FTI CONSULTING INC
Form 10-Q
August 01, 2014
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended June 30, 2014**

**OR**

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

**For the transition period from to**

**Commission file number 001-14875**

# FTI CONSULTING, INC.

**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Maryland** | **52-1261113** |
| **(State or Other Jurisdiction of** | **(I.R.S. Employer** |
| **Incorporation or Organization)** | **Identification No.)** |
| **1101 K Street NW,** | |
| **Washington, D.C.** | **20005** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(202) 312-9100**

**(Registrant s telephone number, including area code)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

| **Class** | **Outstanding at July 28, 2014** |
|---|---|
| Common stock, par value $0.01 per share | 40,946,943 |

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**FTI CONSULTING, INC. AND SUBSIDIARIES**

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**PART I FINANCIAL INFORMATION**

**FTI Consulting, Inc. and Subsidiaries**

**Condensed Consolidated Balance Sheets**

(in thousands, except per share amounts)

**Item 1. Financial Statements**

| | June 30, 2014 (Unaudited) | December 31, 2013 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 94,412 | $ 205,833 |
| Accounts receivable: | | |
| Billed receivables | 423,058 | 352,411 |
| Unbilled receivables | 296,299 | 233,307 |
| Allowance for doubtful accounts and unbilled services | (139,620) | (109,273) |
| Accounts receivable, net | 579,737 | 476,445 |
| Current portion of notes receivable | 29,911 | 33,093 |
| Prepaid expenses and other current assets | 52,162 | 61,800 |
| Current portion of deferred tax assets | 29,046 | 26,690 |
| Total current assets | 785,268 | 803,861 |
| Property and equipment, net of accumulated depreciation | 83,495 | 79,007 |
| Goodwill | 1,225,403 | 1,218,733 |
| Other intangible assets, net of amortization | 86,270 | 97,148 |
| Notes receivable, net of current portion | 131,707 | 108,298 |
| Other assets | 61,097 | 57,900 |
| **Total assets** | $ 2,373,240 | $ 2,364,947 |
| **Liabilities and Stockholders Equity** | | |
| **Current liabilities** | | |
| Accounts payable, accrued expenses and other | $ 96,005 | $ 126,886 |
| Accrued compensation | 169,923 | 222,738 |
| Current portion of long-term debt | 6,000 | 6,014 |
| Billings in excess of services provided | 36,946 | 28,692 |
| Total current liabilities | 308,874 | 384,330 |
| Long-term debt, net of current portion | 711,000 | 711,000 |
| Deferred income taxes | 149,130 | 137,697 |
| Other liabilities | 96,316 | 89,661 |
| **Total liabilities** | 1,265,320 | 1,322,688 |
| Commitments and contingent liabilities (notes 8, 10 and 11) | | |
| **Stockholders equity** | | |
| Preferred stock, $0.01 par value; shares authorized 5,000; none outstanding | | |

| | | |
|---|---|---|
| Common stock, $0.01 par value; shares authorized 75,000; shares issued and outstanding 40,936 (2014) and 40,526 (2013) | 409 | 405 |
| Additional paid-in capital | 380,193 | 362,322 |
| Retained earnings | 765,985 | 730,621 |
| Accumulated other comprehensive loss | (38,667) | (51,089) |
| **Total stockholders equity** | 1,107,920 | 1,042,259 |
| **Total liabilities and stockholders equity** | $ 2,373,240 | $ 2,364,947 |

See accompanying notes to the condensed consolidated financial statements

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**FTI Consulting, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Comprehensive Income**

(in thousands, except per share data)

Unaudited

| | Three Months Ended June 30, 2014 | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|---|---|
| **Revenues** | $ 454,324 | $ 414,613 | $ 879,876 | $ 821,791 |
| **Operating expenses** | | | | |
| Direct cost of revenues | 295,549 | 259,528 | 569,824 | 518,008 |
| Selling, general and administrative expense | 107,032 | 96,325 | 215,419 | 192,972 |
| Special charges | 9,364 | | 9,364 | 427 |
| Acquisition-related contingent consideration | (5) | (7,452) | (1,848) | (6,721) |
| Amortization of other intangible assets | 3,452 | 5,953 | 8,068 | 11,517 |
| | 415,392 | 354,354 | 800,827 | 716,203 |
| **Operating income** | 38,932 | 60,259 | 79,049 | 105,588 |
| **Other income (expense)** | | | | |
| Interest income and other | 1,448 | (387) | 2,451 | 550 |
| Interest expense | (12,908) | (13,071) | (25,563) | (25,786) |
| | (11,460) | (13,458) | (23,112) | (25,236) |
| **Income before income tax provision** | 27,472 | 46,801 | 55,937 | 80,352 |
| **Income tax provision** | 10,225 | 23,315 | 20,573 | 33,186 |
| **Net income** | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| **Earnings per common share basic** | $ 0.43 | $ 0.60 | $ 0.89 | $ 1.20 |
| **Earnings per common share diluted** | $ 0.42 | $ 0.58 | $ 0.87 | $ 1.17 |
| **Other comprehensive income (loss), net of tax:** | | | | |
| Foreign currency translation adjustments, net of tax $0 | $ 7,694 | $ (11,714) | $ 12,422 | $ (27,223) |
| **Total other comprehensive income (loss), net of tax** | 7,694 | (11,714) | 12,422 | (27,223) |
| **Comprehensive income** | $ 24,941 | $ 11,772 | $ 47,786 | $ 19,943 |

See accompanying notes to the condensed consolidated financial statements

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**FTI Consulting, Inc. and Subsidiaries**

**Condensed Consolidated Statement of Stockholders Equity**

(in thousands)

Unaudited

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) | Total |
|---|---|---|---|---|---|---|
| **Balance December 31, 2013** | 40,526 | $ 405 | $ 362,322 | $ 730,621 | $ (51,089) | $ 1,042,259 |
| Net income | | | | 35,364 | | 35,364 |
| Other comprehensive income: | | | | | | |
| Cumulative translation adjustment | | | | | 12,422 | 12,422 |
| Issuance of common stock in connection with: | | | | | | |
| Exercise of options | 148 | 2 | 3,145 | | | 3,147 |
| Restricted share grants | 262 | 2 | (5,093) | | | (5,091) |
| Stock units issued under incentive compensation plan | | | 1,674 | | | 1,674 |
| Non-employee vesting of stock options | | | 2,951 | | | 2,951 |
| Share-based compensation | | | 15,194 | | | 15,194 |
| **Balance June 30, 2014** | 40,936 | $ 409 | $ 380,193 | $ 765,985 | $ (38,667) | $ 1,107,920 |

See accompanying notes to the condensed consolidated financial statements

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**FTI Consulting, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

(in thousands)

Unaudited

| | Six Months Ended June 30, 2014 | 2013 |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 35,364 | $ 47,166 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 18,138 | 16,022 |
| Amortization of other intangible assets | 8,068 | 11,517 |
| Acquisition-related contingent consideration | (1,848) | (6,721) |
| Provision for doubtful accounts | 8,671 | 7,478 |
| Non-cash share-based compensation | 15,194 | 17,046 |
| Non-cash interest expense | 1,348 | 1,349 |
| Other | (368) | (197) |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable, billed and unbilled | (115,787) | (58,827) |
| Notes receivable | (22,559) | (11,113) |
| Prepaid expenses and other assets | 8,860 | (1,485) |
| Accounts payable, accrued expenses and other | 2,645 | (1,354) |
| Income taxes | 4,832 | 14,740 |
| Accrued compensation | (47,418) | (10,467) |
| Billings in excess of services provided | 7,756 | (5,785) |
| Net cash (used in) provided by operating activities | (77,104) | 19,369 |
| **Investing activities** | | |
| Payments for acquisition of businesses, net of cash received | (15,611) | (40,512) |
| Purchases of property and equipment | (21,778) | (14,130) |
| Other | (6) | 21 |
| Net cash used in investing activities | (37,395) | (54,621) |
| **Financing activities** | | |
| Purchase and retirement of common stock | (4,367) | (28,758) |
| Net issuance of common stock under equity compensation plans | (2,692) | 1,245 |
| Deposits | 11,580 | |
| Other | (891) | (616) |
| Net cash provided by (used in) financing activities | 3,630 | (28,129) |
| Effect of exchange rate changes on cash and cash equivalents | (552) | (850) |
| Net decrease in cash and cash equivalents | (111,421) | (64,231) |
| Cash and cash equivalents, beginning of period | 205,833 | 156,785 |
| Cash and cash equivalents, end of period | $ 94,412 | $ 92,554 |

| | | |
|---|---|---|
| **Supplemental cash flow disclosures** | | |
| Cash paid for interest | $ 23,541 | $ 22,903 |
| Cash paid for income taxes, net of refunds | 15,743 | 18,446 |
| Non-cash investing and financing activities: | | |
| Issuance of stock units under incentive compensation plans | 1,674 | 3,005 |
| Issuance of common stock to acquire businesses | | 2,883 |

See accompanying notes to the condensed consolidated financial statements

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**FTI Consulting, Inc. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

(dollar and share amounts in tables expressed in thousands, except per share data)

Unaudited

**1. Basis of Presentation and Significant Accounting Policies**

The unaudited condensed consolidated financial statements of FTI Consulting, Inc., including its consolidated subsidiaries (collectively, the Company, we, our or FTI Consulting ) presented herein, have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) and under the rules and regulations of the Securities and Exchange Commission ( SEC ) for interim financial information. Some of the information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Certain prior period amounts have been reclassified to conform to the current period presentation. In management s opinion, the interim financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented. All adjustments made were normal recurring accruals. Results of operations for the interim periods presented herein are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

**2. Earnings Per Common Share**

Basic earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjust basic earnings per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity compensation plans, including stock options and restricted stock, each using the treasury stock method.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Numerator basic and diluted** | | | | |
| Net income | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| **Denominator** | | | | |
| Weighted average number of common shares outstanding basic | 39,681 | 39,143 | 39,560 | 39,272 |
| Effect of dilutive stock options | 288 | 589 | 322 | 592 |
| Effect of dilutive restricted shares | 781 | 561 | 722 | 592 |
| Weighted average number of common shares outstanding diluted | 40,750 | 40,293 | 40,604 | 40,456 |
| **Earnings per common share basic** | $ 0.43 | $ 0.60 | $ 0.89 | $ 1.20 |
| **Earnings per common share diluted** | $ 0.42 | $ 0.58 | $ 0.87 | $ 1.17 |
| **Antidilutive stock options and restricted shares** | 3,637 | 3,593 | 3,408 | 3,541 |

**3. New Accounting Standards Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or

services. This guidance is effective for interim and annual periods beginning after December 15, 2016 and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. The Company is currently evaluating which transition approach to use and the impact of the adoption of this accounting standard update on its condensed consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, or ASU 2014-08*. ASU 2014-08 amends the criteria for reporting a discontinued operation. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity s operations and financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. This guidance is effective for interim and annual periods beginning after December 15, 2014, with early adoption permitted. ASU 2014-08 would impact the Company s consolidated results of operations and financial condition only in the instance of an event or transaction described above.

