
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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

(State or Other Jurisdiction of Incorporation or Organization)

52-1261113

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

500 East Pratt Street, Suite 1400, Baltimore, Maryland

(Address of Principal Executive Offices)

21202

(Zip Code)

(561) 515-6078

(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 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

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

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 30, 2008
Common stock, par value \$0.01 per share	50,151,285

FTI CONSULTING, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 227,068	\$ 360,463
Accounts receivable		
Billed receivables	230,319	190,900
Unbilled receivables	113,403	84,743
Allowance for doubtful accounts and unbilled services	(36,297)	(30,467)
	307,425	245,176
Notes receivable	11,809	11,687
Prepaid expenses and other current assets	32,946	33,657
Deferred income taxes	10,513	10,544
Total current assets	589,761	661,527
Property and equipment, net of accumulated depreciation	69,637	67,843
Goodwill	990,247	940,878
Other intangible assets, net of amortization	96,350	84,673
Notes receivable, net of current portion	50,476	52,374
Other assets	83,901	51,329
Total assets	<u>\$ 1,880,372</u>	<u>\$ 1,858,624</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 73,705	\$ 103,410
Accrued compensation	84,190	102,054
Current portion of long-term debt	152,199	157,772
Billings in excess of services provided	17,006	17,826
Total current liabilities	327,100	381,062
Long-term debt, net of current portion	417,321	415,653
Deferred income taxes	54,564	49,113
Other liabilities	43,884	40,546
Commitments and contingent liabilities (notes 5, 7 and 8)		
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—49,640 (2008) and 48,979 (2007)	496	490
Additional paid-in capital	635,106	601,637
Retained earnings	392,347	361,058
Accumulated other comprehensive income	9,554	9,065
Total stockholders' equity	1,037,503	972,250
Total liabilities and stockholders' equity	<u>\$ 1,880,372</u>	<u>\$ 1,858,624</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)
Unaudited

	Three Months Ended	
	March 31,	
	2008	2007
Revenues	\$ 307,102	\$ 227,725
Operating expenses		
Direct cost of revenues	172,521	126,181
Selling, general and administrative expense	72,572	60,358
Amortization of other intangible assets	2,898	2,737
	<u>247,991</u>	<u>189,276</u>
Operating income	59,111	38,449
Other income (expense)		
Interest income	3,081	496
Interest expense and other	(10,388)	(10,964)
Litigation settlement losses, net	(1)	(741)
	<u>(7,308)</u>	<u>(11,209)</u>
Income before income tax provision	51,803	27,240
Income tax provision	20,514	11,978
	<u>31,289</u>	<u>15,262</u>
Net income	\$ 31,289	\$ 15,262
Earnings per common share—basic	\$ 0.65	\$ 0.37
Earnings per common share—diluted	\$ 0.59	\$ 0.36

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income
(in thousands)
Unaudited

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, January 1, 2008	48,979	\$ 490	\$ 601,637	\$ 361,058	\$ 9,065	\$ 972,250
Comprehensive income:						
Cumulative translation adjustment, net of income taxes of \$218					434	434
Unrealized gains on cash equivalents, net of taxes of \$30					55	55
Net income				31,289		31,289
Total comprehensive income						31,778
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$2,726	219	2	7,721			7,723
Employee stock purchase plan	124	1	4,004			4,005
Restricted share grants, less net settled shares of 7	103	1	(421)			(420)
Stock units issued under incentive compensation plan			3,441			3,441
Business combinations	215	2	13,038			13,040
Share-based compensation			5,686			5,686
Balance, March 31, 2008	<u>49,640</u>	<u>\$ 496</u>	<u>\$ 635,106</u>	<u>\$ 392,347</u>	<u>\$ 9,554</u>	<u>\$ 1,037,503</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
Unaudited

	Three Months Ended	
	March 31,	
	2008	2007
Operating activities		
Net income	\$ 31,289	\$ 15,262
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	6,026	3,958
Amortization of other intangible assets	2,898	2,737
Provision for doubtful accounts	4,546	2,199
Non-cash share-based compensation	6,706	5,389
Excess tax benefits from share-based compensation	(2,642)	(679)
Non-cash interest expense	755	891
Other	(171)	22
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(59,084)	(27,586)
Notes receivable	1,655	(24,476)
Prepaid expenses and other assets	(1,974)	842
Accounts payable, accrued expenses and other	2,226	17,695
Accrued special charges	(1,220)	(3,235)
Income taxes	17,787	1,667
Accrued compensation	(18,077)	(25,324)
Billings in excess of services provided	(830)	654
Net cash used in operating activities	<u>(10,110)</u>	<u>(29,984)</u>
Investing activities		
Payments for acquisition of businesses, including contingent payments and acquisition costs, net of cash received	(93,636)	(19,003)
Purchases of property and equipment	(7,525)	(13,789)
Other	(27,371)	240
Net cash used in investing activities	<u>(128,532)</u>	<u>(32,552)</u>
Financing activities		
Borrowings under revolving line of credit	—	15,000
Payments of revolving line of credit	—	(15,000)
Payments of long-term debt	(6,335)	(11)
Net issuance of common stock under equity compensation plans	8,582	7,948
Excess tax benefits from share-based compensation	2,642	679
Net cash provided by financing activities	<u>4,889</u>	<u>8,616</u>
Effect of exchange rate changes and fair value adjustments on cash and cash equivalents	358	180
Net decrease in cash and cash equivalents	<u>(133,395)</u>	<u>(53,740)</u>
Cash and cash equivalents, beginning of period	360,463	91,923
Cash and cash equivalents, end of period	<u>\$ 227,068</u>	<u>\$ 38,183</u>
Supplemental cash flow disclosures		
Non cash investing and financing activities:		
Issuance of common stock to acquire businesses	\$ 13,040	\$ 5,438
Issuance of stock units under incentive compensation plans	3,441	1,057
Issuance of notes payable as contingent consideration	506	8,096

