SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO THE SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

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 Incorporation or Organization)	(IRS 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)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par value	American Stock Exchange

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

Class	Outstanding at November 5, 1999
Common Stock, par value $.01 per share	4,913,905

FTI CONSULTING, INC.

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Part I. Financial Information

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands of dollars)

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(audited)	(unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,223	$ 2,453
Accounts receivable, less allowance of $1,305 in 1998 and $1,556 in 1999	13,139	13,048
Unbilled receivables, less allowance of $1,117 in 1998 and $1,648 in 1999	7,803	9,800
Income taxes recoverable	794	281
Deferred income taxes	--	173
Prepaid expenses and other current assets	1,262	1,721
Total current assets	26,221	27,476
Property and equipment:		
Buildings	411	309
Furniture and equipment	14,752	16,218
Leasehold improvements	1,891	2,083
	17,054	18,610
Accumulated depreciation and amortization	(8,767)	(10,429)
	8,287	8,181
Goodwill, net of accumulated amortization of $1,077 in 1998 and $2,786 in 1999	45,164	44,509
Other assets	75	986
Total assets	$ 79,747	$ 81,152

SEE ACCOMPANYING NOTES.

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands of dollars)

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(audited)	(unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 2,924	$ 1,865
Accrued compensation expense	2,765	4,230
Current portion of long-term debt	10,650	1,717
Advances from clients	498	412
Other current liabilities	313	813
Total current liabilities	17,150	9,037
Long-term debt, less current portion	35,630	40,918
Other long-term liabilities	269	805
Deferred income taxes	1,104	1,146
Commitments and contingent liabilities	-	-
Stockholders' equity:		
Preferred stock, $.01 par value; 4,000,000 shares authorized, none outstanding	-	-
Common stock, $.01 par value; 16,000,000 shares authorized; 4,781,895 and 4,913,905 shares issued and outstanding in 1998 and 1999, respectively	48	49
Additional paid-in capital	16,531	18,197
Retained earnings	9,015	11,000
Total stockholders' equity	25,594	29,246
Total liabilities and stockholders' equity	$ 79,747	$ 81,152

SEE ACCOMPANYING NOTES.

FTI Consulting, Inc. and Subsidiaries

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

	THREE MONTHS ENDED SEPTEMBER 30 1998	1999
	(unaudited)	
Revenues	$ 13,501	$ 20,855
Direct cost of revenues	7,107	11,012
Selling, general and administrative expenses	5,093	7,114
Amortization of goodwill	274	570
Total costs and expenses	12,474	18,696
Income from operations	1,027	2,159
Other income (expense):		
Interest and other income	87	110
Interest expense	(423)	(1,099)
	(336)	(989)
Income before income taxes	691	1,170
Income taxes	309	515
Net income	$ 382	$ 655
Earnings per common share, basic	$0.08	$0.13
Earnings per common share, diluted	$0.08	$0.13

SEE ACCOMPANYING NOTES.

FTI Consulting, Inc. and Subsidiaries

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

	NINE MONTHS ENDED SEPTEMBER 30 1998	1999
	(unaudited)	
Revenues	$ 39,470	$ 62,127
Direct cost or revenues	21,419	32,362
Selling, general and administrative expenses	13,676	21,559
Amortization of goodwill	440	1,709
Total costs and expenses	35,535	55,630
Income from operations	3,935	6,497
Other income (expense):		
Interest and other income	200	253
Interest expense	(621)	(3,061)
	(421)	(2,808)
Income before income taxes	3,514	3,689
Income taxes	1,458	1,704
Net income	$ 2,056	$ 1,985
Earnings per common share, basic	$0.44	$0.41
Earnings per common share, diluted	$0.41	$0.40

SEE ACCOMPANYING NOTES.

FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands of dollars)

