FTI CONSULTING INC
Form 10-Q
May 06, 2011
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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 March 31, 2011

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.)**
777 South Flagler Drive, Suite 1500 West Tower,	
West Palm Beach, Florida	**33401**
(Address of Principal Executive Offices)	**(Zip Code)**

(561) 515-1900

(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 April 28, 2011**
Common stock, par value $0.01 per share	42,051,390

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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

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 112,367	$ 384,570
Restricted cash	11,386	10,518
Accounts receivable:		
Billed receivables	278,691	268,386
Unbilled receivables	181,201	120,896
Allowance for doubtful accounts and unbilled services	(63,581)	(63,205)
Accounts receivable, net	396,311	326,077
Current portion of notes receivable	29,162	26,130
Prepaid expenses and other current assets	32,170	28,174
Income taxes receivable	11,796	13,246
Total current assets	593,192	788,715
Property and equipment, net of accumulated depreciation	70,834	73,238
Goodwill	1,295,559	1,269,447
Other intangible assets, net of amortization	131,050	134,970
Notes receivable, net of current portion	98,962	87,677
Other assets	57,667	60,312
Total assets	$ 2,247,264	$ 2,414,359
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable, accrued expenses and other	$ 102,570	$ 105,864
Accrued compensation	110,433	143,971
Current portion of long-term debt and capital lease obligations	31,683	7,559
Billings in excess of services provided	29,578	27,836
Deferred income taxes	4,052	4,052
Total current liabilities	278,316	289,282
Long-term debt and capital lease obligations, net of current portion	784,093	785,563
Deferred income taxes	94,548	92,134
Other liabilities	85,261	80,061
Total liabilities	1,242,218	1,247,040

Commitments and contingent liabilities (notes 7, 9 and 10)

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 42,026 (2011) and 46,144 (2010)	420	461
Additional paid-in capital	334,080	532,929
Retained earnings	709,217	687,419
Accumulated other comprehensive loss	(38,671)	(53,490)
Total stockholders equity	1,005,046	1,167,319
Total liabilities and stockholders equity	$ 2,247,264	$ 2,414,359

See accompanying notes to the condensed consolidated financial statements

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FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(in thousands, except per share data)

Unaudited

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Revenues	$ 361,816	$ 350,040
Operating expenses		
Direct cost of revenues	219,140	197,460
Selling, general and administrative expense	88,729	84,401
Special charges		30,245
Amortization of other intangible assets	5,454	6,091
	313,323	318,197
Operating income	48,493	31,843
Other income (expense)		
Interest income and other	2,000	2,354
Interest expense	(15,310)	(11,318)
	(13,310)	(8,964)
Income before income tax provision	35,183	22,879
Income tax provision	13,385	8,694
Net income	$ 21,798	$ 14,185
Earnings per common share basic	$ 0.50	$ 0.31
Earnings per common share diluted	$ 0.48	$ 0.29

See accompanying notes to the condensed consolidated financial statements

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FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders Equity and Comprehensive Income

(in thousands)

Unaudited

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Loss	Total
Balance January 1, 2011	46,144	$ 461	$ 532,929	$ 687,419	$ (53,490)	$ 1,167,319
Comprehensive income:						
Cumulative translation adjustment, including income tax benefit of $2,168					14,819	14,819
Net income				21,798		21,798
Total comprehensive income						36,617
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit from share-based awards of $8	58	1	1,483			1,484
Restricted share grants, less net settled shares of 69	258	2	(2,477)			(2,475)
Stock units issued under incentive compensation plan			4,241			4,241
Business combinations			589			589
Purchase and retirement of common stock	(4,434)	(44)	(209,356)			(209,400)
Share-based compensation			6,671			6,671
Balance March 31, 2011	42,026	$ 420	$ 334,080	$ 709,217	$ (38,671)	$ 1,005,046

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Operating activities		
Net income	$ 21,798	$ 14,185
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, amortization and accretion	7,743	7,703
Amortization of other intangible assets	5,454	6,091
Provision for doubtful accounts	2,573	3,010
Non-cash share-based compensation	6,807	7,394
Excess tax benefits from share-based compensation	(43)	(754)
Non-cash interest expense	2,093	1,800
Other	383	(476)
Changes in operating assets and liabilties, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(45,701)	(32,291)
Notes receivable	(13,617)	(14,971)
Prepaid expenses and other assets	(4,116)	6,826
Accounts payable, accrued expenses and other	16,497	20,909
Income taxes	(3,608)	(13,182)
Accrued compensation	(37,075)	(31,363)
Billings in excess of services provided	1,615	(2,144)
Net cash used in operating activities	(39,197)	(27,263)
Investing activities		
Payments for acquisition of businesses, net of cash received	(41,842)	(17,544)
Purchases of property and equipment	(4,953)	(5,168)
Proceeds from sale or maturity of short-term investments		15,000
Other	(483)	(2,976)
Net cash used in investing activities	(47,278)	(10,688)
Financing activities		
Borrowings under revolving line of credit	25,000	20,000
Payments of revolving line of credit		(20,000)
Payments of long-term debt and capital lease obligations	(872)	(527)
Purchase and retirement of common stock	(209,400)	
Net issuance of common stock under equity compensation plans	(999)	832
Excess tax benefits from share-based compensation	43	754
Other	161	442
Net cash (used in) provided by financing activities	(186,067)	1,501
Effect of exchange rate changes on cash and cash equivalents	339	(1,544)

Net decrease in cash and cash equivalents	(272,203)	(37,994)
Cash and cash equivalents, beginning of period	384,570	118,872
Cash and cash equivalents, end of period	$ 112,367	$ 80,878
Supplemental cash flow disclosures		
Cash paid for interest	$ 3,015	$ 3,000
Cash paid for income taxes, net of refunds	16,995	21,876
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	4,241	6,531
Issuance of notes payable to acquire businesses		4,772

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

Our unaudited condensed consolidated financial statements 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. 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, 2010.