The accompanying notes are an integral part of these condensed consolidated financial statements.

FTI Consulting, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(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 and under the rules and regulations of the Securities and Exchange Commission 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 or 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. You should not expect the results of operations for interim periods to necessarily be an indication of the results for a full year. You should read these financial statements 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, 2007.

The Company has included an immaterial prior period reclassification in its Condensed Consolidated Statements of Cash Flows to reflect the twice yearly issuance of shares to employees under its Employee Stock Purchase Plan. The reclassification results in an increase to net cash provided by financing activities and a corresponding decrease to net cash used in operating activities. The amount of this correction for the period ending March 31, 2007 is \$3.1 million.

2. Earnings Per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per share for the effects of potentially dilutive common shares. Potentially dilutive common shares primarily include the dilutive effects of shares issuable under our equity compensation plans, including restricted shares using the treasury stock method, and shares issuable upon conversion of our convertible senior subordinated notes assuming the conversion premium was converted into common stock based on the average closing sale price of our stock during the period. The conversion feature of the convertible notes had a dilutive effect on our earnings per share in 2008 because the average closing sale price per share of our common stock for the three months ended March 31, 2008 was \$60.22, which was above the current conversion threshold price of the notes of \$37.50. The shares underlying the convertible notes were not included in the diluted weighted average share outstanding for the three months ended March 31, 2007 because the average closing sale price per share of our common stock was \$30.66, which was below the current conversion threshold price of the notes.

	Three Months Ended March 31,	
	2008	2007
Numerator—basic and diluted		
Net income	\$31,289	\$15,262
Denominator		
Weighted average number of common shares outstanding—basic	48,325	41,498
Effect of dilutive stock options	1,631	770
Effect of dilutive convertible notes	2,309	—
Effect of dilutive restricted shares	452	250
Weighted average number of common shares outstanding—diluted	52,717	42,518
Earnings per common share—basic	<u>\$ 0.65</u>	<u>\$ 0.37</u>
Earnings per common share—diluted	<u>\$ 0.59</u>	<u>\$ 0.36</u>
Antidilutive stock options and restricted shares	<u>177</u>	<u>2,795</u>

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

3. Comprehensive Income

The following table sets forth the components of comprehensive income.

	Three Months Ended March 31,	
	2008	2007
Net income	\$31,289	\$15,262
Other comprehensive income, net of tax:		
Cumulative translation adjustment	434	192
Unrealized gain on cash equivalents	55	—
Comprehensive income	<u>\$31,778</u>	<u>\$15,454</u>

4. Fair Value Measurements

Effective January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS 157) as they relate to our financial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States (GAAP) and enhances disclosures about fair value measurements.

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The adoption of SFAS 157 did not change our fair value measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis at March 31, 2008.

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Interest rate swaps	\$ —	\$ 2,373	\$ —	\$2,373
Total assets	<u>\$ —</u>	<u>\$ 2,373</u>	<u>\$ —</u>	<u>\$2,373</u>
Hedge adjustment on long-term debt	\$ —	\$ 2,373	\$ —	\$2,373
Total liabilities	<u>\$ —</u>	<u>\$ 2,373</u>	<u>\$ —</u>	<u>\$2,373</u>

The fair value of the interest rate swaps was based on the present value of expected future cash flows using discount rates appropriate with the risks involved. We entered into interest rate swaps to hedge the risk of changes in fair value attributed to changes in market interest rates associated with \$60 million of our 7⁵/₈% senior notes due 2013. In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", the swaps are accounted for as effective hedges. Accordingly, the changes in the fair values of both the swaps and the debt are recorded as equal and offsetting gains in interest expense. No hedge ineffectiveness has been recognized as the critical provisions of the interest rate swap match the applicable provisions of the debt.

