

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1998; 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: 333-02002

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

MARYLAND

52-1261113

(State or other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

2021 Research Drive, Annapolis, Maryland 21401

(Address of Principal Executive Offices)
(Zip Code)

(410) 224-8770

(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year,
if changed since last report)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at May 14, 1998
-----	-----
Common Stock, par value \$.01 per share	4,750,301

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION
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Forensic Technologies International Corporation and Subsidiaries

Consolidated Balance Sheets
(in thousands of dollars)

	DECEMBER 31, 1997	MARCH 31, 1998
	----- (audited)	----- (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,456	\$ 2,663
Accounts receivable, less allowance of \$487 in 1997 and \$620 in 1998	10,198	11,466
Unbilled receivables, less allowance of \$415 in 1997 and \$441 in 1998	4,194	3,703
Deferred income taxes	160	160
Prepaid expenses and other current assets	681	1,165
	-----	-----
Total current assets	17,689	19,157
Property and equipment:		
Buildings	411	411
Furniture and equipment	11,745	12,316
Leasehold improvements	1,591	1,526
	-----	-----
	13,747	14,253
Accumulated depreciation and amortization	(7,459)	(7,863)
	-----	-----
	6,288	6,390
Goodwill, net of accumulated amortization of \$81 in 1997 and \$144 in 1998	5,141	5,078
Other assets	58	60
	-----	-----
Total assets	\$ 29,176	\$ 30,685
	=====	=====

	DECEMBER 31, 1997	MARCH 31, 1998
	----- (audited)	----- (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,825	\$ 1,963
Accrued compensation expense	1,995	1,674
Income taxes payable	297	689
Current portion of long-term debt	1,200	1,200
Advances from clients	519	402
Other current liabilities	219	117
	-----	-----
Total current liabilities	7,055	6,045
Long-term debt, less current portion	730	730
Other long-term liabilities	203	224
Deferred income taxes	169	169
Commitments and contingent liabilities	--	--
Stockholders' equity:		
Preferred stock, \$.01 par value; 4,000 shares authorized, none outstanding	--	--
Common stock, \$.01 par value; 16,000 shares authorized; 4,551 and 4,733 shares issued and outstanding in 1997 and 1998, respectively	46	47
Additional paid-in capital	14,526	15,917
Retained earnings	6,447	7,553
	-----	-----
Total stockholders' equity	21,019	23,517
	-----	-----
Total liabilities and stockholders' equity	\$ 29,176	\$ 30,685
	=====	=====

See accompanying notes.

Forensic Technologies International Corporation and Subsidiaries

Consolidated Statement of Income
(in thousands of dollars except per share data)

	THREE MONTHS ENDED MARCH 31	
	1997	1998
	(unaudited)	
Revenues	\$ 9,539	\$ 14,109
Direct cost of revenues	5,162	7,579
Selling, general and administrative expenses	3,349	4,662
Total costs and expenses	8,511	12,241
Income from operations	1,028	1,868
Other income (expense):		
Interest and other income	76	56
Interest expense	(20)	(59)
	56	(3)
Income before income taxes	1,084	1,865
Income taxes	444	759
Net income	\$ 640	\$ 1,106
Net income per common share	\$0.14	\$0.24
Net income per common share - assuming dilution	\$0.14	\$0.22

See accompanying notes.

Forensic Technologies International Corporation and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands of dollars)

	THREE MONTHS ENDED MARCH 31	
	1997	1998
	----- (unaudited)	
OPERATING ACTIVITIES		
Net income	\$ 640	\$ 1,106
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	278	445
Amortization	33	110
Provision for doubtful accounts	30	160
Changes in operating assets and liabilities:		
Accounts receivable	(405)	(1,401)
Unbilled receivables	(492)	465
Prepaid expenses	(69)	(484)
Accounts payable	(37)	(862)
Accrued compensation expense	255	(321)
Income taxes payable	425	448
Advances from clients	(42)	(117)
Other current liabilities	(11)	(103)

Net cash provided by (used in) operating activities	605	(554)
INVESTING ACTIVITIES		
Purchase of property and equipment	(751)	(621)
Proceeds from sale of property and equipment	--	70
Change in other assets	(8)	(2)

Net cash used in investing activities	(759)	(553)
FINANCING ACTIVITIES		
Exercise of stock options	24	1,337
Payments of other long-term liabilities	(51)	(23)

Net cash provided by (used in) financing activities	(27)	1,314

Net increase in cash and cash equivalents	(181)	207
Cash and cash equivalents at beginning of period	5,894	2,456

Cash and cash equivalents at end of period	\$ 5,713	\$ 2,663
	=====	

See accompanying notes.