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 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, and shares issuable upon conversion of our 3 3/4% senior subordinated convertible notes due 2012 (Convertible Notes) assuming the conversion premium was converted into common stock based on the average closing price per share of our stock during the period, each using the treasury stock method. The conversion feature of our Convertible Notes had a dilutive effect on our earnings per share for the periods presented below because the average closing price per share of our common stock for such periods was above the conversion price of the Convertible Notes of $31.25 per share.

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Numerator basic and diluted		
Net income	$ 21,798	$ 14,185
Denominator		
Weighted average number of common shares outstanding basic	43,877	45,799
Effect of dilutive stock options	805	954
Effect of dilutive convertible notes	676	1,149
Effect of dilutive restricted shares	277	226
Weighted average number of common shares outstanding diluted	45,635	48,128
Earnings per common share basic	$ 0.50	$ 0.31
Earnings per common share diluted	$ 0.48	$ 0.29
Antidilutive stock options and restricted shares	2,035	1,302

3. Special Charges

During the year ended December 31, 2010, we recorded special charges of $52.0 million, of which $32.3 million was non-cash. The non-cash charges primarily included trade name impairment charges related to our global FTI branding strategy and other strategic branding decisions. The remaining charges related to a

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

realignment of our workforce and a consolidation of four office locations. The charges reflect actions we took to support our corporate positioning, as well as actions taken to better align capacity with expected demand, to eliminate certain redundancies resulting from acquisitions and to provide for appropriate levels of administrative support.

The total cash outflow associated with the special charges is expected to be $19.6 million, of which $18.5 million has been paid as of March 31, 2011 and the balance of approximately $1.1 million is expected to be paid during the remainder of 2011. A liability for the amounts to be paid is included in Accounts payable, accrued expenses and other on the Condensed Consolidated Balance Sheets. Activity related to the liability for these costs for the three months ended March 31, 2011 is as follows:

	Employee Termination Costs	Lease Termination Costs	Total
Balance at January 1, 2011	$ 1,920	$ 2,762	$ 4,682
Payments	(963)	(2,442)	(3,405)
Adjustments	(19)	(138)	(157)
Balance at March 31, 2011	$ 938	$ 182	$ 1,120

4. Provision for Doubtful Accounts

The provision for doubtful accounts is recorded after the related work has been billed to the client and we determine that full collectability is not reasonably assured. It is classified in Selling, general and administrative expense on the Condensed Consolidated Statements of Income. The provision for doubtful accounts totaled $2.6 million and $3.0 million for the three months ended March 31, 2011 and 2010, respectively.

5. Research and Development Costs

Research and development costs related to software development totaled $5.8 million and $5.4 million for the three months ended March 31, 2011 and 2010, respectively. Research and development costs are included in Selling, general and administrative expense on the Condensed Consolidated Statements of Income.

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Notes to Condensed Consolidated Financial Statements (Continued)

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6. Financial Instruments

Fair Value of Financial Instruments

We consider the recorded value of certain of our 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 March 31, 2011, based on the short-term nature of the assets and liabilities. The fair value of our long-term debt at March 31, 2011 was $857.6 million compared to a carrying value of $808.6 million. At December 31, 2010, the fair value of our long-term debt was $847.2 million compared to a carrying value of $810.8 million. We determined the fair value of our long-term debt primarily based on quoted market prices for our 7 5/8% senior notes due 2013, 7 3/4% senior notes due 2016, 6 3/4% senior notes due 2020 and Convertible Notes. The carrying value of long-term debt includes the $18.0 million equity component of our Convertible Notes which is recorded in Additional paid-in capital on the Condensed Consolidated Balance Sheets.

Derivative Financial Instruments

From time to time, we hedge the cash flows and fair values of some of our long-term debt using interest rate swaps. We enter into these derivative contracts to manage our exposure to interest rate changes by achieving a desired proportion of fixed rate versus variable rate debt.

In March 2011, we entered into four interest rate swap agreements to hedge the risk of changes in the fair value of our 7 3/4% fixed rate senior notes due 2016. The interest rate swaps mature on October 1, 2016. Under the terms of the interest rate swaps, we receive interest on the $215.0 million notional amount at a fixed rate of 7 3/4% and pay a variable rate of interest, based on LIBOR as the benchmark interest rate. For the three months ended March 31, 2011, our variable interest rate was 5.49%. The maturity, payment dates and other critical terms of these swaps exactly match those of the hedged senior notes. These interest rate swaps qualified for hedge accounting using the short-cut method under ASC 815-20-25, *Derivatives and Hedging* (formerly SFAS No. 133), which assumes no hedge ineffectiveness. As a result, changes in the fair value of the interest rate swaps and changes in the fair value of the hedged debt were assumed to be equal and offsetting. As of March 31, 2011, the fair value of our interest rate swaps was a liability of $2.7 million, which is recorded in Other liabilities on the Condensed Consolidated Balance Sheets. The impact of effectively converting the interest rate of $215.0 million of our senior notes from fixed rate to variable rate decreased interest expense by $0.3 million for the three months ended March 31, 2011.