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

5. Acquisitions

During the first quarter of 2008, we completed seven business combinations for a total acquisition cost of \$72.0 million, consisting of \$59.0 million of cash and transaction costs (\$54.6 million, net of cash received) and 215,528 restricted shares of our common stock valued at \$13.0 million. Certain purchase agreements for these business combinations contain provisions that include contingent consideration payments based on the achievement of annual financial targets in each of the next five years. Contingent consideration is evaluated in accordance with the guidance proscribed in EITF 95-8, "Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination". EITF 95-8 details the factors or indicators that should be considered in evaluating whether an arrangement for contingent consideration based on earnings or other performance measures in future periods is, in substance, additional purchase price of the acquired enterprise or compensation for services, use of property, or profit sharing. Based on our initial evaluation of the terms for contingent consideration, any contingent consideration payable in the future will be considered additional purchase price and applied to goodwill when the outcome of the contingency is determinable beyond a reasonable doubt.

We granted two sellers contractual protection against a decline in the value of the restricted common stock issued as consideration for the acquisition. Upon the lapse of the restrictions on the common stock, if the market price of our common stock is below \$56.66, in one case and \$64.04 in the other case, we have agreed to make additional cash payments to the sellers equal to the deficiency.

The business combinations consummated in the first quarter of 2008, both individually and in the aggregate, did not materially impact our results of operations; therefore, pro forma results have not been presented. Preliminary allocations of the initial purchase price of the acquisitions have been made to the major categories of assets and liabilities based on the information available and are currently subject to change during the allocation period. The excess of purchase price over the preliminary estimated values of the tangible and identifiable intangible assets was recorded as goodwill. Finite lived acquired intangibles are amortized over a straight-line basis according to their estimated useful lives.

Additionally, on March 31, 2008 we transferred \$26.8 million of cash to a third party in advance of an acquisition which closed on April 1, 2008. This advance is included in the Condensed Consolidated Balance Sheet in Other Assets and is reflected in the Condensed Consolidated Statement of Cash Flows within "Other Investing Activities".

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

6. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill for the three months ended March 31, 2008, are as follows:

	Technology	Corporate Finance/ Restructuring	Economic Consulting	Strategic Communications	Forensic and Litigation Consulting	Total
Balance, January 1, 2008	\$ 37,590	\$ 298,571	\$ 181,669	\$ 273,740	\$ 149,308	\$ 940,878
Goodwill acquired during the period	21,468	—	—	345	27,967	49,780
Earn-out adjustments	—	—	—	219	—	219
FAS 109 deferred tax adjustment	—	(681)	—	—	—	(681)
Cumulative translation adjustment and other	(2)	—	—	229	(176)	51
Balance, March 31, 2008	<u>\$ 59,056</u>	<u>\$ 297,890</u>	<u>\$ 181,669</u>	<u>\$ 274,533</u>	<u>\$ 177,099</u>	<u>\$ 990,247</u>

Other intangible assets with finite lives are amortized over their estimated useful lives. For intangible assets with finite lives, we recorded amortization expense of \$2.9 million for the three months ended March 31, 2008 and \$2.7 million for the three months ended March 31, 2007. Based solely on the amortizable intangible assets recorded as of March 31, 2008, we estimate amortization expense to be \$11.6 million during the remainder of 2008, \$12.0 million in 2009, \$7.7 million in 2010, \$7.6 million in 2011, \$7.2 million in 2012, \$6.2 million in 2013, and \$29.6 million in years after 2013. 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 or other relevant factors. During the three months ended March 31, 2008, we finalized the valuation for an acquisition made by our Forensic and Litigation Consulting segment in the first quarter of 2007, which did not result in additional goodwill. The valuations for all other acquisitions in 2007 remain subject to refinement as independent valuations are completed.

	Useful Life in Years	March 31, 2008		December 31, 2007	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets					
Contract backlog	1	\$ 3,071	\$ 322	\$ —	\$ —
Customer relationships	3 to 15	76,173	13,088	69,286	11,402
Non-competition agreements	1 to 10	16,806	3,739	12,277	3,138
Software	5	4,400	2,713	4,400	2,493
Tradenames	1 to 5	1,543	259	1,432	167
		<u>101,993</u>	<u>20,121</u>	<u>87,395</u>	<u>17,200</u>
Unamortized intangible assets					
Tradenames	Indefinite	14,478	—	14,478	—
		<u>\$ 116,471</u>	<u>\$ 20,121</u>	<u>\$ 101,873</u>	<u>\$ 17,200</u>

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

7. Long-term Debt

	March 31, 2008	December 31, 2007
7 ⁵ / ₈ % senior notes due 2013, including a fair value hedge adjustment of \$2,373—March 31, 2008 and \$371—December 31, 2007	\$ 202,373	\$ 200,371
7 ³ / ₄ % senior notes due 2016	215,000	215,000
3 ³ / ₄ % convertible senior subordinated notes due 2012	149,978	150,000
Notes payable to former shareholders of acquired business	2,169	7,720
Other	—	334
Total long-term debt	569,520	573,425
Less current portion	152,199	157,772
Long-term debt, net of current portion	\$ 417,321	\$ 415,653

On October 15, 2007, the \$150 million aggregate principal amount of 3³/₄% convertible notes (Notes) due July 15, 2012 became convertible at the option of the holders and is currently convertible through July 15, 2008 as provided in the indenture covering the Notes. The Notes became convertible as a result of the closing price of our common stock exceeding the conversion threshold price of \$37.50 per share (120% of the applicable conversion price of \$31.25 per share) for at least 20 days in the 30 consecutive trading days of each of the periods ended October 15, 2007, January 15, 2008 and April 15, 2008.