**4. Special Charges**

During the three months ended June 30, 2014, we recorded special charges totaling $9.4 million, of which $0.6 million was non-cash. The charges consisted of $7.9 million related to the termination of the Company s corporate airplane lease and $1.5 million related to the closure of the Company s West Palm Beach executive office and related lease termination.

During the three months ended March 31, 2013, we recorded adjustments to the special charges for office spaces vacated prior to the end of the second quarter of 2012 of approximately $0.4 million. These charges reflected the changes to sublease terms and associated costs for those locations for which subleases were entered into during the three months ended March 31, 2013.

The following table details the special charges by segment for the three months ended June 30, 2014 and six months ended June 30, 2014 and 2013. We did not record any special charges for the three months ended June 30, 2013.

| | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|---|
| Corporate Finance/Restructuring | $ | $ | $ 68 |
| Forensic and Litigation Consulting | | | 173 |
| Economic Consulting | | | (4) |
| Technology | | | 14 |
| Strategic Communications | | | 64 |
| | | | 315 |
| Unallocated Corporate | 9,364 | 9,364 | 112 |
| **Total** | $ 9,364 | $ 9,364 | $ 427 |

During the year ended December 31, 2013, we recorded special charges totaling $38.4 million, of which $14.1 million was non-cash. The charges reflect contractual post-employment severance and transition services, equity award and retention bonus expense acceleration primarily related to the transition of the Company s former Executive Chairman and former President and Chief Executive Officer. Special charges also included accelerated expenses related to future payments required to be made under a contractual transition service agreement with a Corporate Finance/Restructuring segment senior client facing professional. We also incurred costs related to actions we took to realign our workforce to address current business demands impacting our

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Corporate Finance/Restructuring and Forensic and Litigation Consulting segments, and to reduce certain corporate overhead within our Europe, Middle East and Africa ( EMEA ) region, most of which were recorded in the third and fourth quarters of 2013.

The total cash outflow associated with the special charges recorded in 2014, 2013 and 2012 is expected to be $57.3 million, of which $34.5 million has been paid as of June 30, 2014. Approximately $6.2 million is expected to be paid during the remainder of 2014, $5.0 million is expected to be paid in 2015, $3.1 million is expected to be paid in 2016, $3.1 million is expected to be paid in 2017, and the remaining balance of $5.4 million will be paid from 2018 to 2025. A liability for the current and noncurrent portions of the amounts to be paid is included in Accounts payable, accrued expenses and other and Other liabilities, respectively, on the Condensed Consolidated Balance Sheets.

Activity related to the liability for these costs for the three months ended June 30, 2014 is as follows:

| | Employee Termination Costs | Lease Costs | Total |
|---|---|---|---|
| **Balance at December 31, 2013** | $ 19,965 | $ 6,096 | $ 26,061 |
| Additions | | 8,770 | 8,770 |
| Payments | (2,397) | (9,645) | (12,042) |
| Foreign currency translation adjustment and other | 12 | | 12 |
| **Balance at June 30, 2014** | $ 17,580 | $ 5,221 | $ 22,801 |

**5. Allowance for Doubtful Accounts and Unbilled Services**

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenue when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions, for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to Selling, general and administrative expense on the Condensed Consolidated Statements of Comprehensive Income and totaled $4.2 million and $8.7 million for the three and six months ended June 30, 2014, respectively, and $3.4 million and $7.5 million for the three and six months ended June 30, 2013, respectively.

**6. Research and Development Costs**

Research and development costs related to software development totaled $4.6 million and $9.1 million for the three and six months ended June 30, 2014, respectively, and $3.5 million and $7.5 million for the three and six months ended June 30, 2013, respectively. Research and development costs are included in Selling, general and administrative expense on the Condensed Consolidated Statements of Comprehensive Income.

**7. Financial Instruments**

***Fair Value of Financial Instruments***

We consider the recorded value of certain financial assets and liabilities, which consist primarily of cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at June 30, 2014 and December 31, 2013, based on the short-term nature of the assets and liabilities. The fair value of our long-term debt at June 30, 2014 was $753.8 million compared to a carrying value of $717.0 million. At December 31, 2013, the fair value of our long-term debt was $752.8 million compared to a carrying value of $717.0 million. We determine the fair value of our long-term debt primarily based on quoted market prices for our $6^3/_4$% Senior Notes Due 2020 ( 2020 Notes ) and 6.0% Senior Notes Due 2022 ( 2022 Notes ). The fair value of our long-term debt is classified within Level 2 of the fair value hierarchy, because it is traded in less active markets.

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For business combinations consummated on or after January 1, 2009, we estimate the fair value of acquisition-related contingent consideration based on the present value of the consideration expected to be paid during the remainder of the earnout period, based on management s assessment of the acquired operations forecasted earnings. This fair value measure is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Fair value measurements characterized within Level 3 of the fair value hierarchy are measured based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

The significant unobservable inputs used in the fair value measurements of our acquisition-related contingent consideration include our measures of the future profitability and related cash flows of the acquired business or assets, impacted by appropriate discount rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount rates is accompanied by a directionally opposite change in the fair value measurement and a change in the assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement. The fair value of the contingent consideration is reassessed on a quarterly basis by the Company using additional information as it becomes available.

Any change in the fair value of an acquisition s contingent consideration liability results in a remeasurement gain or loss that is recorded as income or expense, respectively, and is included within Acquisition-related contingent consideration in the Condensed Consolidated Statements of Comprehensive Income. During the three and six months ended June 30, 2014, management determined that the fair value of the contingent consideration liability for certain of its acquisitions had declined and recorded a remeasurement gain of $0.3 million and $2.4 million, respectively, compared to a remeasurement gain of $8.2 million for the three and six months ended June 30, 2013.

Accretion expense for acquisition-related contingent consideration totaled $0.3 million and $0.5 million for the three and six months ended June 30, 2014, respectively, and $0.8 million and $1.5 million for the three and six months ended June 30, 2013, respectively.

The following table represents the changes in the acquisition-related contingent consideration liability during the three and six months ended June 30, 2014 and 2013:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Beginning balance** | $ 6,903 | $ 16,296 | $ 13,329 | $ 16,426 |
| Acquisition [1] | | 5,377 | (4,495) | 4,528 |
| Accretion of acquisition-related contingent consideration | 255 | 764 | 535 | 1,495 |
| Remeasurement of acquisition-related contingent consideration | (261) | (8,216) | (2,383) | (8,216) |
| Payments | (314) | (235) | (378) | (235) |
| Unrealized losses related to currency translation in other comprehensive income | 18 | (701) | (7) | (713) |
| **Ending balance** | $ 6,601 | $ 13,285 | $ 6,601 | $ 13,285 |

[1] Includes adjustments during the purchase price allocation period.

**8. Acquisitions**

Certain purchase price allocations were preliminary at December 31, 2013. For these acquisitions, we recorded $4.7 million of acquisition related contingent consideration, $9.5 million of identifiable intangible assets, $1.2 million of deferred taxes and $10.1 million of goodwill in the year ended December 31, 2013. During the first and second quarter of 2014 we finalized the purchase price allocations and recorded adjustments to the

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preliminary purchase price for certain acquisitions completed during the fourth quarter of 2013. These adjustments were immaterial; therefore no retrospective adjustments were made to the fair value of the assets acquired and liabilities assumed in the Condensed Consolidated Balance Sheet as of December 31, 2013.

**9. Goodwill and Other Intangible Assets**

The changes in the carrying amounts of goodwill by operating segment for the six months ended June 30, 2014, are as follows:

| | Corporate Finance/ Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Total |
|---|---|---|---|---|---|---|
| **Balances at December 31, 2013:** | | | | | | |
| Goodwill | $ 449,710 | $ 241,651 | $ 263,474 | $ 118,073 | $ 339,964 | $ 1,412,872 |
| Accumulated goodwill impairment | | | | | (194,139) | (194,139) |
| **Goodwill, net at December 31, 2013** | 449,710 | 241,651 | 263,474 | 118,073 | 145,825 | 1,218,733 |
| Acquisitions [1] | | (224) | | | | (224) |
| Foreign currency translation adjustment and other | 2,088 | 1,179 | 205 | 62 | 3,360 | 6,894 |
| Goodwill | 451,798 | 242,606 | 263,679 | 118,135 | 343,324 | 1,419,542 |
| Accumulated goodwill impairment | | | | | (194,139) | (194,139) |
| **Goodwill, net at June 30, 2014** | $ 451,798 | $ 242,606 | $ 263,679 | $ 118,135 | $ 149,185 | $ 1,225,403 |

[1] Includes adjustments during the purchase price measurement period.

