

FTI CONSULTING INC
Form DEF 14A
April 20, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the
Registrant

Check the appropriate box:

Preliminary Proxy Statement

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

FTI CONSULTING, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

FTI CONSULTING, INC.

Notice of Annual Meeting of Stockholders and 2016 Proxy Statement

June 1, 2016

CRITICAL THINKING AT THE CRITICAL TIME

©2016 FTI Consulting, Inc. All Rights Reserved

Table of Contents

1101 K Street NW

Washington, DC 20005

+1.202.312.9100

April 20, 2016

DEAR FELLOW STOCKHOLDERS:

You are invited to join us at the 2016 Annual Meeting of Stockholders of FTI Consulting, Inc., a Maryland corporation, on Wednesday, June 1, 2016, at 9:30 a.m., Eastern Daylight Time, at our executive office located at 1101 K Street NW, Washington, DC 20005.

At this year's meeting, you will be asked to elect as directors the eight nominees named in our Proxy Statement. You will also be asked to consider and vote upon the performance measures and monetary limit under the FTI Consulting, Inc. Incentive Compensation Plan to preserve eligibility for the tax deductibility of awards thereunder for purposes of Section 162(m) of the U.S. Internal Revenue Code, consider and vote upon the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016, consider and vote upon, in an advisory (non-binding) vote, the compensation of our named executive officers as described in the Proxy Statement for the 2016 Annual Meeting of Stockholders, and transact such other business as may properly come before the meeting and any adjournments or postponements thereof. Attached you will find a Notice of Meeting and our Proxy Statement, which contains further information regarding these proposals, as well as instructions on how to vote your shares.

If you plan to attend the meeting in person, you must register in advance by no later than May 18, 2016 and obtain an admission ticket. Please respond affirmatively to the request for that information on the Internet or mark that box on the proxy card if you received paper copies of the proxy materials. You will be asked to present your admission ticket and valid picture identification, such as a driver's license or passport, to enter the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Whether or not you attend the meeting in person, your vote is important to us. You can ensure that your shares are represented by promptly voting by telephone or the Internet, or by completing, signing and dating and returning your proxy card or voting instruction card in the return envelope provided to you. Instructions on how to vote your shares begin on page 1 of the Proxy Statement.

Sincerely,

Gerard E. Holthaus

Chairman of the Board

Table of Contents

FTI CONSULTING, INC. NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Date:	Time:	Place:
June 1, 2016	9:30 a.m. EDT	1101 K Street NW, Washington, DC 20005

ITEMS OF BUSINESS AND VOTE RECOMMENDATIONS:

Proposal Number	Proposal	Board Voting Recommendation
No. 1	Elect as directors the eight nominees named in the Proxy Statement	FOR
No. 2	Approve the performance measures and monetary limit under the FTI Consulting, Inc. Incentive Compensation Plan to preserve eligibility for the tax deductibility of awards thereunder for purposes of Section 162(m) of the U.S. Internal Revenue Code	FOR
No. 3	Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016	FOR

No. 4	Approve, in an advisory (non-binding) vote, the compensation of the named executive officers as described in the Proxy Statement for the 2016 Annual Meeting of Stockholders	FOR
--------------	--	------------

Adjournments and Postponements: Any action on the items of business described above may be considered at the meeting at the time and on the date specified above or at any time and date to which the meeting may be properly adjourned or postponed.

Record Date: You are entitled to vote only if you were a stockholder of the Company as of the close of business on March 23, 2016.

Meeting Admission: Admission will be by ticket only. Please follow the advance registration instructions set forth in the section titled "Information about the Annual Meeting and Voting: How Do I Attend the Annual Meeting in Person?" on page 6 of the Proxy Statement. **If you do not provide an admission ticket and comply with the photo identification requirements outlined on page 6 of the Proxy Statement, you will not be admitted to the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.**

Voting: Your vote is very important. Whether or not you plan to attend the meeting, we hope you will vote as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of a proxy card or voting instruction card by mail, you may submit your proxy card or voting instruction card for the meeting by completing, signing and dating your proxy card or voting instruction card, and returning it in the pre-addressed envelope provided to you. For specific instructions on how to vote your shares, please refer to the section titled "Information about the Annual Meeting and Voting" beginning on page 1 of the Proxy Statement.