7. Acquisitions

In March 2011, we completed acquisitions of certain practices of LECG Corporation in Europe, the United States and Latin America with services relating to those provided through our Economic Consulting, Forensic and Litigation Consulting, and Corporate Finance/Restructuring segments. We paid aggregate cash consideration of approximately $27.0 million at the closings of these acquisitions, a portion of which is subject to certain working capital and other adjustments. As part of the preliminary purchase price allocation, we recorded an aggregate of $25.3 million in accounts receivable, $16.3 million of assumed liabilities and $18.0 million in goodwill. Aggregate acquisition-related costs of approximately $1.4 million have been recognized in earnings. Pro forma results of operations have not been presented because the acquisitions were not material in relation to our consolidated financial position or results of operations for the periods presented.

Certain acquisition-related restricted stock agreements entered into prior to January 1, 2009 contained stock price guarantees that may result in cash payments in the future if our share price falls below a specified per share market value on the date that the applicable stock restrictions lapse (the determination date). For those

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

acquisitions, the future settlement of any contingency related to our common stock price will be recorded as a reduction to additional paid-in capital. During the three months ended March 31, 2011, we paid $0.2 million in cash in relation to the price protection provision on certain shares of common stock that became unrestricted, which was recorded as a reduction to additional paid-in-capital. In April 2011, we paid $6.0 million in cash in relation to the price protection provisions on certain shares of common stock that became unrestricted. Our remaining common stock price guarantee provisions have stock floor prices that range from $24.50 to $69.48 per share and have determination dates that range from 2011 to 2013.

8. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill by business segment for the three months ended March 31, 2011, are as follows:

	Corporate Finance/ Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balances at January 1, 2011	$ 434,439	$ 197,234	$ 202,689	$ 117,960	$ 317,125	$ 1,269,447
Goodwill acquired during the period		3,883	14,073			17,956
Foreign currency translation adjustment and other	(237)	1,140		63	7,190	8,156
Balances March 31, 2011	$ 434,202	$ 202,257	$ 216,762	$ 118,023	$ 324,315	$ 1,295,559

Other intangible assets with finite lives are amortized over their estimated useful lives. For intangible assets with finite lives, we recorded amortization expense of $5.5 million and $6.1 million for the three months ended March 31, 2011 and 2010, respectively. Based solely on the amortizable intangible assets recorded as of March 31, 2011, we estimate amortization expense to be $16.2 million during the remainder of 2011, $21.3 million in 2012, $19.6 million in 2013, $11.2 million in 2014, $10.4 million in 2015, $9.0 million in 2016, and $37.7 million in years after 2016. 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, or other factors. During the three months ended March 31, 2011, we wrote-off $19.5 million of fully amortized intangible assets related to our customer relationships, non-competition agreements, tradenames and contract backlog with a net book value of zero.

		March 31, 2011		December 31, 2010	
	Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets					
Customer relationships	1 to 15	$ 145,245	$ 43,997	$ 149,278	$ 46,146
Non-competition agreements	1 to 10	16,453	8,901	19,796	11,722
Software	5 to 6	37,700	21,050	37,700	19,536
Tradenames	1 to 5			9,610	9,610
Contract Backlog	1			333	333
		199,398	73,948	216,717	87,347

Unamortized intangible assets							
Tradenames	Indefinite	5,600			5,600		
		$ 204,998	$	73,948	$ 222,317	$	87,347

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

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9. Long-term Debt and Capital Lease Obligations

The components of long-term debt and capital lease obligations are presented in the table below:

	March 31, 2011	December 31, 2010
7 3/4% senior notes due 2016[(a)]	$ 212,253	$ 215,000
6 3/4% senior notes due 2020	400,000	400,000
3 3/4% senior subordinated convertible notes due 2012[(b)]	142,815	141,515
Revolving line of credit	25,000	
Notes payable to former shareholders of acquired business	35,503	36,307
Total debt	815,571	792,822
Less current portion	31,503	7,307
Long-term debt, net of current portion	784,068	785,515
Total capital lease obligations	205	300
Less current portion	180	252
Capital lease obligations, net of current portion	25	48
Long-term debt and capital lease obligations, net of current portion	$ 784,093	$ 785,563

(a) Balance includes a fair value hedge adjustment of $2.7 million relating to interest rate swaps entered into March 9, 2011.

(b) Balance includes $149.9 million principal amount of notes net of discount of $7.1 million at March 31, 2011 and $8.4 million at December 31, 2010.

Convertible Notes

Our Convertible Notes are convertible at the option of the holder during any conversion period if the per share closing price of our common stock exceeds the conversion threshold price of $37.50 for at least 20 trading days in the 30 consecutive trading day period ending on the first day of such conversion period. A conversion period is the period from and including the eleventh trading day in a fiscal quarter up to but not including the eleventh trading day of the following fiscal quarter.