Other intangible assets with finite lives are amortized over their estimated useful lives. For intangible assets with finite lives, we recorded amortization expense of $3.5 million and $8.1 million for the three and six months ended June 30, 2014, respectively, and $6.0 million and $11.5 million for the three and six months ended June 30, 2013, respectively. Based solely on the amortizable intangible assets recorded as of June 30, 2014, we estimate amortization expense to be $6.7 million during the remainder of 2014, $12.2 million in 2015, $11.0 million in 2016, $10.3 million in 2017, $8.6 million in 2018, $7.9 million in 2019, and $23.9 million in years after 2019. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, finalization of asset valuations for newly acquired assets, changes in useful lives, changes in value due to foreign currency translation, and other factors.

**10. Debt**

The components of debt obligations are presented in the table below:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| $6\,^3/_4$% senior notes due 2020 | $ 400,000 | $ 400,000 |
| 6.0% senior notes due 2022 | 300,000 | 300,000 |
| Notes payable to former shareholders of acquired businesses | 17,000 | 17,000 |
| Other | | 14 |
| **Total debt** | 717,000 | 717,014 |
| Less current portion | 6,000 | 6,014 |

| | | |
|---|---|---|
| **Long-term debt, net of current portion** | $ 711,000 | $ 711,000 |

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There were no borrowings outstanding under the Company s senior secured bank credit facility as of June 30, 2014.

### 11. Commitments and Contingencies

***Contingencies***

We are subject to legal actions arising in the ordinary course of business. In management s opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the resolutions of such actions. We do not believe any potential settlement or judgment would materially affect our financial position or results of operations.

### 12. Share-Based Compensation

***Share-based Awards and Share-based Compensation Expense***

Our officers, employees, non-employee directors and certain individual service providers are eligible to participate in the Company s equity compensation plans, subject to the discretion of the administrator of the plans. During the three months ended June 30, 2014 and March 31, 2014 we granted 183,105 and 645,593, respectively, of share-based awards consisting primarily of restricted stock awards, restricted stock units, and stock options. These awards are recorded as equity on the Company s balance sheet.

On April 1, 2014, certain executive officers of the Company were granted an aggregate of 234,536 cash-based awards under the Company s 2014 executive officer long-term incentive program. These awards include cash-based stock appreciation rights (the Executive SARs ) and cash-based units, which vest pro rata on the first through third anniversaries of the date of grant. The Executive SARs expire ten years from the date of grant. The awards also consist of cash-based performance units, subject to performance conditions based on the adjusted total shareholder return of the Company as compared to the adjusted total shareholder return of the adjusted S&P 500 for the three-year period ending March 31, 2017. The Executive SAR represents the right to receive cash upon exercise equal to the product of (i) the aggregate number of shares with respect to which the Executive SAR is exercised and (ii) the excess of (A) the closing price per share as reported on the New York Stock Exchange (the NYSE ) of a share of our common stock as of the date of exercise over (B) the exercise price of such Executive SAR. The cash-based units and performance units will have a value equivalent to the closing price per share of our common stock as reported on the NYSE for the applicable vesting or performance measurement date, as the case may be. As these awards will be settled in cash, they have been recorded as liabilities on the Company s balance sheet at fair value. Subsequent changes in the fair value of these awards based on fluctuations in the value of our common stock will be included in the related cash-based compensation expense recorded over the vesting period.

Total share-based compensation expense for the three and six months ended June 30, 2014 and 2013 is detailed in the following table:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Comprehensive Income Statement Classification** | **2014** | **2013** | **2014** | **2013** |
| Direct cost of revenues | $ 3,548 | $ 3,742 | $ 9,370 | $ 10,699 |
| Selling, general and administrative expense | 2,773 | 3,524 | 6,027 | 6,500 |
| Total share-based compensation expense | $ 6,321 | $ 7,266 | $ 15,397 | $ 17,199 |

### 13. Income Taxes

The Company has estimated its annual effective tax rate for the full fiscal year 2014 and applied that rate to its income before income taxes in determining its provision for income taxes for the three and six months ended

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June 30, 2014. The Company also records discrete items in each respective period as appropriate. During the second quarter of 2013, we determined that certain deferred tax assets associated with United States ( U.S. ) future foreign tax credits no longer met the more-likely-than-not test regarding the realization of those assets primarily due to lower forecasted foreign earnings. Accordingly, the Company increased the valuation allowance against its U.S. future foreign tax credit assets, resulting in a discrete adjustment to the income tax provision in the amount of $6.9 million. As of June 30, 2014 and December 31, 2013, valuation allowances of $9.6 million and $10.2 million, respectively, were recorded against the Company s net deferred tax assets.

**14. Stockholder s Equity**

On June 6, 2012, our Board of Directors authorized a two-year stock repurchase program of up to $250.0 million (the 2012 Repurchase Program ). During the year ended December 31, 2013, we repurchased and retired 1,956,900 shares of our common stock for an average price per share of $36.35, at a cost of $71.1 million, of which $4.4 million was accrued and included in the Condensed Consolidated Balance Sheet, and $66.7 million was paid at December 31, 2013. In January 2014, we paid the balance due of $4.4 million on our 2013 share repurchases. No shares were repurchased during the six months ended June 30, 2014. The 2012 Repurchase Program expired on June 5, 2014, with an unused balance of $128.8 million.

**15. Segment Reporting**

We manage our business in five reportable segments: Corporate Finance/Restructuring, Forensic and Litigation Consulting, Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance/Restructuring segment focuses on strategic, operational, financial and capital needs of businesses around the world and provides consulting and advisory services on a wide range of areas, such as restructuring (including bankruptcy), interim management, financings, mergers and acquisitions, post-acquisition integration, valuations, tax issues and performance improvement.

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with dispute advisory, investigations, forensic accounting, business intelligence assessments, data analytics, risk mitigation services as well as interim management and performance improvement services for our health solutions practice clients.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world.

Our Technology segment provides electronic discovery and information management consulting, software and services to its clients. It provides products, services and consulting to companies, law firms, courts and government agencies worldwide. Its comprehensive suite of software and services help clients locate, review and produce electronically stored information, including e-mail, computer files, voicemail, instant messaging, and financial and transactional data.

Our Strategic Communications segment provides advice and consulting services relating to financial and corporate communications and investor relations, reputation management and brand communications, public affairs, business consulting and digital design and marketing.

We evaluate the performance of our operating segments based on Adjusted Segment EBITDA. Beginning with the quarter ended March 31, 2014, the definition of Adjusted Segment EBITDA has been updated to exclude the impact of changes in the fair value of acquisition-related contingent consideration liabilities. Prior period amounts have been reclassified to conform to the current period s presentation.

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We define Adjusted Segment EBITDA as a segment s share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. Although Adjusted Segment EBITDA is not a measure of financial condition or performance determined in accordance with GAAP, we use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it is a useful supplemental measure which reflects current core operating performance and provides an indicator of the segment s ability to generate cash.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments for the three and six months ended June 30, 2014 and 2013:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Revenues** | | | | |
| Corporate Finance/Restructuring | $ 104,020 | $ 96,714 | $ 198,002 | $ 195,794 |
| Forensic and Litigation Consulting | 119,081 | 105,120 | 240,510 | 205,844 |
| Economic Consulting | 117,227 | 111,014 | 224,078 | 226,208 |
| Technology | 60,720 | 51,196 | 120,783 | 97,900 |
| Strategic Communications | 53,276 | 50,569 | 96,503 | 96,045 |
| Revenues | $ 454,324 | $ 414,613 | $ 879,876 | $ 821,791 |
| **Adjusted Segment EBITDA** | | | | |
| Corporate Finance/Restructuring | $ 19,133 | $ 17,848 | $ 30,084 | $ 36,933 |
| Forensic and Litigation Consulting | 22,271 | 18,752 | 48,765 | 31,563 |
| Economic Consulting | 18,043 | 20,803 | 31,073 | 46,997 |
| Technology | 15,104 | 16,888 | 32,452 | 30,604 |
| Strategic Communications | 5,834 | 5,219 | 8,563 | 8,773 |
| Total Adjusted Segment EBITDA | $ 80,385 | $ 79,510 | $ 150,937 | $ 154,870 |

The table below reconciles Total Adjusted Segment EBITDA to income before income tax provision:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Total Adjusted Segment EBITDA | $ 80,385 | $ 79,510 | $ 150,937 | $ 154,870 |
| Segment depreciation expense | (7,512) | (6,944) | (15,060) | (13,820) |
| Amortization of other intangible assets | (3,452) | (5,953) | (8,068) | (11,517) |
| Special charges | (9,364) | | (9,364) | (427) |
| Unallocated corporate expenses, excluding special charges | (21,386) | (14,570) | (41,779) | (31,734) |
| Interest income and other | 1,448 | (387) | 2,451 | 550 |
| Interest expense | (12,908) | (13,071) | (25,563) | (25,786) |
| Remeasurement of acquisition-related contingent consideration | 261 | 8,216 | 2,383 | 8,216 |
| Income before income tax provision | $ 27,472 | $ 46,801 | $ 55,937 | $ 80,352 |

**16. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information**

Substantially all of our domestic subsidiaries are guarantors of borrowings under our senior bank credit facility and 2020 Notes and 2022 Notes (collectively, the Senior Notes ). The guarantees are full and unconditional and joint and several. All of the guarantors are 100%-owned, direct or indirect, subsidiaries. The

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following financial information presents condensed consolidating balance sheets, statements of comprehensive income and statements of cash flows for FTI Consulting, all the guarantor subsidiaries, all the non-guarantor subsidiaries and the eliminations necessary to arrive at the consolidated information for FTI Consulting and its subsidiaries. For purposes of this presentation, we have accounted for our investments in our subsidiaries using the equity method of accounting. The principal eliminating entries eliminate investment in subsidiary and intercompany balances and transactions.