	NINE MONTHS ENDED SEPTEMBER 30 1998	1999
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 2,056	$ 1,985
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amorization of goodwill	440	1,709
Depreciation and other amortization	1,449	1,773
Provision for doubtful accounts	(109)	782
Deferred income taxes	-	(132)
Loss (gain) on disposal of assets	12	(7)
Non-cash interest expense	140	-
Changes in operating assets and liabilities:		
Accounts receivable	3,516	(160)
Unbilled receivables	(790)	(2,528)
Prepaid expenses and other current assets	(968)	(459)
Accounts payable and accrued expenses	(335)	(1,059)
Accrued compensation expense	(415)	1,465
Income taxes recoverable	(664)	513
Advances from clients	(47)	(86)
Other current liabilities	(241)	947
Net cash provided by operating activities	4,044	4,743
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,687)	(1,574)
Proceeds from sale of property and equipment	73	206
Contingent payments to LWG	(544)	(235)
Contingent payments to KK&A	-	(389)
Acquisition of KK&A, net of $90 cash assumed at acquisition	(6,035)	(56)
Acquisition of KCI	(10,206)	(11)
Acquisition of SEA, net of $300 cash assumed at acquisition	(9,916)	-
Change in other assets	2	(19)
Net cash used in investing activities	(28,313)	(2,078)
FINANCING ACTIVITIES		
Exercise of stock options	1,611	136
Employee stock purchases	-	241
Borrowings (payments) under long-term credit facility	26,000	(6,042)
Payment of refinancing fees	0	(1,038)
Payment on notes payable for acquired businesses	(1,944)	(9,621)
Borrowings on subordinated notes payable	-	13,000
Payments of other long-term liabilities	(48)	(111)
Net cash provided by (used in) financing activities	25,619	(3,435)
Net increase (decrease) in cash and cash equivalents	1,350	(770)
Cash and cash equivalents at beginning of period	2,456	3,223
Cash and cash equivalents at end of period	$ 3,806	$ 2,453

SEE ACCOMPANYING NOTES.

FTI CONSULTING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 1999
(in thousands of dollars, except 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 in accordance 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-K for the year ended December 31, 1998.

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 nine month period ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

2. EARNINGS PER SHARE

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1998	1999	1998	1999
Numerator used in basic and diluted earnings per common share:				
Net income	$382	$655	$2,056	$1,985
Denominator:				
Denominator for basic earnings per common share - weighted average shares	4,774	4,914	4,706	4,858
Effect of dilutive securities:				
Warrants	-	213	-	95
Employee stock options	104	92	369	33
	104	305	369	128
Denominator for diluted earnings per common share - weighted average shares and assumed conversions	4,878	5,219	5,075	4,986
Basic earnings per common share	$.08	$.13	$.44	$.41
Diluted earnings per common share	$.08	$.13	$.41	$.40

(in thousands of dollars, except per share data)

3. STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance at January 1, 1999	$ 48	$16,531	$9,015	$25,594
Exercise of options to purchase 47,000 shares of common stock		136		136
Issuance of 552,539 warrants to purchase common stock		1,289		1,289
Issuance of 84,773 shares under Employee Stock Purchase Plan	1	241		242
Net income for nine months ended September 30, 1999			1,985	1,985
Balance at September 30, 1999	$ 49	$18,197	$11,000	$29,246

4. INCOME TAXES

The income tax provisions for interim periods in 1999 and 1998 are based on the estimated effective tax rates applicable for the full years. The Company's income tax provision of $1,704 for the nine month period ended September 30, 1999 consists of federal and state income taxes. The effective income tax rate in 1999 is expected to be approximately 46%. This rate is higher than the statutory Federal income tax rate of 34% due principally to state and local taxes and the effects of nondeductible goodwill recorded in certain acquisitions.

5. DEBT

In March 1999, the Company renegotiated the terms of its $27,000 long-term credit facility. Amounts borrowed under the revolving credit facility are secured by all assets of the Company, bear interest at LIBOR or prime (as elected by the Company each quarter) plus specified additions, and mature on September 30, 2001. The Company is required to comply with certain specified financial covenants related to operating performance and liquidity at the end of each quarter.

In connection with the renegotiation of the financing, the lender was issued warrants to purchase 25,000 shares of common stock at an exercise price of $3.00 per share. The warrants expire in March 2006, and contain anti-dilution provisions and put rights.

Also in March 1999, the Company issued $13,000 of subordinated notes bearing interest at 9.25% per annum through June 2000, and 12% per annum thereafter until maturity in March 2004. The subordinated notes are secured by a second priority interest in all of the assets of the Company, and prohibit the payment of dividends without the consent of the lender. The proceeds from the issuance of the notes have been used to fund 1999 maturities of long-term debt and for working capital.

(in thousands of dollars, except per share data)

5. DEBT (CONTINUED)

In connection with the issuance of the subordinated debt, the lender was issued warrants to purchase 392,506 shares of common stock at an exercise price of $3.21 per share. The warrants expire six years from the date of final payment on the subordinated debt and contain put rights.