When the Convertible Notes are convertible at the option of the holder, they are classified as current on our Consolidated Balance Sheet. When the Convertible Notes are not convertible at the option of the holder, and the scheduled maturity is not within one year after the balance sheet date, they are classified as long-term. As of March 31, 2011, the notes are classified as long-term given that the per share price of our common stock did not close above the conversion threshold for 20 days in the 30 consecutive trading day period ending January 14, 2011. As of April 14, 2011, the notes did not meet the conversion threshold and therefore, the notes will remain non-convertible and classified as long-term through at least July 14, 2011, the next measurement date.

6 $^{3}/4$% Senior Notes Due 2020

On September 27, 2010, we issued $400.0 million in aggregate principal amount of 6 $^{3}/4$% senior notes due 2020 (6$^{3}/4$% senior notes) in a private offering (the Offering) that was exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act). The 6 $^{3}/4$% senior notes were sold

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FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

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to qualified institutional buyers as defined in Rule 144A under the Securities Act and non-U.S. persons outside the United States under Regulation S under the Securities Act. The net proceeds from the Offering were $390.4 million after deducting debt issuance costs. On March 25, 2011, the Company filed a Registration Statement on Form S-4 with the Securities and Exchange Commission to register the exchange offer of the 6 $^{3}/4$% senior notes for publicly registered senior notes with identical terms.

10. 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 eventuality of such actions. We do not believe any settlement or judgment would materially affect our financial position or results of operations.

11. 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 FTI s equity compensation plans, subject to the discretion of the administrator of the plans. During the three months ended March 31, 2011, aggregate share-based awards included stock option grants exercisable for 520,814 shares of common stock upon vesting, restricted stock awards of 306,986 shares of common stock and restricted stock units equivalent to 200,909 shares of common stock.

Total share-based compensation expense for the three months ended March 31, 2011 and 2010 is detailed in the following table:

	Three Months Ended March 31,	
Income Statement Classification	**2011**	**2010**
Direct cost of revenues	$ 4,612	$ 2,579
Selling, general and administrative expense	2,197	2,341
Special charges		2,474
Total share-based compensation expense	$ 6,809	$ 7,394

12. Stockholders Equity

Common Stock Repurchase Program

In November 2009, our Board of Directors authorized a two-year stock repurchase program of up to $500.0 million (the Repurchase Program) and terminated the $50.0 million stock repurchase program authorized in February 2009. Also in November 2009, we entered into a collared stock buyback master confirmation agreement (the Master Agreement) with Goldman, Sachs & Co. (Goldman Sachs). Through December 31, 2010, we repurchased and retired approximately 6,633,680 shares of our common stock with a value equivalent to approximately $290.6 million at the time of repurchase under the Repurchase Program, including a $250.0 million accelerated stock buyback transaction pursuant to a supplemental confirmation under the Master Agreement. As of December 31, 2010, a balance of $209.4 million remained available under the

Repurchase Program to fund stock repurchases by the Company.

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Notes to Condensed Consolidated Financial Statements (Continued)

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

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On March 2, 2011, we entered into a supplemental confirmation with Goldman Sachs for a $209.4 million accelerated stock buyback transaction (the 2011 ASB), pursuant to the Master Agreement. On March 7, 2011, we paid $209.4 million to Goldman Sachs using available cash on hand and received a majority of the shares to be delivered in the 2011 ASB. The specific number of shares that ultimately will be repurchased will be based generally on the volume-weighted average share price of our common stock during the term of the repurchase agreement, subject to provisions that establish minimum and maximum numbers of shares. The supplemental confirmation contemplates that final settlement may occur in December 2011, although under certain circumstances, at Goldman Sachs discretion, the completion date may be accelerated. At settlement, we may be entitled to receive additional shares of common stock from Goldman Sachs. All of the repurchased shares will be retired. This transaction was accounted for as two separate transactions, a share repurchase and a forward contract indexed to our own stock. The repurchase of shares was accounted for as a share retirement resulting in a reduction of common stock issued and outstanding of 4,433,671 shares and a corresponding reduction in common stock and additional paid-in capital of $209.4 million. The additional shares received will be accounted for as a share retirement in the period(s) in which the shares are received. The 2011 ASB completes the Repurchase Program.

For the quarter ended March 31, 2011, the forward contract was anti-dilutive as the forward contract represented a contingent number of shares that would be delivered to FTI by the investment bank. As the shares were anti-dilutive, their impact was not considered in the computation of earnings per share for the quarter ended March 31, 2011 in accordance with the guidance of ASC 260, *Earnings Per Share*. Additional shares to be received will be removed from the share count used for the calculation of earnings per share after delivery to FTI.

13. Segment Reporting

We manage our business in five reportable operating 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 matters, such as restructuring (including bankruptcy), financings, claims management, 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, data analytics, business intelligence assessments and risk mitigation services.

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

Our Technology segment provides electronic discovery (e-discovery) and information management 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 communications, brand communications, public affairs and reputation management and business consulting.

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Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

We evaluate the performance of our operating segments based on adjusted segment EBITDA. We define adjusted segment EBITDA as a segment s share of consolidated operating income before depreciation, amortization of intangible assets, accretion of contingent consideration and special charges. Although adjusted segment EBITDA is not a measure of financial condition or performance determined in accordance with GAAP, we use adjusted segment EBITDA to evaluate and compare the operating performance of our segments.