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**Condensed Consolidating Balance Sheet Information as of June 30, 2014**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 33,141 | $ 156 | $ 61,115 | $ | $ 94,412 |
| Accounts receivable, net | 179,545 | 208,622 | 191,570 | | 579,737 |
| Intercompany receivables | | 775,962 | 15,247 | (791,209) | |
| Other current assets | 63,841 | 21,281 | 25,997 | | 111,119 |
| **Total current assets** | 276,527 | 1,006,021 | 293,929 | (791,209) | 785,268 |
| Property and equipment, net | 32,063 | 14,875 | 36,557 | | 83,495 |
| Goodwill | 559,318 | 408,903 | 257,182 | | 1,225,403 |
| Other intangible assets, net | 31,883 | 18,163 | 62,648 | (26,424) | 86,270 |
| Investments in subsidiaries | 1,873,211 | 516,819 | | (2,390,030) | |
| Other assets | 66,738 | 79,341 | 46,725 | | 192,804 |
| **Total assets** | $ 2,839,740 | $ 2,044,122 | $ 697,041 | $ (3,207,663) | $ 2,373,240 |
| **Liabilities** | | | | | |
| Intercompany payables | $ 705,096 | $ 39,257 | $ 46,856 | $ (791,209) | $ |
| Other current liabilities | 121,886 | 88,773 | 98,215 | | 308,874 |
| **Total current liabilities** | 826,982 | 128,030 | 145,071 | (791,209) | 308,874 |
| Long-term debt, net | 700,000 | 11,000 | | | 711,000 |
| Other liabilities | 204,838 | 13,335 | 27,273 | | 245,446 |
| **Total liabilities** | 1,731,820 | 152,365 | 172,344 | (791,209) | 1,265,320 |
| **Stockholders equity** | 1,107,920 | 1,891,757 | 524,697 | (2,416,454) | 1,107,920 |
| **Total liabilities and stockholders equity** | $ 2,839,740 | $ 2,044,122 | $ 697,041 | $ (3,207,663) | $ 2,373,240 |

**Condensed Consolidating Balance Sheet Information as of December 31, 2013**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 111,943 | $ 494 | $ 93,396 | $ | $ 205,833 |
| Accounts receivable, net | 154,357 | 162,505 | 159,583 | | 476,445 |
| Intercompany receivables | | 820,158 | 18,881 | (839,039) | |
| Other current assets | 68,292 | 20,932 | 32,359 | | 121,583 |
| **Total current assets** | 334,592 | 1,004,089 | 304,219 | (839,039) | 803,861 |
| Property and equipment, net | 31,304 | 19,047 | 28,656 | | 79,007 |
| Goodwill | 559,820 | 408,903 | 250,010 | | 1,218,733 |
| Other intangible assets, net | 33,746 | 19,534 | 72,221 | (28,353) | 97,148 |
| Investments in subsidiaries | 1,772,130 | 498,001 | | (2,270,131) | |
| Other assets | 75,561 | 56,949 | 33,688 | | 166,198 |
| **Total assets** | $ 2,807,153 | $ 2,006,523 | $ 688,794 | $ (3,137,523) | $ 2,364,947 |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Intercompany payables | $ 709,628 | $ 74,813 | $ 54,598 | $ (839,039) | $ |
| Other current liabilities | 154,049 | 114,883 | 115,398 | | 384,330 |
| **Total current liabilities** | 863,677 | 189,696 | 169,996 | (839,039) | 384,330 |
| Long-term debt, net | 700,000 | 11,000 | | | 711,000 |
| Other liabilities | 201,217 | 15,009 | 11,132 | | 227,358 |
| **Total liabilities** | 1,764,894 | 215,705 | 181,128 | (839,039) | 1,322,688 |
| **Stockholders equity** | 1,042,259 | 1,790,818 | 507,666 | (2,298,484) | 1,042,259 |
| **Total liabilities and stockholders equity** | $ 2,807,153 | $ 2,006,523 | $ 688,794 | $ (3,137,523) | $ 2,364,947 |

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**Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended**

**June 30, 2014**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Revenues** | $ 155,457 | $ 269,329 | $ 131,805 | $ (102,267) | $ 454,324 |
| **Operating expenses** | | | | | |
| Direct cost of revenues | 98,574 | 210,455 | 88,439 | (101,919) | 295,549 |
| Selling, general and administrative expense | 45,864 | 30,077 | 31,439 | (348) | 107,032 |
| Special charges | 9,364 | | | | 9,364 |
| Acquisition-related contingent consideration | 2 | 200 | (207) | | (5) |
| Amortization of other intangible assets | 1,086 | 641 | 2,697 | (972) | 3,452 |
| **Operating income** | 567 | 27,956 | 9,437 | 972 | 38,932 |
| **Other (expense) income** | (12,262) | (1,969) | 2,771 | | (11,460) |
| **Income (loss) before income tax provision** | (11,695) | 25,987 | 12,208 | 972 | 27,472 |
| **Income tax (benefit) provision** | (4,847) | 11,858 | 3,214 | | 10,225 |
| **Equity in net earnings of subsidiaries** | 24,095 | 8,357 | | (32,452) | |
| **Net income** | 17,247 | 22,486 | 8,994 | (31,480) | 17,247 |
| **Other comprehensive income, net of tax:** | | | | | |
| Foreign currency translation adjustments, net of tax $0 | | | 7,694 | | 7,694 |
| **Total other comprehensive income, net of tax** | | | 7,694 | | 7,694 |
| **Comprehensive income** | $ 17,247 | $ 22,486 | $ 16,688 | $ (31,480) | $ 24,941 |

**Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended**

**June 30, 2013**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Revenues** | $ 144,390 | $ 254,394 | $ 113,565 | $ (97,736) | $ 414,613 |
| **Operating expenses** | | | | | |
| Direct cost of revenues | 92,781 | 192,526 | 70,725 | (96,504) | 259,528 |
| Selling, general and administrative expense | 38,575 | 28,614 | 30,367 | (1,231) | 96,325 |
| Acquisition-related contingent consideration | 92 | 195 | (7,739) | | (7,452) |
| Amortization of other intangible assets | 1,095 | 2,501 | 3,146 | (789) | 5,953 |
| **Operating income** | 11,847 | 30,558 | 17,066 | 788 | 60,259 |
| **Other (expense) income** | (16,773) | 202 | 3,113 | | (13,458) |
| **Income (loss) before income tax provision** | (4,926) | 30,760 | 20,179 | 788 | 46,801 |
| **Income tax (benefit) provision** | (4,290) | 24,090 | 3,515 | | 23,315 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Equity in net earnings of subsidiaries** | | 24,122 | | 15,679 | | | | (39,801) | | |
| **Net income** | | 23,486 | | 22,349 | | 16,664 | | (39,013) | | 23,486 |
| **Other comprehensive loss, net of tax:** | | | | | | | | | | |
| Foreign currency translation adjustments, net of tax $0 | | | | | | (11,714) | | | | (11,714) |
| **Total other comprehensive income, net of tax** | | | | | | (11,714) | | | | (11,714) |
| **Comprehensive income** | $ | 23,486 | $ | 22,349 | $ | 4,950 | $ | (39,013) | $ | 11,772 |

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**Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended**

**June 30, 2014**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Revenues** | $ 306,489 | $ 521,412 | $ 252,332 | $ (200,357) | $ 879,876 |
| **Operating expenses** | | | | | |
| Direct cost of revenues | 198,072 | 406,154 | 165,296 | (199,698) | 569,824 |
| Selling, general and administrative expense | 91,162 | 58,577 | 66,339 | (659) | 215,419 |
| Special charges | 9,364 | | | | 9,364 |
| Acquisition-related contingent consideration | (596) | (403) | (849) | | (1,848) |
| Amortization of other intangible assets | 2,159 | 1,370 | 6,468 | (1,929) | 8,068 |
| **Operating income** | 6,328 | 55,714 | 15,078 | 1,929 | 79,049 |
| **Other (expense) income** | (25,576) | (4,235) | 6,699 | | (23,112) |
| **Income (loss) before income tax provision** | (19,248) | 51,479 | 21,777 | 1,929 | 55,937 |
| **Income tax (benefit) provision** | (7,705) | 22,904 | 5,374 | | 20,573 |
| **Equity in net earnings of subsidiaries** | 46,907 | 14,690 | | (61,597) | |
| **Net income** | 35,364 | 43,265 | 16,403 | (59,668) | 35,364 |
| **Other comprehensive income (loss), net of tax:** | | | | | |
| Foreign currency translation adjustments, net of tax $0 | | | 12,422 | | 12,422 |
| **Total other comprehensive income, net of tax** | | | 12,422 | | 12,422 |
| **Comprehensive income** | $ 35,364 | $ 43,265 | $ 28,825 | $ (59,668) | $ 47,786 |

**Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended**

**June 30, 2013**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Revenues** | $ 295,350 | $ 501,055 | $ 221,561 | $ (196,175) | $ 821,791 |
| **Operating expenses** | | | | | |
| Direct cost of revenues | 193,618 | 379,873 | 138,698 | (194,181) | 518,008 |
| Selling, general and administrative expense | 81,471 | 56,590 | 56,905 | (1,994) | 192,972 |
| Special charges | 323 | 104 | | | 427 |
| Acquisition-related contingent consideration | 179 | 195 | (7,095) | | (6,721) |
| Amortization of other intangible assets | 2,322 | 4,948 | 5,829 | (1,582) | 11,517 |
| **Operating income** | 17,437 | 59,345 | 27,224 | 1,582 | 105,588 |
| **Other (expense) income** | (31,713) | 531 | 5,946 | | (25,236) |
| **Income (loss) before income tax provision** | (14,276) | 59,876 | 33,170 | 1,582 | 80,352 |
| **Income tax (benefit) provision** | (7,221) | 34,062 | 6,345 | | 33,186 |

| | | | | | |
|---|---|---|---|---|---|
| **Equity in net earnings of subsidiaries** | 54,221 | 24,114 | | (78,335) | |
| **Net income** | 47,166 | 49,928 | 26,825 | (76,753) | 47,166 |
| **Other comprehensive income, net of tax:** | | | | | |
| Foreign currency translation adjustments, net of tax $0 | | | (27,223) | | (27,223) |
| **Total other comprehensive income, net of tax** | | | (27,223) | | (27,223) |
| **Comprehensive income** | $ 47,166 | $ 49,928 | $ (398) | $ (76,753) | $ 19,943 |