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1998
(dollars in thousands, except for per share data)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 1997.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998.

2. EARNINGS PER SHARE

The following table summarizes the computations of basic and diluted earnings per share:

	THREE MONTHS ENDED MARCH 31 1997	1998
Numerator used in basic and diluted earnings per common share:		
Net income	\$640	\$1,106
Denominator:		
Denominator for basic earnings per common share - weighted average shares	4,519	4,598
Effect of dilutive securities:		
Warrants	-	7
Employee stock options	123	467
Denominator for diluted earnings per common share - weighted average shares and assumed conversions	4,642	5,072
Basic earnings per common share	\$.14	\$.24
Diluted earnings per common share	\$.14	\$.22

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1998 (CONTINUED)

3. STOCKHOLDERS EQUITY

The components of stockholders equity are as follow:

	Common Stock -----	Additional Paid in Capital -----	Retained Earnings -----	Total -----
Balance at January 1, 1998	\$ 46	\$ 14,526	\$ 6,447	\$ 21,019
Exercise of options to purchase 182,300 shares of Common Stock, including income tax benefit of \$55.	1	1,391		1,392
Net income for three months ended March 31, 1998			1,106	1,106
Balance at March 31, 1998	\$ 47	\$ 15,917	\$ 7,553	\$ 23,517

4. INCOME TAXES

The tax provision for the three months periods ended March 31, 1998 and 1997 are based on the estimated effective tax rates applicable for the full years. The Company's income tax provision of \$759 for the three month period ended March 31, 1998 consists of federal and state income taxes.

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION

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

RESULTS OF OPERATIONS

Revenues for the first quarter ended March 31, 1998, increased 47.9% to \$14.1 million, compared to the same period in 1997. Excluding acquisitions during 1997, revenues during the quarter increased 27.0%. The increase is primarily the result of a 36.4% increase in visual communication services, attributable to high levels of active trials during the period, continued development of key relationships with major law firms and corporations and the success of an integrated marketing approach. Additional increases in revenue resulted from Engineering services, which grew 27.5% with higher levels of activity in both the engineering science consulting and Teklicon businesses.

Direct costs, as a percentage of revenue, were approximately the same during the first quarter of 1998 and 1997, as a result of managing the mix of internal and external resources to meet the demands for the Company's services. Selling, general and administrative expenses also remained relatively consistent during these periods as management focused on containing these costs while growing the business operations.

LIQUIDITY AND SOURCES OF CAPITAL

Cash flow used in operations during the quarter was due to the increase in accounts receivable balances and also to the payment of liabilities in a timely manner. Cash was also used in investing activities for the purchase of property and equipment. These outflows were funded by the exercise of stock options during the first quarter. Approximately 182,000 options were exercised in the first quarter of 1998 thus resulting in an overall increase in cash.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Incorporated by reference from the Forensic Technologies International Corporation Notice of 1998 Annual Meeting and Proxy Statement filed pursuant to Regulation 14A.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

22. PUBLISHED REPORT REGARDING MATTERS SUBMITTED TO VOTE OF SECURITY HOLDERS

Incorporated by reference from the Forensic Technologies International Corporation Notice of 1998 Annual Meeting and Proxy Statement filed pursuant to Regulation 14A.

27. FINANCIAL DATA SCHEDULE FOR THREE MONTHS ENDED MARCH 31, 1998

(B) REPORTS ON FORM 8-K

THE COMPANY DID NOT FILE ANY REPORTS ON FORM 8-K DURING THE THREE MONTHS ENDED MARCH 31, 1998

SIGNATURES

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

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION

Date: May 13, 1998

By /s/Gary Sindler

Executive Vice President and Chief
Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

1
U.S. DOLLARS

3-MOS	DEC-30-1998		
	JAN-01-1998		
	MAR-31-1998		
	1.000		
		2,663,165	
		0	
	16,230,082		
	1,061,700		
		0	
	19,156,750		
		14,252,911	
	7,863,293		
	30,685,090		
6,045,347			0
	47,332		
		0	
		0	
		23,469,321	
30,685,090			
		14,109,375	
	14,109,375		
		7,579,505	
	12,241,593		
	0		
	0		
	58,644		
	1,864,719		
		759,535	
1,106,184			0
		0	
			0
		1,106,184	
		0.24	
		0.22	