The table below presents revenues and adjusted segment EBITDA for our reportable segments for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	**2010**
Revenues		
Corporate Finance/Restructuring	$ 107,254	$ 117,467
Forensic and Litigation Consulting	82,913	78,678
Economic Consulting	74,259	67,307
Technology	51,035	43,373
Strategic Communications	46,355	43,215
Total revenues	$ 361,816	$ 350,040
Adjusted segment EBITDA		
Corporate Finance/Restructuring	$ 21,521	$ 34,719
Forensic and Litigation Consulting	16,878	19,784
Economic Consulting	13,242	13,520
Technology	18,631	17,261
Strategic Communications	5,408	5,742
Total adjusted segment EBITDA	$ 75,680	$ 91,026

The table below reconciles adjusted segment EBITDA to income before income tax provision:

	Three Months Ended March 31,	
	2011	**2010**
Total adjusted segment EBITDA	$ 75,680	$ 91,026
Segment depreciation expense	(5,748)	(6,326)
Amortization of intangible assets	(5,454)	(6,091)
Special charges		(30,245)
Accretion of contingent consideration	(796)	
Unallocated corporate expenses, excluding special charges	(15,189)	(16,521)
Interest income and other	2,000	2,354

Interest expense	(15,310)	(11,318)
Income before income tax provision	$ 35,183	$ 22,879

14. 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, senior notes and our Convertible Notes. The guarantees are full and unconditional and joint and several. All of our guarantors are wholly-owned, direct or indirect, subsidiaries.

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FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

The following financial information presents condensed consolidating balance sheets, statements of income and statements of cash flows for FTI, all the guarantor subsidiaries, all the non-guarantor subsidiaries and the eliminations necessary to arrive at the consolidated information for FTI 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.

Condensed Consolidating Balance Sheet Information as of March 31, 2011

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 27,246	$ 603	$ 84,518	$	$ 112,367
Restricted cash	8,633		2,753		11,386
Accounts receivable, net	122,252	172,002	102,057		396,311
Intercompany receivables	10,713	496,272	93,855	(600,840)	
Other current assets	23,431	16,078	33,619		73,128
Total current assets	192,275	684,955	316,802	(600,840)	593,192
Property and equipment, net	44,035	13,177	13,622		70,834
Goodwill	429,982	546,109	319,468		1,295,559
Other intangible assets, net	5,632	76,389	49,029		131,050
Investments in subsidiaries	1,709,381	526,666		(2,236,047)	
Other assets	73,171	64,404	19,054		156,629
Total assets	$ 2,454,476	$ 1,911,700	$ 717,975	$ (2,836,887)	$ 2,247,264
Liabilities					
Intercompany payables	$ 451,435	$ 34,601	$ 114,804	$ (600,840)	$
Other current liabilities	130,289	97,616	50,411		278,316
Total current liabilities	581,724	132,217	165,215	(600,840)	278,316
Long-term debt, net	755,069	29,024			784,093
Other liabilities	112,637	41,248	25,924		179,809
Total liabilities	1,449,430	202,489	191,139	(600,840)	1,242,218
Stockholders equity	1,005,046	1,709,211	526,836	(2,236,047)	1,005,046
Total liabilities and stockholders equity	$ 2,454,476	$ 1,911,700	$ 717,975	$ (2,836,887)	$ 2,247,264

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FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

Condensed Consolidating Balance Sheet Information as of December 31, 2010

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 292,738	$ 1,430	$ 90,402	$	$ 384,570
Restricted cash	8,633		1,885		10,518
Accounts receivable, net	109,663	140,328	76,086		326,077
Intercompany receivables	49,809	497,108	96,251	(643,168)	
Other current assets	26,635	15,007	25,908		67,550
Total current assets	487,478	653,873	290,532	(643,168)	788,715
Property and equipment, net	47,091	13,893	12,254		73,238
Goodwill	426,866	541,395	301,186		1,269,447
Other intangible assets, net	5,906	79,984	49,080		134,970
Investments in subsidiaries	1,619,224	512,127		(2,131,351)	
Other assets	68,983	58,713	20,293		147,989
Total assets	$ 2,655,548	$ 1,859,985	$ 673,345	$ (2,774,519)	$ 2,414,359
Liabilities					
Intercompany payables	$ 488,860	$ 70,622	$ 83,686	$ (643,168)	$
Other current liabilities	135,652	104,056	49,574		289,282
Total current liabilities	624,512	174,678	133,260	(643,168)	289,282
Long-term debt, net	756,515	29,048			785,563
Other liabilities	107,202	40,034	24,959		172,195
Total liabilities	1,488,229	243,760	158,219	(643,168)	1,247,040
Stockholders equity	1,167,319	1,616,225	515,126	(2,131,351)	1,167,319
Total liabilities and stockholders equity	$ 2,655,548	$ 1,859,985	$ 673,345	$ (2,774,519)	$ 2,414,359

Condensed Consolidated Statement of Income for the Three Months Ended March 31, 2011

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 126,651	$ 253,099	$ 76,999	$ (94,933)	$ 361,816
Operating expenses					
Direct cost of revenues	79,906	180,637	51,579	(92,982)	219,140
Selling, general and administrative expense	35,654	34,117	20,909	(1,951)	88,729

Special charges									
Amortization of other intangible assets		274		3,595		1,585				5,454
Operating income		10,817		34,750		2,926				48,493
Other (expense) income		(13,085)		(202)		(23)				(13,310)
Income (loss) before income tax provision		(2,268)		34,548		2,903				35,183
Income tax (benefit) provision		(877)		13,359		903				13,385
Equity in net earnings of subsidiaries		23,189		1,511				(24,700)		
Net income	$	21,798	$	22,700	$	2,000	$	(24,700)	$	21,798