In March 1999, the Company restructured certain seller promissory notes that it had issued in June 1998 to sellers of KK&A and in September 1998 to sellers of S.E.A. and KCI. In connection with this restructuring, holders of such obligations who deferred the payments due in September 1999 and September 2000 until June 2002 received an amended and restated promissory note that provided: (i) for every three dollars of face amount deferred until 2002, an increased interest rate of 9.25% per annum on two dollars of the face amount; (ii) for every three dollars of face amount deferred until 2002, an interest rate of 6.0% per annum on one dollar of the face amount plus the right to convert that portion of the note into common stock at the lower of $5.00 per share or the average common stock price for June 2000; and (iii) 115,033 five-year warrants, exerciseable to March 2004 with an exercise price of $3.21.

Warrants to purchase common stock issued in connection with the March 1999 financings were valued at $1,289, an estimate determined using the Black Scholes Option Pricing Model, a generally accepted warrant valuation methodology. The estimated value of the warrants was recorded as additional paid-in capital and the debt has been recorded net of a discount of $1,145 at September 30, 1999.

Debt consists of the following:

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
Amounts due under a $27,000 long-term credit facility (net of discount of $42 in 1999) expiring in September 2001, bearing interest at LIBOR plus variable percentages. The facility is secured by substantially all of the assets of the Company.	$26,000	$19,958
Notes payable to former shareholders of acquired businesses (net of discount of $186), maturing periodically through 2002, and bearing interest payable as described above.	20,280	10,594
Subordinated debentures (net of discount of $917) bearing interest at 9.25% per annum through June 2000, and 12% per annum thereafter until maturity in March 2004	-	12,083
Subtotal of debt	46,280	42,635
Less current portion	(10,650)	(1,717)
Total long-term debt	$35,630	$40,918

(in thousands of dollars, except per share data)

6. SEGMENT REPORTING

The Company provides forensic, strategic consulting and claims management advisory services through three distinct operating segments. The Expert Financial Services division provides services in various financial proceedings such as mathematical and statistical analysis, forensic accounting, fraud investigation and strategic advisory, turnaround, bankruptcy and trustee services. The Applied Sciences division provides services in connection with engineering and scientific investigation and analysis of failures and accidents alleged in court cases. The Litigation Services division provides consulting services in the areas of visual communications, trial management and courtroom technology.

The Company's reportable segments are business units that offer distinct services. The segments are managed separately by division presidents who are most familiar with the segment operations.

The following table sets forth information on the Company's reportable segments for the three months ended September 30, 1998 and 1999:

	THREE MONTHS ENDED SEPTEMBER 30, 1998			
	EXPERT FINANCIAL SERVICES	APPLIED SCIENCES	LITIGATION SERVICES	TOTAL
REVENUES	$2,062	$6,252	$5,187	$13,501
OPERATING EXPENSES	1,617	4,798	4,475	10,890
SEGMENT PROFIT	$ 445	$1,454	$ 712	$2,611

	THREE MONTHS ENDED SEPTEMBER 30, 1999			
	EXPERT FINANCIAL SERVICES	APPLIED SCIENCES	LITIGATION SERVICES	TOTAL
REVENUES	$4,355	$9,547	$6,953	$20,855
OPERATING EXPENSES	3,508	7,746	5,186	16,440
SEGMENT PROFIT	$ 847	$1,801	$1,767	$4,415

A reconciliation of segment profit for all segments to income before income taxes for the three months ended September 30, 1998 and 1999, is as follows:

THREE MONTHS ENDED SEPTEMBER 30,	1998	1999
OPERATING PROFIT:		
TOTAL SEGMENT PROFIT	$2,611	$4,415
CORPORATE GENERAL AND ADMINISTRATIVE EXPENSES	(1,100)	(1,650)
DEPRECIATION AND AMORTIZATION	(484)	(606)
INTEREST AND OTHER EXPENSE	(336)	(989)
INCOME BEFORE INCOME TAXES	$691	$1,170

(in thousands of dollars, except per share data)

6. SEGMENT REPORTING (CONTINUED)

The following table sets forth information on the Company's reportable segments for the nine months ended September 30, 1998 and 1999:

	NINE MONTHS ENDED SEPTEMBER 30, 1998			
	EXPERT FINANCIAL SERVICES	APPLIED SCIENCES	LITIGATION SERVICES	TOTAL
REVENUES	$4,602	$14,324	$20,544	$39,470
OPERATING EXPENSES	3,319	12,031	15,988	31,338
SEGMENT PROFIT	$1,283	$2,293	$4,556	$ 8,132