Upon surrendering any Note for conversion, in accordance with the Indenture, the holder of such Note shall receive cash in the amount of the lesser of (i) the \$1,000 principal amount of such Note or (ii) the “conversion value” of the Note as defined in the indenture. The conversion feature results in a premium over the face amount of the Notes equal to the difference between our stock price as determined by the calculation set forth in the Indenture and the conversion price of \$31.25 times the conversion ratio of 31.998 shares of common stock for each \$1,000 principal amount of the Notes. We retain our option to satisfy any conversion value in excess of each \$1,000 principal amount of the Notes with shares of common stock, cash or a combination of both cash and shares. The premium will be calculated using the stock price calculation defined in the Indenture. Assuming conversion of the full \$150 million principal amount of the Notes, for every \$1.00 the market price of our common stock exceeds \$31.25 per share, we will be required, at our option, either to pay an additional \$4.8 million or to issue shares of our common stock with a then market price equivalent to \$4.8 million to settle the conversion feature.

8. 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.

Special Termination Charges. During the third quarter of 2006, we recorded special termination charges totaling \$22.1 million consisting of severance and other contractual employee related costs associated with reductions in workforce. As of December 31, 2007, the liability balance for the special termination charges was \$4.8 million. During the first quarter of 2008, we made payments of approximately \$1.2 million against the liability. As of March 31, 2008, the balance of the liability for special termination charges was \$3.6 million after

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

foreign currency translation adjustments of \$0.1 million and is included in accounts payable, accrued expenses and other on the condensed consolidated balance sheet.

Loss on Subleased Facilities. As of December 31, 2007, our liability for losses on abandoned and subleased facilities was \$1.1 million. During the first quarter of 2008, we made payments of approximately \$0.1 million against the liability. As of March 31, 2008, the balance in the liability for losses on abandoned and subleased facilities was \$1.0 million.

9. Share-Based Compensation

Our officers, employees, non-employee directors and certain individual service providers are eligible for incentive compensation in the form of share-based awards. During the three months ended March 31, 2008, share-based awards included stock option grants of 102,692 shares, stock unit grants of 52,641 shares and restricted stock awards of 110,927 shares.

Total share-based compensation expense for the three months ended March 31, 2008 and 2007 is detailed in the following table.

<u>Income Statement Classification</u>	<u>Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>
Direct cost of revenues	\$ 3,759	\$ 1,765
Selling, general and administrative expense	2,947	3,624
Total share-based compensation expense	<u>\$ 6,706</u>	<u>\$ 5,389</u>

10. Income Taxes

We are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits would significantly increase or decrease within the next twelve months. As of March 31, 2008, there have been no material changes to the liability for uncertain tax positions. Interest and penalties related to uncertain tax positions are classified as such and excluded from the income tax provision. As of March 31, 2008, our accrual for the payment of tax-related interest and penalties was not material.

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many city, state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations for years prior to 2004 and are no longer subject to state and local or foreign tax examinations for years prior to 2000. In addition, open tax years related to state and foreign jurisdictions remain subject to examination, but are not considered material to our financial position, results of operations or cash flows.

11. Segment Reporting

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

Our Technology segment provides products, services and consulting to law firms, companies, courts and government entities worldwide with the principal business focus on the collection, preservation, review and

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

production of electronically stored information. Our Corporate Finance/Restructuring segment provides consulting and advisory services relating to turnaround, performance improvement, lending solutions, financial and operational restructuring, restructuring advisory, mergers and acquisitions, transaction advisory and interim management. Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with clear analysis of complex economic issues for use in legal and regulatory proceedings, strategic decision making and public policy debates in the U.S. and internationally. Our Strategic Communications segment provides advice and consulting services related to financial communications, brand communications, public affairs and issues management and business consulting. Our Forensic and Litigation Consulting segment provides an extensive range of services to assist clients in all phases of investigation and litigation, including pre-filing, discovery, trial preparation, expert testimony and other trial support services.

We evaluate the performance of our operating segments based on operating income excluding depreciation, amortization of other intangible assets, and unallocated corporate expenses and including litigation settlement gains and losses, which we refer to as “segment profit”. Segment profit consists of the revenues generated by that segment, less the direct costs of revenues and selling, general and administrative expenses that are incurred directly by that segment as well as an allocation of certain centrally managed costs, such as information technology services, marketing and facility costs. Although segment profit is not a measure of financial condition or performance in accordance with generally accepted accounting principles, we use it to evaluate and compare the performance of our segments and it is one of the primary measures used to determine employee compensation. Inter-segment revenues and segment profits have been eliminated.

The table below presents revenues and segment profits for our reportable segments for the three months ended March 31, 2008 and 2007.