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**Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2014**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidated |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net cash used in operating activities | $ (26,238) | $ (33,013) | $ (17,853) | $ (77,104) |
| **Investing activities** | | | | |
| Payments for acquisition of businesses, net of cash received | (14,656) | | (955) | (15,611) |
| Purchases of property and equipment | (7,140) | (3,890) | (10,748) | (21,778) |
| Other | (6) | | | (6) |
| Net cash used in investing activities | (21,802) | (3,890) | (11,703) | (37,395) |
| **Financing activities** | | | | |
| Purchase and retirement of common stock | (4,367) | | | (4,367) |
| Net issuance of common stock under equity compensation plans | (2,692) | | | (2,692) |
| Deposits | | | 11,580 | 11,580 |
| Other | 444 | (378) | (957) | (891) |
| Intercompany transfers | (24,147) | 36,943 | (12,796) | |
| Net cash (used in) provided by financing activities | (30,762) | 36,565 | (2,173) | 3,630 |
| Effect of exchange rate changes on cash and cash equivalents | | | (552) | (552) |
| **Net decrease in cash and cash equivalents** | (78,802) | (338) | (32,281) | (111,421) |
| **Cash and cash equivalents, beginning of period** | 111,943 | 494 | 93,396 | 205,833 |
| **Cash and cash equivalents, end of period** | $ 33,141 | $ 156 | $ 61,115 | $ 94,412 |

**Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2013**

| | FTI Consulting, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidated |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net cash (used in) provided by operating activities | $ (59,591) | $ 50,836 | $ 28,124 | $ 19,369 |
| **Investing activities** | | | | |
| Payments for acquisition of businesses, net of cash received | (11,601) | (7,157) | (21,754) | (40,512) |
| Purchases of property and equipment | (1,505) | (10,386) | (2,239) | (14,130) |
| Other | 21 | | | 21 |
| Net cash used in investing activities | (13,085) | (17,543) | (23,993) | (54,621) |
| **Financing activities** | | | | |
| Purchase and retirement of common stock | (28,758) | | | (28,758) |
| Net issuance of common stock under equity compensation plans | 1,245 | | | 1,245 |
| Other | 29 | | (645) | (616) |
| Intercompany transfers | 53,168 | (33,595) | (19,573) | |
| Net cash provided by (used in) financing activities | 25,684 | (33,595) | (20,218) | (28,129) |
| Effect of exchange rate changes on cash and cash equivalents | | | (850) | (850) |

| | | | | |
|---|---|---|---|---|
| **Net decrease in cash and cash equivalents** | (46,992) | (302) | (16,937) | (64,231) |
| **Cash and cash equivalents, beginning of period** | 66,663 | 610 | 89,512 | 156,785 |
| **Cash and cash equivalents, end of period** | $ 19,671 | $ 308 | $ 72,575 | $ 92,554 |

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations**

The following is a discussion and analysis of our consolidated financial condition and results of operations for the three and six months ended June 30, 2014 and 2013 and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read together with the accompanying unaudited condensed consolidated financial statements and related notes and with our Annual Report on Form 10-K for the year ended December 31, 2013. Historical results and any discussion of prospective results may not indicate our future performance. See Forward-Looking Statements.

**BUSINESS OVERVIEW**

We are a leading global business advisory firm dedicated to helping organizations protect and enhance their enterprise value. We work closely with our clients to help them anticipate, understand, manage and overcome complex business matters arising from such factors as the economy, financial and credit markets, governmental regulation, legislation and litigation. We assist clients in addressing a broad range of business challenges, such as restructuring (including bankruptcy), financing and credit issues and indebtedness, interim business management, forensic accounting and litigation matters, international arbitrations, mergers and acquisitions ( M&A ), antitrust and competition matters, securities litigation, electronic discovery ( e-discovery ), management and retrieval of electronically stored information ( ESI ), reputation management and strategic communications. We also provide services to help our clients take advantage of economic, regulatory, financial and other business opportunities. Our experienced teams of professionals include many individuals who are widely recognized as experts in their respective fields. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas as well as our reputation for satisfying client needs.

We report financial results for the following five reportable segments:

Our **Corporate Finance/Restructuring** segment focuses on strategic, operational, financial and capital needs of businesses around the world and provides consulting and advisory services on a wide range of areas, such as restructuring (including bankruptcy), interim management, financings, M&A, post-acquisition integration, valuations, tax issues and performance improvement.

Our **Forensic and Litigation Consulting** segment provides law firms, companies, government clients and other interested parties with dispute advisory, investigations, forensic accounting, business intelligence assessments, data analytics, risk mitigation services as well as interim management and performance improvement services for our health solutions practice clients.

Our **Economic Consulting** segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the United States ( U.S. ) and around the world.

Our **Technology** segment provides e-discovery and information management consulting, software and services to its clients. It provides products, services and consulting to companies, law firms, courts and government agencies worldwide. Its comprehensive suite of software and services help clients locate, review and produce ESI, including e-mail, computer files, voicemail, instant messaging and financial and transactional data.

Our **Strategic Communications** segment provides advice and consulting services relating to financial and corporate communications and investor relations, reputation management and brand communications, public affairs, business consulting and digital design and marketing.

We derive substantially all of our revenues from providing professional services to both U.S. and global clients. Over the past several years the growth in our revenues and profitability has resulted from our ability to attract new and recurring engagements and the acquisitions we have completed.

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Most of our services are rendered under time-and-expense arrangements that obligate the client to pay us a fee for the hours that we incur at agreed upon rates. Under this arrangement, we typically bill our clients for reimbursable expenses, which may include the cost of producing our work product and other direct expenses that we incur on behalf of the client, such as travel costs. We also render services for which certain clients may be required to pay us a fixed fee or recurring retainer. These arrangements are generally cancellable at any time. Some of our engagements contain performance-based arrangements in which we earn a success fee when and if certain predefined outcomes occur. This type of success fee may supplement a time-and-expense or fixed-fee arrangement. Success fee revenues may cause variations in our revenues and operating results due to the timing of achieving the performance-based criteria. In our Technology segment, certain clients are also billed based on the amount of data stored on our electronic systems, the volume of information processed or the number of users licensing our Ringtail® software products for use or installation within their own environments. We license certain products directly to end users as well as indirectly through our channel partner relationships. Unit-based revenue is defined as revenue billed on a per-item, per-page, or some other unit-based method and includes revenue from data processing and hosting, software usage and software licensing. Unit-based revenue includes revenue associated with our proprietary software that is made available to customers, either via a web browser ( on-demand ) or installed at our customer or partner locations ( on-premise ). On-demand revenue is charged on a unit or monthly basis and includes, but is not limited to, processing and review related functions. On-premise revenue is comprised of up-front license fees, with recurring support and maintenance. Seasonal factors, such as the timing of our employees and clients vacations and holidays, impact the timing of our revenues.

Our financial results are primarily driven by:

- the number, size and type of engagements we secure;
- the rate per hour or fixed charges we charge our clients for services;
- the utilization rates of the revenue-generating professionals we employ;
- the number of revenue-generating professionals;
- fees from clients on a retained basis or other;
- licensing of our software products and other technology services;
- the types of assignments we are working on at different times;
- the length of the billing and collection cycles; and
- the geographic locations of our clients or locations in which services are rendered.

**Non-GAAP Measures**

In the accompanying analysis of financial information, we sometimes use information derived from consolidated and segment financial information that is not presented in our financial statements and prepared in accordance with U.S. generally accepted accounting principles ( GAAP ). Certain of these measures are considered non-GAAP financial measures under the SEC rules. Specifically, we have referred to:

Segment Operating Income

Total Segment Operating Income

Adjusted EBITDA

Adjusted Segment EBITDA

Total Adjusted Segment EBITDA

Adjusted Net Income

Adjusted Earnings per Diluted Share

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Beginning with the quarter ended March 31, 2014, the definitions of each of these non-GAAP measures have been updated to exclude the impact of changes in the fair value of acquisition-related contingent consideration liabilities. Prior period amounts have been reclassified to conform to the current period s presentation.

We define Segment Operating Income as a segment s share of consolidated operating income. We define Total Segment Operating Income as the total of Segment Operating Income for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted EBITDA as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt. We define Adjusted Segment EBITDA as a segment s share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it is a useful supplemental measure which reflects current core operating performance and provides an indicator of the segment s ability to generate cash. We also believe that these measures, when considered together with our GAAP financial results, provide management and investors with a more complete understanding of our operating results, including underlying trends, by excluding the effects of remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP measures, provide management and investors with additional information for comparison of our operating results to the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share as net income and earnings per diluted share, respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt. We use Adjusted Net Income for the purpose of calculating Adjusted Earnings per Diluted Share. Management uses Adjusted Earnings per Diluted Share to assess total company operating performance on a consistent basis. We believe that this measure, when considered together with our GAAP financial results, provides management and investors with a more complete understanding of our business operating results, including underlying trends, by excluding the effects of the remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income. Reconciliations of GAAP to non-GAAP financial measures are included elsewhere in this filing.

We define acquisition growth as revenue of acquired companies in the first twelve months following the effective date of an acquisition. Our definition of organic growth is the change in revenue excluding the impact of all such acquisitions.