	NINE MONTHS ENDED SEPTEMBER 30, 1999			
	EXPERT FINANCIAL SERVICES	APPLIED SCIENCES	LITIGATION SERVICES	TOTAL
REVENUES	$14,259	$27,316	$20,552	$62,127
OPERATING EXPENSES	10,755	22,644	14,889	48,288
SEGMENT PROFIT	$3,504	$4,672	$5,663	$13,839

A reconciliation of segment profit for all segments to income before income taxes for the nine months ended September 30, 1998 and 1999, is as follows:

NINE MONTHS ENDED SEPTEMBER 30,	1998	1999
OPERATING PROFIT:		
TOTAL SEGMENT PROFIT	$8,132	$13,839
CORPORATE GENERAL AND ADMINISTRATIVE EXPENSES	(2,308)	(3,860)
DEPRECIATION AND AMORTIZATION	(1,889)	(3,482)
INTEREST AND OTHER EXPENSE	(421)	(2,808)
INCOME BEFORE INCOME TAXES	$3,514	$3,689

Substantially all of the revenue and assets of the Company's reportable segments are attributed to or located in the United States. Additionally, the Company does not have a single customer which represents ten percent or more of its consolidated revenues.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

FTI Consulting, Inc., (the "Company"), is a leading provider of forensic, strategic consulting and claims management advisory services to major corporations, law firms, banks and insurance companies. We derive revenues primarily from our three business divisions: LITIGATION SERVICES, APPLIED SCIENCES and EXPERT FINANCIAL services. Our LITIGATION SERVICES division provides advice and services in connection with all phases of the litigation process. Our APPLIED SCIENCES division offers engineering and scientific consulting services, accident reconstruction, fire investigation, equipment procurement and expert testimony regarding intellectual property rights. Our EXPERT FINANCIAL SERVICES division offers a range of financial consulting services, such as, expert testimony, cost benefit analysis, damage assessment, business valuations, forensic accounting, crisis management and bankruptcy and turnaround analysis. We recognize revenue as work is performed or as related expenses are incurred. Revenues generated by our business divisions consist of:

- fees for our professional services;
- fees for use of our equipment and facilities;
- pass-through expenses, such as our cost of recruiting subjects and participants for research surveys and mock trial activities and travel; and
- fees associated with production of our work product, such as static graph boards, color copies and digital video production.

Our goal is to provide value-added services to our clients either on a case-by-case basis or through on-going relationships with major users of litigation and claims services. Over the past three years, we have taken several steps to grow our business and increase our prominence in the professional services industry. These steps include:

- completing six acquisitions that significantly expanded our size, service offerings and geographic scope;
- expanding into EXPERT FINANCIAL SERVICES for trials, bankruptcy proceedings and restructurings, and
- recruiting more recognized litigation support professionals and adding to our visual communications staff.

By virtue of its recent acquisitions, the Company has further expanded its geographic reach with major offices now in New York, Columbus, Chicago, Houston, Los Angeles and Washington, D.C.

In 1998, the Company made three major acquisitions, all of which were accounted for as purchases. In June, the Company acquired Klick, Kent & Allen (KK&A). KK&A provides strategic and economic consulting to various regulated businesses, advising on such matters as industry deregulation, mergers and acquisitions, rate and cost structures, economic and financial modeling and litigation risk analysis.

In September 1998, the Company acquired both S.E.A., Inc. (S.E.A.) and Kahn Consulting, Inc. (KCI). S.E.A., headquartered in Columbus, Ohio, provides investigation, research, analysis and quality control services in areas such as distress, product failure, fire and explosion and vehicle and workplace accidents. The S.E.A. acquisition has allowed the Company to significantly expand its scientific consulting offerings, in addition to providing geographic expansion into the southeast and midwest markets. KCI, headquartered in New York City, provides expert testimony on accounting and financial issues; forensic accounting and fraud investigation services; strategic advisory, turnaround, bankruptcy and trustee services, and government contract consulting. The acquisitions of KCI and KK&A provide the foundation for the expansion of expert financial services into markets where the Company already has a presence.