	Three Months Ended	
	March 31,	
	2008	2007
Revenues:		
Technology	\$ 56,535	\$ 33,050
Corporate Finance/Restructuring	79,283	62,102
Economic Consulting	56,415	39,997
Strategic Communications	54,614	38,213
Forensic and Litigation Consulting	60,255	54,363
Total revenues	<u>\$ 307,102</u>	<u>\$ 227,725</u>
Segment Profit:		
Technology	\$ 23,322	\$ 10,607
Corporate Finance/Restructuring	21,910	14,928
Economic Consulting	13,316	11,108
Strategic Communications	12,679	9,971
Forensic and Litigation Consulting	14,656	14,105
Total segment profit	<u>\$ 85,883</u>	<u>\$ 60,719</u>

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

The table below reconciles segment profit to income before income tax provision.

	Three Months Ended	
	March 31,	
	2008	2007
Segment profit	\$ 85,883	\$ 60,719
Segment depreciation expense	(4,632)	(2,963)
Unallocated corporate expenses	(19,243)	(17,120)
Amortization of intangible assets	(2,898)	(2,737)
Corporate litigation settlement losses	—	(191)
Interest and other expense, net	(7,307)	(10,468)
Income before income tax provision	<u>\$ 51,803</u>	<u>\$ 27,240</u>

12. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information

Substantially all of our domestic subsidiaries are guarantors of borrowings under our senior notes and our convertible notes. The guarantees are full and unconditional and joint and several. All of our guarantors are wholly-owned subsidiaries. There are no significant restrictions on our ability or the ability of any guarantor to obtain funds from our subsidiaries by dividend or loan.

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

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

Condensed Consolidating Balance Sheet Information as of March 31, 2008

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 190,022	\$ 5,368	\$ 31,678	\$ —	\$ 227,068
Accounts receivable, net	165,531	92,761	49,133	—	307,425
Intercompany receivables	10,686	128,521	53,326	(192,533)	—
Other current assets	42,076	6,456	6,736	—	55,268
Total current assets	408,315	233,106	140,873	(192,533)	589,761
Property and equipment, net	43,664	17,564	8,409	—	69,637
Goodwill	414,208	353,941	222,098	—	990,247
Other intangible assets, net	5,128	44,226	46,996	—	96,350
Investments in subsidiaries	871,209	345,196	357,223	(1,573,628)	—
Other assets	69,175	178,860	33,871	(147,529)	134,377
Total assets	\$ 1,811,699	\$ 1,172,893	\$ 809,470	\$ (1,913,690)	\$ 1,880,372
Liabilities					
Intercompany payables	\$ 81,812	\$ 48,640	\$ 62,081	\$ (192,533)	\$ —
Other current liabilities	196,539	69,882	60,679	—	327,100
Total current liabilities	278,351	118,522	122,760	(192,533)	327,100
Long-term debt, net	417,321	—	—	—	417,321
Other liabilities	78,524	14,133	153,320	(147,529)	98,448
Total liabilities	774,196	132,655	276,080	(340,062)	842,869
Stockholders' equity	1,037,503	1,040,238	533,390	(1,573,628)	1,037,503
Total liabilities and stockholders' equity	\$ 1,811,699	\$ 1,172,893	\$ 809,470	\$ (1,913,690)	\$ 1,880,372

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

Condensed Consolidating Balance Sheet Information as of December 31, 2007

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 328,505	\$ 1,273	\$ 30,685	\$ —	\$ 360,463
Accounts receivable, net	135,158	70,597	39,421	—	245,176
Intercompany receivables	10,686	116,616	47,712	(175,014)	—
Other current assets	46,145	4,117	5,626	—	55,888
Total current assets	520,494	192,603	123,444	(175,014)	661,527
Property and equipment, net	47,962	11,792	8,089	—	67,843
Goodwill	414,889	322,697	203,292	—	940,878
Other intangible assets, net	5,409	36,455	42,809	—	84,673
Investments in subsidiaries	746,834	258,356	166,087	(1,171,277)	—
Other assets	67,484	173,927	7,031	(144,739)	103,703
Total assets	<u>\$ 1,803,072</u>	<u>\$ 995,830</u>	<u>\$ 550,752</u>	<u>\$ (1,491,030)</u>	<u>\$ 1,858,624</u>
Liabilities					
Intercompany payables	\$ 73,737	\$ 46,544	\$ 54,733	\$ (175,014)	\$ —
Other current liabilities	269,322	46,742	67,755	(2,757)	381,062
Total current liabilities	343,059	93,286	122,488	(177,771)	381,062
Long-term debt, net	415,653	—	—	—	415,653
Other liabilities	72,110	12,580	146,951	(141,982)	89,659
Total liabilities	830,822	105,866	269,439	(319,753)	886,374
Stockholders' equity	972,250	889,964	281,313	(1,171,277)	972,250
Total liabilities and stockholders' equity	<u>\$ 1,803,072</u>	<u>\$ 995,830</u>	<u>\$ 550,752</u>	<u>\$ (1,491,030)</u>	<u>\$ 1,858,624</u>

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements—(Continued)

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

Unaudited

Condensed Consolidating Income Statement Information for the Three Months Ended March 31, 2008