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**EXECUTIVE HIGHLIGHTS**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (dollars in thousands, except per share amounts) | | (dollars in thousands, except per share amounts) | |
| Revenues | $ 454,324 | $ 414,613 | $ 879,876 | $ 821,791 |
| Special charges | $ 9,364 | $ | $ 9,364 | $ 427 |
| Adjusted EBITDA | $ 59,903 | $ 66,012 | $ 111,099 | $ 125,338 |
| Net income | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| Earnings per common share diluted | $ 0.42 | $ 0.58 | $ 0.87 | $ 1.17 |
| Adjusted EPS | $ 0.55 | $ 0.38 | $ 0.97 | $ 0.97 |
| Cash provided by (used in) operating activities | $ 33,691 | $ 21,673 | $ (77,104) | $ 19,369 |
| Total number of employees at June 30, | 4,223 | 4,040 | 4,223 | 4,040 |

**Second Quarter 2014 Executive Highlights**

***Revenues***

Revenues for the three months ended June 30, 2014 increased $39.7 million, or 9.6%, to $454.3 million, compared to $414.6 million in the same prior year period. The revenue increase largely resulted from organic growth in all segments, with the most significant revenue growth due to higher demand related to disputes and investigations in our North America and Asia Pacific regions in our Forensic and Litigation Consulting ( FLC ) segment, as well as, complex global investigation matters in our Technology segment. Additionally, our results reflected improved demand in the Corporate Finance/Restructuring ( Corporate Finance ) North American non-distressed service offerings and our Economics Consulting segment s international arbitration and financial service offering in the Europe, Middle East and Africa ( EMEA ) region.

***Special Charges***

We recorded $9.4 million of special charges in the second quarter, related to the termination of the Company s corporate airplane lease and to the closure of our West Palm Beach executive office and related lease termination.

***Adjusted EBITDA (excluding special charges)***

Adjusted EBITDA in the second quarter decreased $6.1 million, or 9.3%, to $59.9 million, or 13.2% of revenues, compared to $66.0 million, or 15.9% of revenues, in the same prior year period. Adjusted EBITDA was favorably impacted by revenue increases across the segments but were offset by a related increase in performance-based compensation costs, investments in certain global corporate initiatives, the impact of employment contract extensions of key senior client-service professionals in our Economics Consulting segment, investments in hiring key personnel in our FLC health solutions, Corporate Finance EMEA transaction advisory sub-practices and our Technology segment.

***Net Income***

Net income for the three months ended June 30, 2014 decreased $6.2 million to $17.2 million, compared to $23.5 million in the same prior year period. Net income for the quarter was impacted by the segment results and the special charges described above. Net income for the prior year quarter was impacted by a $8.2 million fair value adjustment related to contingent consideration offset by a $6.9 million income tax valuation allowance against our U.S. future foreign tax credits.

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***Earnings per diluted share and Adjusted EPS***

Earnings per diluted share for the three months ended June 30, 2014 decreased $0.16 to $0.42 from $0.58 in the same prior year period. Earnings per diluted share were impacted by the results as outlined above, including the impact of the special charge of $9.4 million recorded in the quarter, which reduced earnings per share by $0.14. Adjusted earnings per diluted share for the three months ended June 30, 2014 were $0.55 as compared to $0.38 in the same prior year period.

***Liquidity highlights***

Cash provided by operating activities increased $12.0 million to $33.7 million for the three months ended June 30, 2014 compared to $21.7 million for the same prior year period primarily as a result of lower funding of employee notes receivable and higher revenue driven cash collections partially offset by increased compensation payments and the lease termination payment for our corporate airplane. Days sales outstanding ( DSO ), which is one measure of the collections cycle, was 108 days at June 30, 2014 and 99 days at June 30, 2013. Current DSO compared to the prior year has been impacted by the mix of revenues between our segments, an increase in unbilled receivables related to our Asia Pacific liquidation business which is subject to lengthy regulatory proceedings and extended payment terms which have been granted to certain large scale engagements.

Our financing activities during the three months ended June 30, 2014, included the repayment of short-term net borrowings of $20.0 million on our revolving line of credit under our senior secured bank credit facility, and $11.6 million of refundable deposits related to one of our foreign entities. The Company did not repurchase any common stock during the second quarter of 2014.

***Headcount***

As of June 30, 2014 our total headcount of 4,223 increased by 183 employees from June 30, 2013 largely driven by investments in our FLC segment, which includes the impact of acquisitions, as well as our Technology segment, and growth in our regional support teams. For the six months ended June 30, 2014 net total headcount increased by 16. Billable headcount additions for the same periods, by segment are referenced in the table below.

| | Corporate Finance/ Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Total |
|---|---|---|---|---|---|---|
| **Billable Headcount** | | | | | | |
| **December 31, 2013** | 737 | 1,061 | 530 | 306 | 590 | 3,224 |
| Additions (reductions) | (11) | 15 | 8 | 15 | (6) | 21 |
| **March 31, 2014** | **726** | **1,076** | **538** | **321** | **584** | **3,245** |
| Additions (reductions) | (13) | (17) | (13) | 7 | (18) | (54) |
| **June 30, 2014** | **713** | **1,059** | **525** | **328** | **566** | **3,191** |

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**CONSOLIDATED RESULTS OF OPERATIONS**

**Segment and Consolidated Operating Results:**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands, except per share amounts) | | (in thousands, except per share amounts) | |
| **Revenues** | | | | |
| Corporate Finance/Restructuring | $ 104,020 | $ 96,714 | $ 198,002 | $ 195,794 |
| Forensic and Litigation Consulting | 119,081 | 105,120 | 240,510 | 205,844 |
| Economic Consulting | 117,227 | 111,014 | 224,078 | 226,208 |
| Technology | 60,720 | 51,196 | 120,783 | 97,900 |
| Strategic Communications | 53,276 | 50,569 | 96,503 | 96,045 |
| **Revenues** | $ 454,324 | $ 414,613 | $ 879,876 | $ 821,791 |
| **Operating income** | | | | |
| Corporate Finance/Restructuring | $ 17,068 | $ 21,436 | $ 25,675 | $ 38,135 |
| Forensic and Litigation Consulting | 20,839 | 19,177 | 46,241 | 30,279 |
| Economic Consulting | 16,840 | 19,530 | 29,270 | 44,525 |
| Technology | 10,905 | 11,292 | 23,971 | 19,374 |
| Strategic Communications | 4,030 | 3,394 | 5,035 | 5,121 |
| **Total segment operating income** | 69,682 | 74,829 | 130,192 | 137,434 |
| Unallocated corporate expenses | (30,750) | (14,570) | (51,143) | (31,846) |
| **Operating income** | 38,932 | 60,259 | 79,049 | 105,588 |
| **Other income (expense)** | | | | |
| Interest income and other | 1,448 | (387) | 2,451 | 550 |
| Interest expense | (12,908) | (13,071) | (25,563) | (25,786) |
| | (11,460) | (13,458) | (23,112) | (25,236) |
| **Income before income tax provision** | 27,472 | 46,801 | 55,937 | 80,352 |
| **Income tax provision** | 10,225 | 23,315 | 20,573 | 33,186 |
| **Net income** | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| **Earnings per common share basic** | $ 0.43 | $ 0.60 | $ 0.89 | $ 1.20 |
| **Earnings per common share diluted** | $ 0.42 | $ 0.58 | $ 0.87 | $ 1.17 |

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**Reconciliation of Net Income to Adjusted EBITDA:**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | (in thousands) | |
| **Net income** | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| Add back: | | | | |
| Income tax provision | 10,225 | 23,315 | 20,573 | 33,186 |
| Other income (expense), net | 11,460 | 13,458 | 23,112 | 25,236 |
| Depreciation and amortization | 8,416 | 8,016 | 17,001 | 16,022 |
| Amortization of other intangible assets | 3,452 | 5,953 | 8,068 | 11,517 |
| Special charges | 9,364 | | 9,364 | 427 |
| Remeasurement of acquisition-related contingent consideration | (261) | (8,216) | (2,383) | (8,216) |
| **Adjusted EBITDA** | $ 59,903 | $ 66,012 | $ 111,099 | $ 125,338 |

**Reconciliation of Net Income to Adjusted Net Income and Earnings Per Share to Adjusted Earnings Per Share:**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands, except per share amounts) | | (in thousands, except per share amounts) | |
| **Net income** | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| Add back: | | | | |
| Special charges, net of tax effect (1) | 5,523 | | 5,523 | 253 |
| Remeasurement of acqusition-related contingent consideration, net of tax effect (2) | (164) | (8,216) | (1,514) | (8,216) |
| **Adjusted net income** | $ 22,606 | $ 15,270 | $ 39,373 | $ 39,203 |
| **Earnings per common share diluted** | $ 0.42 | $ 0.58 | $ 0.87 | $ 1.17 |
| Add back: | | | | |
| Special charges, net of tax effect (1) | 0.14 | | 0.14 | |
| Remeasurement of acqusition-related contingent consideration, net of tax effect (2) | (0.01) | (0.20) | (0.04) | (0.20) |
| **Adjusted earnings per common share diluted** | $ 0.55 | $ 0.38 | $ 0.97 | $ 0.97 |
| **Weighted average number of common shares outstanding diluted** | 40,750 | 40,293 | 40,604 | 40,456 |

(1) The tax effect takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). As a result, the effective tax rate for the adjustments related to special charges for the three and six months ended June 30, 2014 was 41.0%. The tax expense related to the adjustment for special charges for the three and six months ended June 30, 2014 were $3.8 million, or a $0.09 impact on diluted earnings per share. The effective tax rate for the adjustments related to special charges for the six months ended June 30, 2013 was 40.7%. The tax expense related to the adjustment for special charges for the six months ended June 30, 2013 was $0.2 million with no impact on diluted earnings per share. In the three months ended June 30, 2013, there were no special charges.