To finance the KCI and SEA acquisitions, the Company expanded and amended its line of credit with its bank and utilized $26 million of borrowings against a $27 million credit line to fund the initial acquisition payments. In March 1999, the Company further amended its bank financing by extending the maturity to September 2001, or possibly later under certain conditions, and revising certain covenants and other terms, including elimination of the requirement to add $10 million of equity by May 1999. The Company also issued $13 million of subordinated debt financing through the sale of subordinated debentures (with warrants) to an investor, maturing in March 2004. Further, the seller notes were restructured in consideration for the acceleration of certain payments due in 1999 to March 31, 1999, the extension of certain other payments through June 30, 2002, adjustments to interest rates, the issuance of warrants to purchase an aggregate of 115,033 shares of the Company's common stock at $3.21 per share, and the right to convert $2,875,800 of debt into common stock at the lower of $5 per share or the average closing price of the Company's common stock on the AMEX for the month of June 2000.

THREE MONTHS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998

REVENUES. Total revenues for the three months ended September 30, 1999 increased 54.8% to $20.9 million compared to $13.5 million for the three months ended September 30, 1998. Excluding acquisitions completed in 1998, revenues would have increased 16.7%. Litigation services revenues increased 34.6% from $5.2 million in 1998 to $7.0 million in 1999, continuing its recovery from the softness in the markets which began in the second quarter of 1998. The Applied Sciences Division experienced 50.8% growth to $9.5 million in the three months ended September 30, 1999 compared with $6.3 million in the third quarter of 1998 as a result of the acquisition of S.E.A. The Expert Financial Services division grew by 109.5%, from $2.1 million 1998 to $4.4 million in 1999, with all of that growth coming from the acquisition of KCI.

DIRECT COST OF REVENUES. Direct cost of revenues consists primarily of billable employee compensation and related payroll benefits, the cost of contractors assigned to revenue-generating activities and other related expenses billable to clients. Direct cost of revenues were 52.8% of revenue for the three months ended September 30, 1999, compared to 52.6% of revenue for the three months ended September 30, 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, as well as rent, marketing, and corporate overhead expenses. Selling, general and administrative expenses as a percentage of sales were 34.1% in 1999 and 37.7% in 1998. This improvement came primarily from better management of the Litigation Services Division's traditional third quarter seasonal slowdown.

AMORTIZATION OF GOODWILL. Amortization of goodwill increased in 1999 to $570,000 from $274,000 in 1998 as a result of the acquisitions of KCI and SEA completed at the end of the third quarter of 1998.

OTHER INCOME AND EXPENSES. Other income and expenses consists primarily of net interest expense on our bank line of credit, subordinated note and the interest expense, as restructured, associated with the purchased businesses referred to above. Net interest expense increased to $1.0 million for the three months ended September 30, 1999, from $336,000 for the three months ended September 30, 1998.

INCOME TAXES. In the third quarter of 1999, principally as a result of the reduced effect of certain goodwill amortization not being deductible for income tax purposes, the effective tax rate decreased to 44.0% from 44.7% in the third quarter of 1998. It is anticipated that the effective income tax rate will be between 44% and 48% for the foreseeable future.

NINE MONTHS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998

REVENUES. Total revenues for the nine months ended September 30, 1999 increased 57.2% to $62.1 million compared to $39.5 million for the nine months ended September 30, 1998. Excluding acquisitions completed in 1998, revenues for each nine month period would have been relatively the same primarily because nine months' revenues through September 30, 1998 were affected by unusually strong revenues in the first quarter of that year in the Litigation Services Division, followed by a softness in its markets. Litigation Services revenues for the nine months ended September 30, 1999 have grown to $20.5 million, the same as 1998, reflecting its continued recovery. The Applied Sciences Division experienced 90.9% growth to $27.3 million in the nine months ended September 30, 1999 compared to $14.3 million in the comparable period of 1998, $12.6 million of that growth coming from the acquisition of S.E.A. The Expert Financial Services division grew by 210.9%, from $4.6 million in 1998 to $14.3 million in 1999, with all of that growth coming from the acquisitions of KCI and KK&A.

DIRECT COST OF REVENUES. Direct cost of revenues consists primarily of billable employee compensation and related payroll benefits, the cost of contractors assigned to revenue-generating activities and other related expenses billable to clients. Direct cost of revenues improved to 52.1% of revenue for the nine months ended September 30, 1999, compared to 54.3% of revenue for the nine months ended September 30, 1998, the improvement coming primarily from the Litigation Services Division.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, as well as rent, marketing, and corporate overhead expenses. Selling, general and administrative expenses as a percentage of sales were 34.7% in 1999 and 34.6% in 1998.