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 159,073	\$ 221,543	\$ 54,416	\$(127,930)	\$ 307,102
Operating expenses					
Direct cost of revenues	85,420	184,089	30,455	(127,443)	172,521
Selling, general and administrative expense	49,765	13,236	10,058	(487)	72,572
Amortization of other intangible assets	281	1,606	1,011	—	2,898
Operating income	23,607	22,612	12,892	—	59,111
Other income (expense)	(7,614)	5,885	(5,579)	—	(7,308)
Income before income tax benefit	15,993	28,497	7,313	—	51,803
Income tax provision	7,098	11,881	1,535	—	20,514
Equity in net earnings of subsidiaries	22,394	5,777	5,557	(33,728)	—
Net income	<u>\$ 31,289</u>	<u>\$ 22,393</u>	<u>\$ 11,335</u>	<u>\$ (33,728)</u>	<u>\$ 31,289</u>

Condensed Consolidating Income Statement Information for the Three Months Ended March 31, 2007

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 131,167	\$ 62,948	\$ 34,221	\$ (611)	\$ 227,725
Operating expenses					
Direct cost of revenues	75,322	36,011	15,459	(611)	126,181
Selling, general and administrative expense	41,792	8,937	9,629	—	60,358
Amortization of other intangible assets	428	1,483	826	—	2,737
Operating income	13,625	16,517	8,307	—	38,449
Other expense	(10,862)	(86)	(261)	—	(11,209)
Income before income tax provision	2,763	16,431	8,046	—	27,240
Income tax provision	1,714	6,829	3,435	—	11,978
Equity in net earnings of subsidiaries	14,213	3,663	1,835	(19,711)	—
Net income	<u>\$ 15,262</u>	<u>\$ 13,265</u>	<u>\$ 6,446</u>	<u>\$ (19,711)</u>	<u>\$ 15,262</u>

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

Condensed Consolidating Statement of Cash Flow Information for the Three Months Ended March 31, 2008

	<u>FTI Consulting, Inc.</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidated</u>
Operating activities				
Net cash (used in) provided by operating activities	\$ (39,007)	\$ 10,257	\$ 18,640	\$ (10,110)
Investing activities				
Payments for acquisition of businesses, net of cash received	(90,314)	—	(3,322)	(93,636)
Purchases of property and equipment and other	(27,210)	(6,632)	(1,054)	(34,896)
Net cash used in investing activities	(117,524)	(6,632)	(4,376)	(128,532)
Financing activities				
Payment of long-term debt	(6,335)	—	—	(6,335)
Issuance of common stock and other	8,582	—	—	8,582
Excess tax benefits from share based equity	2,642	—	—	2,642
Intercompany transfers	(7,313)	6,881	432	—
Net cash (used in) provided by financing activities	(2,424)	6,881	432	4,889
Effects of exchange rate changes on cash	55	—	303	358
Net (decrease) increase in cash and cash equivalents	(158,900)	10,506	14,999	(133,395)
Cash and cash equivalents, beginning of period	328,505	1,273	30,685	360,463
Cash and cash equivalents, end of period	\$ 169,605	\$ 11,779	\$ 45,684	\$ 227,068

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements—(Continued)**

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

Unaudited

Condensed Consolidating Statement of Cash Flow Information for the Three Months Ended March 31, 2007

	<u>FTI Consulting, Inc.</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Consolidated</u>
Operating activities				
Net cash (used in) provided by operating activities	\$ (24,850)	\$ (9,891)	\$ 4,757	\$ (29,984)
Investing activities				
Payments for acquisition of businesses, net of cash received	(19,098)	18	77	(19,003)
Purchases of property and equipment and other	(12,295)	(319)	(935)	(13,549)
Net cash used in investing activities	(31,393)	(301)	(858)	(32,552)
Financing activities				
Capital contributions	(500)	—	500	—
Intercompany transfers	(3,469)	7,062	(3,593)	—
Issuance of common stock and other	8,616	—	—	8,616
Net cash (used in) provided by financing activities	4,647	7,062	(3,093)	8,616
Effect of exchange rate changes on cash	—	—	180	180
Net (decrease) increase in cash and cash equivalents	(51,596)	(3,130)	986	(53,740)
Cash and cash equivalents, beginning of period	70,010	3,592	18,321	91,923
Cash and cash equivalents, end of period	\$ 18,414	\$ 462	\$ 19,307	\$ 38,183

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

INTRODUCTION AND OVERVIEW

The following is a discussion and analysis of our consolidated financial condition and results of operations for the three-month periods ended March 31, 2008 and 2007 and significant factors that could affect our prospective financial condition and results of operations. You should read this discussion 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, 2007. 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 consulting firm to organizations confronting the critical legal, financial and reputational issues that shape their futures. Our experienced teams of professionals, many of whom are widely recognized as experts in their fields, provide high caliber consulting services to a broad range of clients. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas, as well as our reputation for satisfying clients’ needs. We operate through five business segments: Technology; Corporate Finance/Restructuring; Economic Consulting; Strategic Communications; and Forensic and Litigation Consulting.