(2) The tax effect takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). As a result, the effective tax rates for the adjustments related to the remeasurement of acquisition-related contingent consideration for the three and six months ended June 30, 2014 were 37.2% and 36.5%, respectively. The tax expense related to the remeasurement of acquisition-related contingent consideration for the three and six months ended June 30, 2014 was $0.1 million with no impact on diluted earnings per share and, $0.9 million, or a $0.02 impact on diluted earnings per share. The adjustments related to remeasurement of acquisition-related contingent consideration for the three and six months ended June 30, 2013 were not taxable.

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**Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013**

***Revenues and operating income***

See Segment Results for an expanded discussion of segment revenues and operating income.

***Unallocated corporate expenses***

Unallocated corporate expenses increased $16.2 million to $30.8 million for the three months ended June 30, 2014 from $14.6 million for the same prior year period. Excluding the impact of special charges of $9.4 million in the three months ended June 30, 2014; unallocated corporate expenses increased $6.8 million. The increase was primarily due to higher costs related to performance based compensation for U.S. and regional teams, increased third party costs related to executive search activities and strategic development efforts.

***Interest income and other***

Interest income and other, which includes foreign currency transaction gains and losses, increased by $1.8 million to $1.4 million for the three months ended June 30, 2014 from a loss of $0.4 million for the same prior year period. The increase was primarily due to net foreign currency transaction gains in the period ended June 30, 2014 as compared to net losses in the same prior year period. Transaction gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity s functional currency. These monetary assets and liabilities include current intercompany receivables and payables.

***Interest expense***

Interest expense decreased $0.2 million to $12.9 million for the three months ended June 30, 2014 from $13.1 million for the same prior year period. Interest expense in 2014 was favorably impacted by lower average borrowings.

***Special charges***

During the three months ended June 30, 2014, we recorded special charges totaling $9.4 million, of which $0.6 million was non-cash. The charges consisted of $7.9 million related to the termination of the Company s corporate airplane lease and $1.5 million related to the closure of the Company s West Palm Beach executive office and related lease termination. These special charges are included in unallocated corporate expenses.

We did not record any special charges for the three months ended June 30, 2013.

***Income tax provision***

Our provision for income taxes in interim periods is computed by applying our estimated annual effective tax rate against income before income tax expense for the period. In addition, non-recurring or discrete items are recorded during the period in which they occur or become known. The effective tax rate was 37.2% for the three months ended June 30, 2014 as compared to 49.8% for the same prior year period. During the second quarter of 2013, we recorded a deferred tax valuation reserve related to foreign tax credits, primarily due to lower forecasted foreign earnings, resulting in an increase to the income tax provision in the amount of $6.9 million. Excluding the impact of the discrete item, the effective tax rate for the three months ended June 30, 2013 would have been 34.6%.

**Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013**

***Revenues and operating income***

See Segment Results for an expanded discussion of segment revenues and operating income.

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***Unallocated corporate expenses***

Unallocated corporate expenses increased $19.3 million to $51.1 million for the six months ended June 30, 2014 from $31.8 million for the same prior year period. Excluding the impact of special charges of $9.4 million in the six months ended June 30, 2014; unallocated corporate expenses increased $10.0 million. The increase was primarily due to higher performance-based compensation costs and increased costs to support certain global corporate initiatives.

***Interest income and other***

Interest income and other, which includes foreign currency transaction gains and losses, increased by $1.9 million to $2.5 million for the six months ended June 30, 2014 from $0.6 million for the same prior year period. The increase was primarily due to lower net foreign currency transaction losses in the period ended June 30, 2014 as compared to net losses in the same prior year period. Transaction gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity s functional currency. These monetary assets and liabilities include current intercompany receivables and payables.

***Interest expense***

Interest expense was $25.6 million for the six months ended June 30, 2014, which decreased from $25.8 million for the same prior year period. Interest expense in 2014 was favorably impacted by lower average borrowings.

***Special charges***

During the six months ended June 30, 2014, we recorded special charges totaling $9.4 million, of which $0.6 million was non-cash. The charges consisted of $7.9 million related to the termination of the Company s corporate airplane lease and $1.5 million related to the closure of the Company s West Palm Beach executive office and related lease termination.

During the six months ended June 30, 2013, we recorded adjustments to the special charges recorded in 2012 of approximately $0.4 million, primarily related to the consolidation of office spaces previously vacated. These charges reflect the changes to sublease terms and associated costs for those locations for which actual subleases were entered into during the six months ended June 30, 2013, as well as the impact of updated forecasts of expected sublease income and employee termination costs.

The following table details the special charge adjustments by segment for the six months ended June 30, 2014 and 2013:

| | Six Months Ended June 30, 2014 (in thousands) | Six Months Ended June 30, 2013 (in thousands) |
|---|---|---|
| Corporate Finance/Restructuring | $ | $ 68 |
| Forensic and Litigation Consulting | | 173 |
| Economic Consulting | | (4) |
| Technology | | 14 |
| Strategic Communications | | 64 |
| | | 315 |
| Unallocated Corporate | 9,364 | 112 |
| Total | $ 9,364 | $ 427 |

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*Income tax provision*

Our provision for income taxes in interim periods is computed by applying our estimated annual effective tax rate against income before income tax expense for the period. In addition, non-recurring or discrete items are recorded during the period in which they occur or become known. The effective tax rate was 36.8% for the six months ended June 30, 2014 as compared to 41.3% for the same prior year period. During the six months ended June 30, 2013, we recorded a deferred tax valuation reserve related to foreign tax credits, primarily due to lower forecasted foreign earnings, resulting in a discrete increase to the income tax provision in the amount of $6.9 million. We also recognized the impact of a discrete benefit related to the favorable resolution of an income tax contingency in the amount of $2.2 million. Excluding the impact of these discrete items, the effective tax rate for the six months ended June 30, 2013 would have been 35.6%.

**SEGMENT RESULTS**

*Total Adjusted Segment EBITDA*

The following table reconciles net income to Total Segment Operating Income and Total Adjusted Segment EBITDA for the three and six months ended June 30, 2014 and 2013.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | (in thousands) | |
| **Net income** | $ 17,247 | $ 23,486 | $ 35,364 | $ 47,166 |
| Add back: | | | | |
| Income tax provision | 10,225 | 23,315 | 20,573 | 33,186 |
| Other income (expense), net | 11,460 | 13,458 | 23,112 | 25,236 |
| Unallocated corporate expense | 30,750 | 14,570 | 51,143 | 31,846 |
| **Total Segment Operating Income** | $ 69,682 | $ 74,829 | $ 130,192 | $ 137,434 |
| Add back: | | | | |
| Segment depreciation expense | 7,512 | 6,944 | 15,060 | 13,820 |
| Amortization of other intangible assets | 3,452 | 5,953 | 8,068 | 11,517 |
| Segment special charges | | | | 315 |
| Remeasurement of acquisition-related contingent consideration | (261) | (8,216) | (2,383) | (8,216) |
| **Total Adjusted Segment EBITDA** | $ 80,385 | $ 79,510 | $ 150,937 | $ 154,870 |

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*Other Segment Operating Data*

| | Three Months Ended June 30, 2014 | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2014 | Six Months Ended June 30, 2013 |
|---|---|---|---|---|
| **Number of revenue-generating professionals (at period end):** | | | | |
| Corporate Finance/Restructuring | 713 | 718 | 713 | 718 |
| Forensic and Litigation Consulting | 1,059 | 969 | 1,059 | 969 |
| Economic Consulting | 525 | 499 | 525 | 499 |
| Technology | 328 | 285 | 328 | 285 |
| Strategic Communications | 566 | 611 | 566 | 611 |
| **Total revenue-generating professionals** | 3,191 | 3,082 | 3,191 | 3,082 |
| **Utilization rates of billable professionals:** (1) | | | | |
| Corporate Finance/Restructuring | 71% | 62% | 71% | 66% |
| Forensic and Litigation Consulting | 71% | 67% | 73% | 65% |
| Economic Consulting | 78% | 82% | 75% | 86% |
| **Average billable rate per hour:** (2) | | | | |
| Corporate Finance/Restructuring | $ 412 | $ 416 | $ 396 | $ 412 |
| Forensic and Litigation Consulting | 323 | 307 | 319 | 314 |
| Economic Consulting | 522 | 505 | 519 | 501 |

(1) We calculate the utilization rate for our billable professionals by dividing the number of hours that all of our billable professionals worked on client assignments during a period by the total available working hours for all of our billable professionals during the same period. Available hours are determined by the standard hours worked by each employee, adjusted for part-time hours, local country standard work weeks and local country holidays. Available working hours include vacation and professional training days, but exclude holidays. Utilization rates are presented for our segments that primarily bill clients on an hourly basis. We have not presented a utilization rate for our Technology segment and Strategic Communications segment as most of the revenues of these segments are not generated on an hourly basis.

(2) For engagements where revenues are based on number of hours worked by our billable professionals, average billable rate per hour is calculated by dividing revenues (excluding revenues from success fees, pass-through and outside consultants) for a period by the number of hours worked on client assignments during the same period. We have not presented an average billable rate per hour for our Technology and Strategic Communications segments as most of the revenues of these segments are not based on billable hours.