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FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

Condensed Consolidating Statement of Income for the Three Months Ended March 31, 2010

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 135,109	$ 302,537	$ 72,648	$ (160,254)	$ 350,040
Operating expenses					
Direct cost of revenues	78,031	232,597	44,735	(157,903)	197,460
Selling, general and administrative expense	37,718	34,183	14,851	(2,351)	84,401
Special charges	18,558	10,842	845		30,245
Amortization of other intangible assets	710	4,090	1,291		6,091
Operating income	92	20,825	10,926		31,843
Other (expense) income	(9,541)	2,725	(2,148)		(8,964)
Income (loss) before income tax provision	(9,449)	23,550	8,778		22,879
Income tax (benefit) provision	(3,905)	9,749	2,850		8,694
Equity in net earnings of subsidiaries	19,729	5,570	2,185	(27,484)	
Net income	$ 14,185	$ 19,371	$ 8,113	$ (27,484)	$ 14,185

Condensed Consolidating Statement of Cash Flow for the Three Months Ended March 31, 2011

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				
Net cash used in operating activities	$ (17,224)	$ (6,496)	$ (15,477)	$ (39,197)
Investing activities				
Payments for acquisition of businesses, net of cash received	(22,982)		(18,860)	(41,842)
Purchases of property and equipment and other	(1,397)	(2,770)	(786)	(4,953)
Sale of short-term investments				
Other	(483)			(483)
Net cash used in investing activities	(24,862)	(2,770)	(19,646)	(47,278)
Financing activities				
Borrowings under revolving line of credit	25,000			25,000
Payments of long-term debt and capital leases	(776)	(96)		(872)
Issuance of common stock and other	(999)			(999)
Purchase and retirement of common stock	(209,400)			(209,400)
Excess tax benefits from share based equity	43			43
Other	161			161

Intercompany transfers	(37,435)	8,535	28,900	
Net cash (used in) provided by financing activities	(223,406)	8,439	28,900	(186,067)
Effect of exchange rate changes on cash			339	339
Net decrease in cash and cash equivalents	(265,492)	(827)	(5,884)	(272,203)
Cash and cash equivalents, beginning of period	292,738	1,430	90,402	384,570
Cash and cash equivalents, end of period	$ 27,246	$ 603	$ 84,518	$ 112,367

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FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

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

Unaudited

Condensed Consolidating Statement of Cash Flows for the Three Months Ended March 31, 2010

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				
Net cash provided by (used in) operating activities	$ (12,548)	$ 132	$ (14,847)	$ (27,263)
Investing activities				
Payments for acquisition of businesses, net of cash received	(17,544)			(17,544)
Purchases of property and equipment and other	(4,926)	(2,035)	(1,183)	(8,144)
Proceeds from maturity of short-term investment	15,000			15,000
Net cash used in investing activities	(7,470)	(2,035)	(1,183)	(10,688)
Financing activities				
Borrowings under revolving line of credit	20,000			20,000
Payments of revolving line of credit	(20,000)			(20,000)
Payments of long-term debt and capital leases	(322)	(205)		(527)
Issuance of common stock and other	1,274			1,274
Excess tax benefits from share based equity	754			754
Intercompany transfers	(14,652)	2,285	12,367	
Net cash (used in) provided by financing activities	(12,946)	2,080	12,367	1,501
Effect of exchange rate changes on cash and cash equivalents			(1,544)	(1,544)
Net (decrease) increase in cash and cash equivalents	(32,964)	177	(5,207)	(37,994)
Cash and cash equivalents, beginning of period	60,720	665	57,487	118,872
Cash and cash equivalents, end of period	$ 27,756	$ 842	$ 52,280	$ 80,878

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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 month periods ended March 31, 2011 and 2010 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, 2010. 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 and 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 services, mergers and acquisitions (M&A), antitrust and competition matters, electronic discovery (e-discovery), management and retrieval of electronically stored information, 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 operating 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 matters, such as restructuring (including bankruptcy), financing, claims management, 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, data analytics, business intelligence assessments and risk mitigation services.

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

Our **Technology** segment provides e-discovery and information management 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 communications, brand communications, public affairs and reputation management and business consulting.

We derive substantially all of our revenues from providing professional services to both U.S. and international 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 from 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 and the number of users licensing our Ringtail® software products for installation within their own environments. We license these products directly to end users as well as indirectly through our channel partner relationships. 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; and
- licensing of our software products and other technology services.

We define adjusted EBITDA as consolidated operating income before depreciation, amortization of intangible assets, accretion of contingent consideration (often referred to as earn-outs) and special charges. We define adjusted segment EBITDA as a segment s share of consolidated operating income before depreciation, amortization of intangible assets, accretion of contingent consideration and special charges. Adjusted EBITDA and adjusted segment EBITDA are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies unless the definition is the same. These non-GAAP measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our statements of income. We believe that these measures can be a useful operating performance measure for evaluating our results of operations as compared from period-to-period and as compared to our competitors. EBITDA is a common alternative measure of operating performance used by investors, financial analysts and rating agencies to value and compare the financial performance of companies in our industry. We use adjusted EBITDA and adjusted segment EBITDA to evaluate and compare the operating performance of our segments.