By Order of the Board of Directors,

Joanne F. Catanese

Associate General Counsel and Secretary

April 20, 2016

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on June 1, 2016: We mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement for the 2016 Annual Meeting and our 2015 Annual Report on or about April 20, 2016. Our Proxy Statement and Annual Report are available online at <http://materials.proxyvote.com/302941>.

Table of Contents

TABLE OF CONTENTS

<u>PROXY SUMMARY</u>	i
<u>PROXY STATEMENT FOR 2016 ANNUAL MEETING OF STOCKHOLDERS</u>	1
<u>INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	2
<u>ADDITIONAL INFORMATION</u>	6
<u>INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES</u>	7
<u>The Director Nomination Process</u>	7
<u>Independence of Directors</u>	9
<u>Proposal No. 1 Elect as Directors the Eight Nominees Named in the Proxy Statement</u>	10
<u>Information about the Nominees for Director</u>	11
<u>Director Attendance at Meetings</u>	14
<u>Committees of the Board of Directors</u>	15
<u>Compensation of Non-Employee Directors and Policy on Non-Employee Director Equity Ownership</u>	19
<u>CORPORATE GOVERNANCE</u>	21
<u>Governance Principles</u>	21
<u>Our Significant Corporate Governance Policies and Practices</u>	21
<u>Board Leadership Structure</u>	22
<u>Oversight of Risk Management</u>	22
<u>Compensation-Related Risks</u>	23
<u>Board and Committee Self-Assessments</u>	23
<u>Code of Conduct</u>	23
<u>Stockholder Nominees for Director</u>	24
<u>Communications with Directors</u>	24
<u>OTHER PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING</u>	25
<u>Proposal No. 2 Approve the performance measures and monetary limit under the FTI Consulting, Inc. Incentive Compensation Plan to Preserve Eligibility for the Tax Deductibility of Awards Thereunder for the Purposes of Section 162(m) of the U.S. Internal Revenue Code</u>	25
<u>Proposal No. 3 Ratification of the Appointment of KPMG LLP as FTI Consulting, Inc. s Independent Registered Public Accounting Firm for the Year Ending December 31, 2016</u>	29
<u>Proposal No. 4 Approve, in an Advisory (Non-Binding) Vote, the Compensation of the Named Executive Officers as Described in the Proxy Statement for the 2016 Annual Meeting of Stockholders</u>	30
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	31
<u>EXECUTIVE OFFICERS AND COMPENSATION</u>	33
<u>Executive Officers and Key Employees</u>	33
<u>Compensation Discussion and Analysis</u>	34
<u>Compensation Committee Report</u>	48
<u>Summary Compensation Table</u>	49
<u>Equity Compensation Plans</u>	51
<u>Employment Agreements and Termination and Change in Control Payments</u>	55
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	58
<u>Review and Approval of Related Person Transactions</u>	58

<u>2015 Related Person Transactions</u>	58
<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</u>	59
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	61
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	61
<u>PROPOSALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS</u>	62
<u>APPENDIX A FTI CONSULTING, INC. INCENTIVE COMPENSATION PLAN</u>	A-1
<u>APPENDIX B RECONCILIATION OF NON-GAAP AND GAAP FINANCIAL MEASURES</u>	B-1

Table of Contents**PROXY SUMMARY**

This summary highlights certain information contained elsewhere in this Proxy Statement. This summary does not contain all the information that you should consider. Please read the entire Proxy Statement carefully before voting.

GENERAL INFORMATION

Date:	June 1, 2016
Time:	9:30 a.m., Eastern Daylight Time
Location:	FTI Consulting, Inc. 1101 K Street NW Washington, DC 20005
Record Date:	Close of business on March 23, 2016
Stock Symbol:	FCN
Exchange:	New York Stock Exchange
Common Stock Outstanding on Record Date:	41,341,256 shares
Registrar and Transfer Agent:	American Stock Transfer & Trust Company
State of Incorporation:	Maryland
Year of Incorporation:	1982
Public Company Since:	1996

Corporate Website:	www.fticonsulting.com
New Director:	Laureen E. Seeger elected as a director by the Board of Directors on March 7, 2016