Our Technology segment provides products, services and consulting to law firms, companies, courts and government entities worldwide. We assist with internal investigations, regulatory investigations, early case assessment, litigation and joint defense, antitrust and competition investigations, including “second requests” under the Hart Scott Rodino Antitrust Improvements Act of 1976 (“HSR Act”) and knowledge management for critical corporate information. We provide a comprehensive suite of application tools and related services to help clients locate and produce electronically stored information (“ESI”), including e-mail, computer files, voicemail, instant messaging, and financial and transactional data. Our services also help to identify, convert, categorize and produce relevant hard documents into electronically searchable format. We have the capacity to identify, analyze, process and present potentially relevant electronic information for interested parties, and ultimately manage the presentation of information to our clients. Our proprietary Ringtail® technology is used to provide litigation support and knowledge management. In addition, Ringtail® has been used in transactional settings to support information “deal rooms” and merger and acquisition activity. Our Ringtail® technology is designed to ensure quality, reduce risk, increase productivity and improve cost effectiveness in the review, preparation and production of large amounts of ESI.

Our Corporate Finance/Restructuring segment focuses on strategic, operational, financial and capital needs of businesses around the world. We address the full spectrum of financial and transactional challenges facing our clients, which include companies, boards of directors, private equity sponsors, banks, lenders and other financing sources, law firms and other parties-in-interest. We advise on a wide range of areas, including restructuring, bankruptcy, claims management, mergers and acquisitions, post-acquisition integration, valuations, tax issues and performance improvement. We also provide expert witness testimony, bankruptcy and insolvency litigation support and trustee and examiner services. We have particular expertise in the automotive, chemicals, communications, media and entertainment, energy and utilities, healthcare, real estate, financial services and retail industries.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with clear analysis of complex economic issues for use in legal and regulatory proceedings, strategic decision making and public policy debates in the U.S. and internationally. We deliver sophisticated economic analysis and modeling of issues arising in mergers and acquisitions, complex antitrust litigation, commercial disputes, regulatory proceedings and securities litigation. Our statistical and economic experts help our clients analyze complex economic issues such as the economic impact of deregulation on a particular industry or the amount of commercial damages suffered by a business. We have deep industry experience in such areas as

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commercial and investment banking, telecommunications, energy, transportation, healthcare, IT/Internet and pharmaceuticals. Our professionals regularly provide expert testimony on damages, rates and prices, valuations (including valuations of complex derivatives), competitive effects and intellectual property disputes. They also provide analyses and advice relating to antitrust and competition cases, regulatory proceedings and business valuations.

Our Strategic Communications segment, operated through our FD subsidiary, provides advice and consulting services relating to financial communications, brand communications, public affairs and reputation management and business consulting. We believe that FD has developed a unique, integrated offering that incorporates a broad scope of services, diverse sector coverage and global reach that distinguishes it from other strategic communications consultancies. FD is able to advise clients from almost every major business center in the world. FD combines its core investor relations, public relations and public affairs capabilities with its other services to present clients with integrated business communications solutions.

Our Forensic and Litigation Consulting segment provides law firms, companies, government entities and other interested constituencies around the world with end-to-end forensic and litigation services. We assist our clients in all phases of investigations and litigation, including pre-filing assessments, discovery, trial preparation, expert testimony and other trial support services. We have particular expertise in the pharmaceutical, healthcare and financial services industries.

EXECUTIVE HIGHLIGHTS

	Three Months Ended March 31,	
	2008	2007
	(in thousands, except per share amounts)	
Revenues	\$ 307,102	\$ 227,725
Operating income	\$ 59,111	\$ 38,449
Net income	\$ 31,289	\$ 15,262
Earnings per common share—diluted	\$ 0.59	\$ 0.36
EBITDA ⁽¹⁾	\$ 68,034	\$ 44,403
Total number of employees	2,829	2,157

- (1) We use earnings before interest, taxes, depreciation and amortization plus litigation settlement losses, net (“EBITDA”) in evaluating our financial performance. Although EBITDA is not a measure of financial condition or performance determined in accordance with generally accepted accounting principles in the United States (“GAAP”), we believe that it can be a useful operating performance measure for evaluating our results of operation 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 EBITDA to evaluate and compare the operating performance of our segments and it is one of the primary measures used to determine employee bonuses. We also use EBITDA to value the businesses we acquire or anticipate acquiring. EBITDA is 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. This non-GAAP measure should be considered in addition to, but not as a substitute for or superior to, the information contained in our statements of income.

In the first quarter of 2008, total revenue increased 34.9% from a year ago to \$307.1 million. Market demand for our services remained strong across our segments and geographic regions, and drove organic growth of 29% in the quarter. Net income was \$31.3 million, or \$0.59 earnings per diluted share, up from \$15.3 million, or \$0.36 earnings per diluted share, in the prior year’s first quarter. EBITDA increased 53% to \$68.0 million, equal to 22.2% of revenue, compared to \$44.4 million, or 19.5% of revenue, in the same period last year.