We define adjusted net income and adjusted earnings per diluted share as net income and earnings per diluted share, respectively, excluding the impact of the special charges and loss on early extinguishment of debt that were incurred in that period, and their related income tax effects.

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

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EXECUTIVE HIGHLIGHTS

	Three Months Ended March 31, 2011	2010
	(dollars in thousands, except per share amounts)	
Revenues	$ 361,816	$ 350,040
Earnings per common share diluted	0.48	0.29
Adjusted earnings per common share diluted	0.48	0.67
Operating income	48,493	31,843
Adjusted EBITDA	61,688	75,882
Cash used in operating activities	(39,197)	(27,263)
Total number of employees at March 31,	3,705	3,399

First Quarter 2011 Executive Highlights

Strategic activities

On March 3, 2011 the Company announced that it had entered into a $209.4 million accelerated stock buyback transaction with Goldman, Sachs & Co. (the 2011 ASB). The transaction contemplates that final settlement may occur in December 2011, although under certain circumstances, at Goldman Sachs discretion, the completion date may be accelerated. The specific number of shares that ultimately will be repurchased will be based generally on the volume-weighted average share price of our common stock during the term of the repurchase agreement, subject to provisions that establish minimum and maximum numbers of shares. The 2011 ASB completes the $500 million stock repurchase program that the Company announced on November 4, 2009.

On March 31, 2011 the Company announced that it had completed a combination of acquisitions and individual hires involving certain employees and operations of LECG Corporation (the LECG Acquisition) adding significant new practices, industry expertise and capabilities including the addition of approximately 200 professionals in Europe, the U.S. and Latin America. These individuals and practices will be integrated into FTI s Economic Consulting, Forensic and Litigation Consulting and Corporate Finance/Restructuring segments. The Company paid aggregate cash consideration of approximately $27.0 million to LECG at the applicable closings for the acquired practices. Acquisition-related costs of approximately $1.4 million in the aggregate have been recognized in earnings.

Revenues

Revenues for the quarter ended March 31, 2011 increased $11.8 million, or 3.4%, to $361.8 million, compared to $350.0 million in the same prior year period. Revenues from acquired businesses were $6.9 million in the quarter, or 2.0% of total growth.

Our first quarter results reflected a continuation of the challenging market conditions that have been impacting our business for the past several quarters. M&A and overall corporate investment improved compared to the first quarter of 2010. Fixed income markets, especially in speculative grade debt, have enabled challenged debtors to restructure debt or extend maturities. Our Corporate Finance/Restructuring segment revenues declined compared to the same prior year period. Our other four segments continued to show encouraging improvements in revenue growth for the quarter ended March 31, 2011. Revenue growth in our other four segments of 9.5% more than overcame the decline in the Corporate Finance/Restructuring segment.

Operating income

Operating income in the first quarter of 2011 was $48.5 million compared to $31.8 million in the prior year period. Operating income in the prior year was negatively impacted by the special charges that we recorded of

$30.2 million. On a comparative basis, the decline in operating income was primarily due to lower demand for higher margin restructuring and bankruptcy work which reduced profitability of our Corporate Finance/Restructuring segment and offset higher income from our Technology segment. The Company also increased variable compensation costs related to retention of key employees and increased hiring of professionals in our Forensic and Litigation Consulting and Economic Consulting segments in anticipation of increased demand, but this reduced utilization and profitability in those segments in the short term. In addition, the Company recorded $1.4 million of acquisition costs related to the LECG Acquisition.

Adjusted EBITDA

Adjusted EBITDA, as previously defined, decreased by $14.2 million to $61.7 million, or 17.0% of revenues compared to $75.9 million, or 21.7% of revenues, in the prior year period. Adjusted EBITDA declined primarily due to lower revenue in our Corporate Finance/Restructuring segment as well as incremental investments in headcount in other segments. In addition, adjusted EBITDA included $1.4 million of acquisition costs related to the LECG Acquisition.

Earnings per share

Earnings per share were $0.48 compared to $0.29 in the prior year period, which included $30.2 million of special charges primarily related to a realignment of our workforce and a consolidation of four office locations. Adjusted earnings per diluted share, as previously defined, were $0.48, compared to $0.67 in the prior year period due primarily to operating results described above and higher interest expense related to the increased level of total debt outstanding resulting from the $400.0 million offering of our 6 3/4% senior notes due 2020 in the third quarter of 2010. These were partially mitigated by a 5.2% decrease in fully diluted shares outstanding compared to the prior year period due to the repurchase of 4.4 million of outstanding shares in March 2011 under the 2011 ASB.

Operating cash flows

Cash used in operating activities in the first quarter of 2011 was $39.1 million compared to $27.3 million for the same period last year. The decrease in operating cash flows was primarily due to increased compensation and timing of payroll and prepayments of certain acquired liabilities, partially offset by lower income tax payments in the three months ended March 31, 2011.

Headcount

Headcount of 3,705 at March 31, 2011 increased by 306, or 9.0%, compared to the same period a year ago including approximately 200 professionals who joined FTI as a result of the closings of the LECG Acquisition in the first quarter of 2011. Headcount increased in all segments, but most notably in our Forensic and Litigation Consulting and Economic Consulting segments, through a combination of hiring to support the growth of these businesses and the addition of employees who joined the Company through acquisitions completed during the previous twelve months. Headcount in the Corporate Finance/Restructuring segment increased due to the acquisition of an Asian practice in the third quarter of 2010, partially offset by staff reductions made in 2010 to balance current demands with resource requirements.

