic engineering and scientific investigation services. These services include accident reconstruction, fire investigation, product failure analysis and quality control analysis. In connection with the BRS acquisition, we have decided to sell our applied sciences practice group because the practice is no longer a core part of our business. We expect to complete the sale by the end of 2002. We intend to use the proceeds from the sale to reduce our outstanding debt under our credit facility. However, we cannot assure you that we will be able to sell our applied sciences practice group within the stated timeframe or at what price we will be able to sell it. For the six months ended June 30, 2002, the applied sciences practice group accounted for 23.6% of our total revenues and 12.7% of our segment operating income.

Clients

We have cultivated long-term relationships with many of the premier financial institutions, law firms, private equity firms and other institutions in the U.S. In 2001, our most important ongoing clients and sources of referral were 21 of the 25 largest banks located in the U.S. and 68 of the top 100 law firms (based on revenues as reported by *American Lawyer* magazine).