AMORTIZATION OF GOODWILL. Amortization of goodwill increased in 1999 to $1,709,000 from $440,000 in 1998 as a result of the acquisitions of KCI, SEA and KK&A during 1998.

OTHER INCOME AND EXPENSES. Other income and expenses consists primarily of net interest expense on our bank line of credit, subordinated note and the interest expense, as restructured, associated with the purchased businesses referred to above. Net interest expense increased to $2.8 million for the nine months ended September 30, 1999, from $421,000 for the nine months ended September 30, 1998.

INCOME TAXES. In the nine months ended September 30, 1999, the effective tax rate increased to 46.2% from 41.5%; in 1998, principally as a result of certain goodwill amortization not being deductible for income tax purposes. It is anticipated that the effective income tax rate will be between 44% and 48% for the foreseeable future.

FUTURE ASSESSMENT OF RECOVERABILITY AND IMPAIRMENT OF GOODWILL. We have recorded goodwill in each of our four acquisitions that we accounted for as purchases. We record goodwill when we pay more for a business as a going concern than the fair market value of its identifiable assets. For financial reporting purposes, we amortize goodwill on a straight-line basis over the period that we believe we will benefit from the goodwill. We determine the period for amortizing goodwill based upon the relative size, historical financial viability and growth trends of the acquired business and other factors. We also consider the length of time the business has existed. We are amortizing the goodwill we have recorded from our acquisitions over 15 to 25 years. At September 30, 1999, the unamortized goodwill was $44.5 million, which represented 54.8% of total assets and 152.4% of stockholders' equity.

We periodically review the carrying value and recoverability of our unamortized goodwill. If we believe goodwill may be impaired, we will adjust its carrying value. If we make an adjustment, we may take an immediate charge against our income during the period of the adjustment. As an alternative, we may shorten the length of the remaining amortization period. This will result in an increase in the amount of goodwill amortization. We cannot assure you that we will not have to make adjustments for goodwill impairment and recoverability in future periods. The key factors we review to determine whether goodwill is impaired are:

- losses from operation of the acquired business;
- loss of customers;
- industry developments;
- whether we believe we can maintain market share;

- o whether new competitive products or services have been introduced; and
- o whether there are new regulatory requirements.

LIQUIDITY AND CAPITAL RESOURCES

In the first nine months of 1999, the Company generated $4.7 million of cash from operations, an improvement of $700,000 compared to cash generated by operations in the first nine months of 1998. This improvement is attributable primarily to an increase of $1.5 million in net income excluding non-cash charges (principally depreciation and amortization) less the net cash effects of changes in working capital balances. The Company expects that cash flows from operations will continue to increase in 1999, in part as a result of additional operating cash provided from businesses acquired in 1998.

During the nine months ended September 30, 1999 the Company expended $1.6 million for additions to property and equipment. This amount included expenditures for internal information systems that allow the Company to better manage its expanding operations. At September 30, 1999 the Company had no material commitments for the acquisition of property and equipment.

The Company borrowed $26.0 million in 1998 under its $27.0 million long-term credit facility with a bank to provide the $26.4 million of cash needed to acquire Klick, Kent & Allen, Inc., Kahn Consulting, Inc., and SEA, Inc. This credit facility was renegotiated in March 1999, and the new terms extend the maturity date of the loan to September 2001. This maturity date may be extended an additional year if the Company is successful in extending the maturity dates of certain notes issued to sellers of the acquired 1998 and 1997 businesses.

In connection with the acquisition of certain businesses in 1998 and 1997, the Company is obligated under certain seller notes totaling $10.8 million at September 30, 1999. Of the $10.8 million outstanding at September 30, 1999, $1.7 million is payable within the next twelve months. As described above, the Company in March 1999 issued $13.0 million of subordinated debentures to provide additional cash resources as the seller notes begin to mature. The subordinated debentures initially bear interest at 9.25% per annum, and mature in lump sum in March 2004. The debentures prohibit the payment of dividends without the written consent of the holder.

The Company is required to comply with certain financial covenants related to operating performance and liquidity, as calculated quarterly, for both the revised and extended long-term credit facility and the subordinated debentures. The Company believes that it will be in compliance with all covenants throughout 1999.

The Company believes that its existing cash, its expected cash flow from operations and the financing arrangements completed in March 1999 will be sufficient for its projected working capital needs and to meet its future obligations under existing seller notes.