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**CORPORATE FINANCE/RESTRUCTURING**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (dollars in thousands, except rate per hour) | | (dollars in thousands, except rate per hour) | |
| **Revenues** | $ 104,020 | $ 96,714 | $ 198,002 | $ 195,794 |
| **Operating expenses:** | | | | |
| Direct cost of revenues | 67,510 | 59,516 | 131,479 | 121,949 |
| Selling, general and administrative expenses | 18,191 | 19,730 | 37,977 | 37,420 |
| Special charges | | | | 68 |
| Acquisition-related contingent consideration | 40 | (5,800) | (555) | (5,161) |
| Amortization of other intangible assets | 1,211 | 1,832 | 3,426 | 3,383 |
| | 86,952 | 75,278 | 172,327 | 157,659 |
| **Segment operating income** | 17,068 | 21,436 | 25,675 | 38,135 |
| Add back: | | | | |
| Depreciation and amortization of intangible assets | 2,065 | 2,687 | 5,071 | 5,005 |
| Special charges | | | | 68 |
| Remeasurement of acquisition-related contingent consideration | | (6,275) | (662) | (6,275) |
| **Adjusted Segment EBITDA** | $ 19,133 | $ 17,848 | $ 30,084 | $ 36,933 |
| Gross profit [1] | $ 36,510 | $ 37,198 | $ 66,523 | $ 73,845 |
| Gross profit margin [2] | 35.1% | 38.5% | 33.6% | 37.7% |
| Adjusted Segment EBITDA as a percent of revenues | 18.4% | 18.5% | 15.2% | 18.9% |
| Number of revenue generating professionals (at period end) | 713 | 718 | 713 | 718 |
| Utilization rates of billable professionals | 71% | 62% | 71% | 66% |
| Average billable rate per hour | $ 412 | $ 416 | $ 396 | $ 412 |

(1) Revenues less direct cost of revenues

(2) Gross profit as a percent of revenues

**Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013**

Revenues increased $7.3 million, or 7.6%, to $104.0 million for the quarter ended June 30, 2014 compared to $96.7 million for the same prior year period. The increase in revenues was due to growth in our non-distressed engagements in our North America core business; partially offset by continued slowness in global bankruptcy restructuring.

Gross profit decreased $0.7 million, or 1.8%, to $36.5 million for the quarter ended June 30, 2014 compared to $37.2 million for the same prior year period. Gross profit margin decreased to 35.1% for the quarter ended June 30, 2014 compared to 38.5% for the same prior year period. The decrease in gross profit margin was due to higher demand and net average realized bill rates in North America bankruptcy and restructuring; more than offset by higher performance-based compensation expense and the investment in the European transaction advisory practice.

Selling, general and administrative ( SG&A ) expense decreased $1.5 million, or 7.8%, to $18.2 million for the quarter ended June 30, 2014 compared to $19.7 million for the same prior year period. SG&A expense was 17.5% of revenues for the quarter ended June 30, 2014, compared to 20.4% for the same prior year period. The decrease in SG&A expense was due to the absence of non-recurring acquisition costs recorded in the same prior year period.

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Amortization of other intangible assets was $1.2 million for the quarter ended June 30, 2014 compared to $1.8 million for the same prior year period.

Adjusted Segment EBITDA increased $1.3 million, or 7.2%, to $19.1 million for the quarter ended June 30, 2014 compared to $17.8 million for the same prior year period.

**Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012**

Revenues increased $2.2 million, or 1.1%, to $198.0 million for the six months ended June 30, 2014 compared to $195.8 million for the same prior year period. Revenues increased $4.4 million, or 2.2%, due to acquisitions as compared to the same prior year period. Revenues decreased organically $2.2 million, or 1.1%, primarily due to continued slowness in global bankruptcy restructuring practice; partially offset by the increase in non-distressed engagements in North America.

Gross profit decreased $7.3 million, or 9.9%, to $66.5 million for the six months ended June 30, 2014 compared to $73.8 million for the same prior year period. Gross profit margin decreased 4.1% to 33.6% for the six months ended June 30, 2014 compared to 37.7% for the same prior year period. The decrease in gross profit margin was due to the investment in the European transaction advisory practice, higher performance-based compensation expense, and slowness in global bankruptcy restructuring.

SG&A expense increased $0.6 million, or 1.5%, to $38.0 million for the six months ended June 30, 2014 compared to $37.4 million for the same prior year period. SG&A expense was 19.2% of revenues for the six months ended June 30, 2014, compared to 19.1% for the same prior year period. The increase in SG&A expense was due to the overhead costs related to the acquired practices and the investment in the European transaction advisory practice partially offset by absence of the non-recurring acquisition costs of $1.8 million recorded in the same prior year period.

Amortization of other intangible assets was $3.4 million for the six months ended June 30, 2014 compared to $3.4 million for the same prior year period.

Adjusted Segment EBITDA decreased $6.8 million, or 18.5%, to $30.1 million for the six months ended June 30, 2014 compared to $36.9 million for the same prior year period.

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**FORENSIC AND LITIGATION CONSULTING**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (dollars in thousands, except rate per hour) | | (dollars in thousands, except rate per hour) | |
| **Revenues** | $ 119,081 | $ 105,120 | $ 240,510 | $ 205,844 |
| **Operating expenses:** | | | | |
| Direct cost of revenues | 75,332 | 66,861 | 149,133 | 134,835 |
| Selling, general and administrative expenses | 22,481 | 20,351 | 44,602 | 41,222 |
| Special charges | | | | 173 |
| Acquisition-related contingent consideration | (245) | (1,848) | (890) | (1,756) |
| Amortization of other intangible assets | 674 | 579 | 1,424 | 1,091 |
| | 98,242 | 85,943 | 194,269 | 175,565 |
| **Segment operating income** | 20,839 | 19,177 | 46,241 | 30,279 |
| Add back: | | | | |
| Depreciation and amortization of intangible assets | 1,693 | 1,516 | 3,458 | 3,052 |
| Special charges | | | | 173 |
| Remeasurement of acquisition-related contingent consideration | (261) | (1,941) | (934) | (1,941) |
| **Adjusted Segment EBITDA** | $ 22,271 | $ 18,752 | $ 48,765 | $ 31,563 |
| Gross profit (1) | $ 43,749 | $ 38,259 | $ 91,377 | $ 71,009 |
| Gross profit margin (2) | 36.7% | 36.4% | 38.0% | 34.5% |
| Adjusted Segment EBITDA as a percent of revenues | 18.7% | 17.8% | 20.3% | 15.3% |
| Number of revenue generating professionals (at period end) | 1,059 | 969 | 1,059 | 969 |
| Utilization rates of billable professionals | 71% | 67% | 73% | 65% |
| Average billable rate per hour | $ 323 | $ 307 | $ 319 | $ 314 |

(1) Revenues less direct cost of revenues

(2) Gross profit as a percent of revenues

**Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013**

Revenues increased $14.0 million, or 13.3%, to $119.1 million for the three months ended June 30, 2014 from $105.1 million for the same prior year period which included 2.9% from acquisitions. Revenues increased organically $10.9 million, or 10.4%, due to higher demand related primarily to disputes and investigations in our North America and Asia Pacific regions.

Gross profit increased $5.4 million, or 14.1%, to $43.7 million for the three months ended June 30, 2014 from $38.3 million for the same prior year period. Gross profit margin increased to 36.7% for the three months ended June 30, 2014 from 36.4% for the same prior year period. The increase in gross profit margin was related to higher utilization and improved leverage in our North America and Asia Pacific regions partially offset by increased performance based compensation, lower utilization on increased headcount, and the impact of lower success fees in our health solutions practice.

SG&A expense increased $2.1 million, or 10.5%, to $22.5 million for the three months ended June 30, 2014 from $20.4 million for the same prior year period. SG&A expense was 18.9% of revenue for the three months ended June 30, 2014, down from 19.4% for the same prior year period. The increase in SG&A expense was due to higher overhead expenses due to acquired businesses and higher administrative expenses.

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Amortization of other intangible assets increased $0.1 million to $0.7 million for the three months ended June 30, 2014 compared to $0.6 million for the same prior year period.

Adjusted Segment EBITDA increased by $3.5 million, or 18.8%, to $22.3 million for the three months ended June 30, 2014 from $18.8 million for the same prior year period.

**Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013**

Revenues increased $34.7 million, or 16.8%, to $240.5 million for the six months ended June 30, 2014 from $205.8 million for the same prior year period. Revenues increased $6.0 million, or 2.9%, due to acquisitions as compared to the same prior year period. Revenues increased organically $28.7 million, or 13.9%, due to higher demand in our North America and Asia Pacific regions; partially offset by the impact of lower success fees in our health solutions practice.

Gross profit increased $20.4 million, or 28.7%, to $91.4 million for the six months ended June 30, 2014 from $71.0 million for the same prior year period. Gross profit margin increased to 38.0% for the six months ended June 30, 2014 from 34.5% for the same prior year period. The increase in gross profit margin was related to higher utilization and improved leverage in our practices in North America and Asia Pacific regions; partially offset by the impact of lower success fees in our health solutions practice and increased performance based compensation.

SG&A expense increased $3.4 million, or 8.2%, to $44.6 million for the six months ended June 30, 2014 from $41.2 million for the same prior year period. SG&A expense was 18.5% of revenue for the six months ended June 30, 2014, down from 20.0% for the same prior year period. The increase in SG&A expense was due to acquired overhead expense, increased compensation costs, and higher administrative expenses; partially offset by lower bad debt expense.

Amortization of other intangible assets increased $0.3 million to $1.4 million for the six months ended June 30, 2014 compared to $1.1 million for the same prior year period.

Adjusted Segment EBITDA increased by $17.2 million, or 54.5%, to $48.8 million for the six months ended June 30, 2014 from $31.6 million for the same prior year period.

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**ECONOMIC CONSULTING**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (dollars in thousands, except rate per hour) | | (dollars in thousands, except rate per hour) | |
| **Revenues** | $ 117,227 | $ 111,014 | $ 224,078 | $ 226,208 |
| **Operating expenses:** | | | | |
| Direct cost of revenues | 84,855 | 76,671 | 162,825 | 152,622 |
| Selling, general and administrative expenses | 15,242 | 14,356 | 32,122 | 28,210 |
| Special charges | | | | (4) |
| Acquisition-related contingent consideration | 68 | 47 | (667) | 47 |
| Amortization of other intangible assets | 222 | 410 | 528 | 808 |
| | 100,387 | | | |