FINANCIAL AND OPERATING HIGHLIGHTS

We Improved our 2015 Financial and Operational Performance. We continued to execute against our strategic growth initiatives as demonstrated by the following:

we **INCREASED** revenues to a new high of \$1.78 billion for the year ended December 31, 2015 from \$1.76 billion for the year ended December 31, 2014;

our **FOCUS** on organic growth resulted in 4.1% organic revenue growth for the year ended December 31, 2015 (excluding the estimated negative effects of foreign currency translation);

we **INCREASED** Adjusted Earnings per Diluted Share⁽¹⁾ (Adjusted EPS) to \$1.84 for the year ended December 31, 2015 from \$1.64 for the year ended December 31, 2014, an increase of 12.2%;

we **IMPROVED** Net Cash Provided by Operating Activities to \$139.9 million for the year ended December 31, 2015 from \$135.4 million for the year ended December 31, 2014, an increase of 3.3%; and

- (1) Adjusted EPS, Leverage Ratio and Adjusted EBITDA are financial or operating measures not prepared in accordance with Accounting Principles Generally Accepted in the United States (GAAP). For a discussion of these non-GAAP measures refer to Executive Officers and Compensation Executive Summary We Improved our 2015 Financial and Operational Performance on page 35 of this Proxy Statement and for reconciliations of Adjusted EPS and Adjusted EBITDA to their most directly comparable GAAP measures refer to [Appendix B](#) to this Proxy Statement. Leverage Ratio does not have a most directly comparable GAAP measure to which it can be reconciled.

Table of Contents

we **INCREASED** our revolving line of credit to \$550.0 million in June 2015 from \$350.0 million and **EXTENDED** the maturity date to June 26, 2020.

We Deployed our Capital Wisely. During 2015, we used our cash to increase stockholder value as demonstrated by the following:

we **DECREASED** our total debt by \$211.0 million to \$500.0 million at December 31, 2015 from \$711.0 million at December 31, 2014, primarily through the tender and repurchase of our \$400.0 million 6 ³/₄% senior notes due 2020;

we **REDUCED** our Leverage Ratio⁽¹⁾ (total debt divided by Adjusted EBITDA) to 2.43 at December 31, 2015 from 3.38 at December 31, 2014;

we **REPURCHASED** 735,845 shares of common stock during December 2015, at an average per share price of \$34.84, for an aggregate cost of \$25.5 million under the \$50.0 million stock repurchase program authorized by the Board of Directors (our Board) on November 5, 2015; and

we **GREW** our headcount year-over-year with a net increase of 172 client-facing professionals.

2015 STOCKHOLDER ENGAGEMENT

We Listened. After considering feedback received from our stockholders, the Compensation Committee:

ADDED total shareholder return (TSR) cap for negative performance relative to the S&P 500 at 100% of target beginning with the executive long-term incentive pay (LTIP) opportunity in the form of performance-based restricted stock units awarded in 2016 for the three-year measurement period ending December 31, 2018;

REDUCED our Burn Rate (our annual usage of shares authorized under our stockholder-approved equity compensation plans as incentive compensation) to 3.51% for the year ended December 31, 2015 from 4.73% and 5.80% for the years ended December 31, 2014 and December 31, 2013, respectively;

DIVERSIFIED the financial performance criteria used to measure annual incentive pay (AIP), making one-third of 2015 AIP contingent upon Adjusted Net Cash Provided by Operating Activities per Share (Adjusted Cash Flow per Share); and

SUPPORTED our robust program of stockholder engagement.

GOVERNANCE HIGHLIGHTS

Edgar Filing: FTI CONSULTING INC - Form DEF 14A

Strong Board independence (7 of 8 director nominees are independent) (page 9)

Annual election of directors (page 10)

Majority vote for election of directors in uncontested elections (page 10)

Separate Chairman of the Board and Chief Executive Officer roles (page 22)

Director stock ownership policy (page 21)

Executive officer stock ownership policy (page 47-48)

Claw Back policy (page 47)

No hedging and pledging are permitted (page 47)

No Stockholder Rights Plan (Poison Pill)

Table of Contents

CHIEF EXECUTIVE OFFICER COMPENSATION HIGHLIGHTS (PAGES 34 TO 48)