YEAR 2000 COMPLIANCE

The year 2000 issue is the result of computer programs written using two digits (rather than four) to define the applicable year. Absent corrective actions, programs with date-sensitive logic may recognize "00" as 1900 rather than 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has implemented a process to assure Year 2000 compliance of all hardware, software, and ancillary equipment that are date dependent. The process involved four phases:

PHASE I - INVENTORY AND DATA COLLECTION. This phase involved an identification of all items that are date dependent.

PHASE II - COMPLIANCE REQUESTS. This phase involved requests to systems vendors for verification that the systems identified in Phase I are Year 2000 compliant. The Company replaced critical systems that could not be updated or certified compliant. The Company's principal compliance issue focused on the existing business and accounting system developed over the past ten years. A new business and accounting system has been implemented and is vendor-certified to be Year 2000 compliant. In addition, the Company has determined that substantially all of its personal computers and PC applications are compliant.

PHASE III - TEST, FIX AND VERIFY. This phase involved testing all items that are date dependent and upgrading the critical, non-compliant system as well as completing the implementation of the new business and accounting system.

PHASE IV - FINAL TESTING, NEW ITEM COMPLIANCE. This phase involved review of all systems for compliance and re-testing as necessary. During this phase, all new systems and equipment were tested for Year 2000 compliance.

The Company has completed all four phases and presently believes that the Year 2000 issue will not cause us any significant operational problems. In addition, we contacted our important suppliers and customers to receive positive statements of compliance from all significant third parties. To date, the Company is not aware of any Year 2000 non-compliance by its customers or suppliers that would have material impact on the Company's business. This substantial compliance has been achieved without the need to acquire significant new hardware, software, or systems other than in the ordinary course of business. The Company is not aware of any other material Year 2000 non-compliance that would require repair or replacement or that could have a material effect on its financial position. We cannot assure you, however, that we will not face unanticipated Year 2000 non-compliance problems. If we do, we may have to spend material amounts and could face material disruptions to our business. The Company has developed a strategy to address these potential consequences and contingency plans to deal with any disruptions.

FORWARD-LOOKING STATEMENTS

Some of the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report of Form 10-Q contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results and do not intend to do so. Factors which may cause the actual results of operations in future periods to differ materially from intended or expected results include, but are not limited to: (1) the loss of any key employees because the Company's business involves the delivery of professional services and is labor-intensive; (2) the loss of key officers of the Company, without 90 day replacement, which would constitute an event of default under the Company's $13 million Investment and Loan Agreement with Allied Capital Corporation and Allied Investment Corporation; (3) the availability and terms of additional capital or debt financing to fund future acquisitions and for working capital purposes; (4) significant competition for business opportunities and acquisition candidates; (5) fluctuations of revenue and operating income between quarters or termination of client engagements; (6) the continued integration of KK&A, KCI and S.E.A., acquired in 1998, and the integration of future acquisitions; and (7) risks associated with quantitative and qualitative market risks such as fluctuations in interest rates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

1. TITANIUM. On May 12, 1999, FTI, through its subsidiary S.E.A., Inc. paid $350,000 in settlement of the Titanium Industries matter. In accordance with the Stock Purchase Agreement, FTI was reimbursed this amount by the selling stockholders.

2. PIXEL On July 14, 1999, the Superior Court at Stamford, Connecticut granted the motion to dismiss this action. Pixel has provided FTI legal counsel with a release dropping all claims and counterclaims.

The Company is not presently a party to any material litigation.

ITEM 2. CHANGES IN SECURITIES

1. On February 24, 1999, the Company issued to Grotech Capital Corporation, et al, warrants exercisable for an aggregate of 20,000 shares of common stock. The exercise price per share for each of these warrants is $3.25. These warrants expire on February 23, 2004. The Grotech Warrants were issued by the Company in reliance on the private placement exemption under Section 4(2) of the Securities Act. As of May 7, 1999, the Grotech Entities beneficially owned shares of common stock and securities convertible into shares of common stock as follows: Grotech III Pennsylvania Fund LP (27,240 shares of common stock and warrants currently exercisable for 600 shares of common stock), Grotech III Companion Fund, LP (45,438 shares of common stock and warrants currently exercisable for 1,001 shares of common stock), Grotech Partners III, LP (381,322 shares of common stock and warrants currently exercisable for 8,399 shares of common stock).