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CONSOLIDATED RESULTS OF OPERATIONS

Segment and Consolidated Operating Results:

	Three Months Ended March 31, 2011	2010
	(in thousands, except per share amounts)	
Revenues		
Corporate Finance/Restructuring	$ 107,254	$ 117,467
Forensic and Litigation Consulting	82,913	78,678
Economic Consulting	74,259	67,307
Technology	51,035	43,373
Strategic Communications	46,355	43,215
Total revenues	$ 361,816	$ 350,040
Operating income		
Corporate Finance/Restructuring	$ 18,520	$ 25,644
Forensic and Litigation Consulting	15,343	12,400
Economic Consulting	12,378	5,766
Technology	13,971	7,302
Strategic Communications	3,470	2,347
Segment operating income	63,682	53,459
Unallocated corporate expenses	(15,189)	(21,616)
Total operating income	48,493	31,843
Other income (expense)		
Interest income and other	2,000	2,354
Interest expense	(15,310)	(11,318)
	(13,310)	(8,964)
Income before income tax provision	35,183	22,879
Income tax provision	13,385	8,694
Net income	$ 21,798	$ 14,185
Earnings per common share basic	$ 0.50	$ 0.31
Earnings per common share diluted	$ 0.48	$ 0.29

Reconciliation of Operating Income to Adjusted EBITDA:

	Three Months Ended March 31, 2011	2010
	(in thousands)	

Operating income	$ 48,493	$ 31,843
Add back:		
Depreciation and amortization	6,945	7,703
Amortization of other intangible assets	5,454	6,091
Accretion of contingent consideration	796	
Special charges		30,245
Adjusted EBITDA	$ 61,688	$ 75,882

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

	Three Months Ended March 31,	
	2011	2010
	(in thousands, except per share amounts)	
Net income	$ 21,798	$ 14,185
Add back: Special charges, net of tax		18,069
Adjusted net income	$ 21,798	$ 32,254
Earnings per common share diluted	$ 0.48	$ 0.29
Adjusted earnings per common share diluted	$ 0.48	$ 0.67
Weighted average number of common stares outstanding diluted	45,635	48,128

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Revenues and operating income

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

Unallocated corporate expenses

Unallocated corporate expenses decreased $6.4 million, or 29.7%, to $15.2 million for the three months ended March 31, 2011, from $21.6 million for the three months ended March 31, 2010. Excluding the impact of special charges of $5.1 million recorded in the three months ended March 31, 2010, unallocated corporate expenses decreased $1.3 million, or 8.1% from the prior year. The decrease was primarily due to increased allocation of centrally managed costs in direct support of our operating segments.

Interest income and other

Interest income and other, which includes foreign currency transaction gains and losses, decreased by $0.4 million, or 15.1%, to $2.0 million for the three months ended March 31, 2011 from $2.4 million for the three months ended March 31, 2010. The decrease is primarily due to a $ 0.4 million less favorable impact from net foreign currency transaction gains resulting from the remeasurement of receivables and payables required to be settled in a currency other than an entity s functional currency.

Interest expense

Interest expense increased $4.0 million to $15.3 million for the three months ended March 31, 2011 from $11.3 million for the three months ended March 31, 2010. The increase is due to additional senior debt from the issuance of $400.0 million aggregate principal amount of 6 3/4% senior notes due 2020 in the third quarter of 2010 and the loan notes issued as a portion of the consideration in connection with the acquisition we completed in August 2010.

Special charges

During the quarter ended March 31, 2010, we recorded special charges totaling $30.2 million, primarily related to a realignment of our workforce and a consolidation of four office locations. The charges reflected actions we took to better align capacity with expected demand, to eliminate certain redundancies resulting from acquisitions and to provide for appropriate levels of administrative support.

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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 38.0% for both the three months ended March 31, 2011 and the three months ended March 31, 2010. For the three months ended March 31, 2011, the effective tax rate was impacted by unfavorable discrete items recorded in the quarter related to certain prior year nondeductible expenses offset by increased tax deductible foreign goodwill amortization as well as lower state income taxes.

SEGMENT RESULTS

Adjusted Segment EBITDA

The following table reconciles segment operating income to adjusted segment EBITDA for the three months ended March 31, 2011 and 2010.

	Three Months Ended March 31,	
	2011	**2010**
	(in thousands)	
Segment operating income	$ 63,682	$ 53,459
Add back:		
Depreciation	5,748	6,326
Amortization of other intangible assets	5,454	6,091
Accretion of contingent consideration	796	
Special charges		25,150
Total adjusted segment EBITDA	$ 75,680	$ 91,026

Other Segment Operating Data

	Three Months Ended March 31,	
	2011	**2010**
Number of revenue-generating professionals: (at period end)		
Corporate Finance/Restructuring	741	701
Forensic and Litigation Consulting	844	771
Economic Consulting	386	302
Technology	257	242
Strategic Communications	586	569
Total revenue-generating professionals	2,814	2,585
Utilization rates of billable professionals:(1)		
Corporate Finance/Restructuring	70%	69%
Forensic and Litigation Consulting(3)	69%	76%
Economic Consulting	88%	82%
Average billable rate per hour:(2)		
Corporate Finance/Restructuring	$ 436	$ 457
Forensic and Litigation Consulting(3)	326	312
Economic Consulting	477	470

(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

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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 h