Our 2015 CEO Compensation Programs Reward Performance. We believe that our 2015 compensation programs reward our President and Chief Executive Officer (our CEO) for generating value for our stockholders as demonstrated by the following:

70.5% of total compensation delivered to our CEO was variable and tied to performance;

66.0% of variable AIP opportunity delivered to our CEO was tied to annual financial performance measures based on Adjusted EPS and Adjusted Cash Flow per Share, and the balance of AIP was based on the Compensation Committee's subjective evaluation of his performance;

50.0% of variable LTIP opportunity was delivered to our CEO in the form of performance-based restricted stock units, subject to an objective financial performance measure based on the Company's achievement of TSR levels relative to the S&P 500, measured over the three-year period ending December 31, 2017;

25.0% of variable LTIP opportunity was delivered to our CEO in the form of stock options, subject to an exercise price equal to 100% of fair market value on the grant date and pro rata three-year vesting conditions; and

25.0% of variable LTIP opportunity was delivered to our CEO in the form of restricted stock units, subject to pro rata three-year vesting conditions.

Our CEO Compensation Programs Promote Pay-for- Performance. Since our CEO joined us in January 2014, we have:

Capped annual cash base salary of our CEO at \$1.0 million;

Increased our CEO stock ownership requirement to at least five times (5x) annual cash base salary;

Increased the percentage of AIP opportunity that is subject to financial performance to 66.66% of target AIP;

Increased the percentage of LTIP opportunity that is subject to financial performance to 50% of target LTIP;

Limited severance payable to our CEO upon termination by the Company without cause or by our CEO for good reason to an amount equal to one and one-half times (1.5x) the sum of annual cash base salary plus target AIP (increasing to two times (2x) the sum of annual cash base salary plus target AIP if such termination occurs during the 18-month period following a change in control);

Eliminated automatic single trigger acceleration of LTIP awards, general equity awards and severance benefits on a change in control; and

Added a relative TSR cap for negative performance at 100% of target beginning with the LTIP opportunity in the form of performance-based restricted stock units awarded in 2016 for the three-year measurement period ending December 31, 2018.

We Strengthened 2015 Financial Targets. The following table illustrates year-over-year changes to AIP and LTIP target financial performance measures:

p

³ **\$72.0 million Adjusted Net Cash Provided by Operating Activities**

5.0% Growth

p

\$2.14 Adjusted EPS

31.0% Growth

NEW FOR 2015

\$4.12 Adjusted Cash Flow per Share

<<

50% Percentile Relative TSR

No Change

iii

Table of Contents**DIRECTOR NOMINEES**

You are being asked to elect as directors the eight nominees named in the Proxy Statement. Each of our current directors, other than James Crownover, is standing for reelection to hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Detailed information about each nominee can be found in [Information about the Board of Directors and Committees Proposal No. 1 Elect as Directors the Eight Nominees Named in the Proxy Statement](#) starting on page 10. The following table provides summary information about each director nominee:

Name	Director		Occupation	Independent	Other Current	Committee Memberships		
	Age	Since			Public Company Boards	Audit	Compensation	Nominating and Corporate Governance
Gerard E. Holthaus	66	2004	Non-executive Chairman of Algeco Scotsman Global S.a.r.l. and Algeco/ Scotsman Holdings S.a.r.l.	Yes	2	M	M	
Steven H. Gunby	58	2014	President and Chief Executive Officer of FTI Consulting, Inc.	No	0			
Brenda J.	65	2006		Yes	0		M	C

Bacon			President and Chief Executive Officer of Brandywine Senior Living, Inc.					
Mark S. Bartlett	65	2015	Retired Partner of Ernst & Young LLP	Yes	2	M		
Claudio Costamagna	60	2012	Chairman of CC e Soci S.r.l.	Yes	1		C	
Vernon Ellis	68	2012	Former Chair of the British Council	Yes	0	M		M
Nicholas C. Fanandakis	59	2014	Executive Vice President and Chief Financial Officer of E.I. du Pont de Nemours and Company	Yes	0		C	
Laureen E. Seeger	54	2016	Executive Vice President and General Counsel of American Express Company	Yes	0		M	M

C = Chair **M** = Member

SUMMARY OF VOTING PROPOSALS AND BOARD RECOMMENDATIONS