2. The Company issued $13,000,000 of subordinated debentures bearing interest at 9.25% per annum through June 2000, and 12% per annum thereafter until maturity in March 2004, of which $5,700,000 was sold to Allied Capital Corporation and $7,300,000 was sold to Allied Investment Corporation. In connection with the issuance of the subordinated debt, as of March 29, 1999, the Company issued warrants to purchase an aggregate of 392,505.73 shares of common stock at an exercise price of $3.205 per share to the lenders, of which a warrant exercisable for 172,098.67 shares of common stock was issued to Allied Capital Corporation and a warrant exercisable for 220,407.06 shares of common stock was issued to Allied Investment Corporation (collectively, the "Allied Warrants"). If the debentures are paid in full before the close of business on June 30, 2000, the number of shares of common stock that are issuable on exercise of the warrant issued to Allied Capital Corporation will be reduced to 111,713.17 and the number of shares of common stock that are issuable on exercise of the warrant issued to Allied Investment Corporation will be reduced to 143,071.25. The right to exercise the Allied Warrants will expire six years after the date the debentures are paid in full. The Allied Warrants were issued by the Company in reliance on the private placement exemption under Section 4(2) of the Securities Act.

3. As of March 31, 1999, the Company restructured certain seller promissory notes that it had issued in June 1998 to sellers of K.K.&A. and in September 1998 to sellers of S.E.A. and KCI. In connection with this restructuring, holders of such obligations who deferred the payments due in September 1999 and September 2000 until June 2002 received an amended and restated promissory that provided: (i) for every three dollars of face amount deferred until 2002, an increased rate of 9.25% per annum on two dollars of the face amount; (ii) for every three dollars of face amount deferred until 2002, a lower interest rate of 6.00% per annum on one dollar of the face amount plus the right to convert that portion of the note into common stock at the lower of $5.00 per share or the average common stock price for June 2000 (collectively, the "Convertible Note"); and (iii) five-year warrants (exercisable to March 31, 2004) with an exercise price of $3.205 equal in number to 2% of the portion of the obligation bearing the 9.25% interest rate (collectively, the "Restructuring Warrants"). To the extent that the restructuring of the notes is deemed to be the issuance of restricted securities, as well as the issuances of the Convertible Notes and the Restructuring Warrants, the following individuals were issued the following: (a) Stewart A. Kahn: $1,500,000 Convertible Note (convertible into 300,000 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant for 60,000 shares of Company common stock; (b) Michael R. Baranowski: $166,700 Convertible Note (convertible into 33,340 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 6,667 shares of Company common stock; (c) Barry M. Monheit: $433,300 Convertible Note (convertible into 86,660 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 17,333 shares of Company common stock; (d) Laureen M. Ryan: $42,500 Convertible Note (convertible into 8,500 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 1,700 shares of Company common stock; (e) Dennis A. Guenther: $333,300 Convertible Note (convertible into 66,660 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 13,333 shares of Company common stock; (f) Christopher D. Kent: $200,000 Convertible Note (convertible into 40,000 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 8,000 shares of Company common stock; and (g) John C. Klick: $200,000 Convertible Note (convertible into 40,000 shares of common stock of the Company based on an assumed conversion price of $5.00 per share) and a Restructuring Warrant to purchase 8,000 shares of Company common stock. All of the Convertible Notes and Restructuring Warrants were issued by the Company in reliance on the private placement exemption under Section 4(2) of the Securities Act.

4. In March 1999, the Company renegotiated the terms of its $27,000 long-term credit facility. Amounts borrowed under the revolving credit facility are secured by all assets of the Company, bear interest at LIBOR or prime (as elected by the Company each quarter) plus specified additions, and mature on September 30, 2001. The maturity date may be extended to September 30, 2002 if certain specified events occur. The Company is also required to comply with certain specified financial covenants related to operating performance and liquidity at the end of each quarter. In connection with the renegotiation of the financing, the lender was issued warrants to purchase 25,000 shares of common stock at an exercise price of $3.00 per share. The warrants expire in March 2006, contain anti-dilution provisions and contain put rights.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

27. Financial Data Schedule for nine months ended September 30, 1999

(B) REPORTS ON FORM 8-K

Current Report on Form 8-K filed on January 8, 1999.

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.

FTI CONSULTING, INC.

Date: November 5, 1999

By /s/Theodore I. Pincus

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

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FTI CONSULTING, INC.

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SEP-30-1999
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