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During the first quarter of 2008, the Technology segment grew the most rapidly of all our segments in terms of revenue and profits, driven by a product liability case in the pharmaceutical industry and an increasing amount of demand from outside the U.S. as the segment leverages the growing market awareness of our Technology services and processing capability by prospective clients.

All segments either maintained or accelerated their momentum relative to the fourth quarter of 2007. The global credit crisis continued to be a significant driver of engagements for us and, while all segments participated, a notable beneficiary in the quarter was our Corporate Finance/Restructuring segment. The segment experienced accelerating activity and success fees as it advised companies in the automotive, airlines, home building, financial products and, as the impact of the credit crisis became more pervasive, increasingly the retail and monoline insurance sectors. Credit and liquidity issues are also driving growth in our Economic Consulting segment, as is the strong strategic M&A market that has been evident in sectors such as financial services, hospital, airline and internet/IT. The segment's strong performance was also due to financial consulting engagements relating to transactions in which private equity buyers have been unwilling or unable to consummate acquisitions at originally agreed prices and an increasing incidence of private actions against companies and boards of directors alleging various forms of negligence.

The Strategic Communications segment sustained its growth through a combination of an increase in revenue from retained clients in its core markets in Europe and North America, growth in emerging markets and the contribution from acquisitions completed during 2007 and the first quarter of 2008. Engagements from companies caught up in financial stress and operating issues have compensated for slowing M&A and IPO activity.

The Forensic and Litigation Consulting segment benefited from increased billing rates, the contributions from acquisitions made in the first quarter, and growth in its construction and investigations businesses.

Apart from the organic drivers of our business, from an M&A perspective the first quarter was the most active in our history. We completed seven acquisitions that broaden the set of capabilities we can offer clients and extend our geographical reach to serve them globally. A significant focus of our acquisition activity was the bolstering of our resources in the global real estate and construction industry, where we anticipate a growing amount of work coming from the impact of the global credit crisis that is driving demand for consulting services from even the strongest participants. During the quarter, we purchased Rubino McGeehin Consulting Group (RMCG), a consulting company in the construction and government contracts sector and Brewer Consulting, a UK company providing dispute, resolution and procurement services to the construction, engineering, transportation, and oil and gas industries.

Just after the end of the quarter, we completed the purchase of The Schonbraun McCann Group (SMG), a consulting firm to the real estate industry based in New York City and we also purchased Forensic Accounting LLC (FA), a UK independent forensic accounting practice. With the FA and Brewer acquisitions and our previous investments in FD, Santé and our restructuring and technology practices, London has become our second largest office over the past 18 months, with approximately 400 professionals across Strategic Communications, Corporate Finance/ Restructuring, and Forensic and Litigation Consulting segments.

We also expanded our global footprint in Technology with the purchase of San Francisco-based Strategic Discovery Inc., a leader in the litigation discovery industry, which will serve as a bridge into the Asian market, and TSC Brasil, a computer forensics and information technology consultant in the Brazilian and certain Latin American markets. Two other international acquisitions were Thomson Market Services, an investigations practice in China that will help our clients protect their brands and intellectual property in that region, and Blueprint Partners, a premier public affairs consultancy in Brussels that gives us an initial presence in one of the world's key regulatory and political centers.

RESULTS OF OPERATIONS

	Three Months Ended March 31,	
	2008	2007
	(in thousands, except per share amounts)	
Revenues		
Technology	\$ 56,535	\$ 33,050
Corporate Finance/Restructuring	79,283	62,102
Economic Consulting	56,415	39,997
Strategic Communications	54,614	38,213
Forensic and Litigation Consulting	60,255	54,363
Total revenues	307,102	227,725
Operating Income		
Technology	20,417	8,929
Corporate Finance/Restructuring	21,349	15,136
Economic Consulting	12,263	9,610
Strategic Communications	10,806	8,737
Forensic and Litigation Consulting	13,519	13,157
Segment operating income	78,354	55,569
Unallocated corporate expenses	(19,243)	(17,120)
Operating income	59,111	38,449
Other Income (Expense)		
Interest income	3,081	496
Interest expense and other	(10,388)	(10,964)
Litigation settlement losses, net	(1)	(741)
Income before income tax provision	51,803	27,240
Income tax provision	20,514	11,978
Net income	\$ 31,289	\$ 15,262
Earnings per common share—basic	\$ 0.65	\$ 0.37
Earnings per common share—diluted	\$ 0.59	\$ 0.36

Other Operating Data

	Three Month Ended	
	March 31,	
	2008	2007
Number of revenue-generating professionals: (at period end)		
Technology	375	273
Corporate Finance/Restructuring	427	325
Economic Consulting	234	209
Strategic Communications	571	419
Forensic and Litigation Consulting	597	402
Total revenue-generating professionals	<u>2,204</u>	<u>1,628</u>
Utilization rates of billable professionals:⁽¹⁾		
Corporate Finance/Restructuring	83%	86%
Economic Consulting	90%	85%
Forensic and Litigation Consulting	75%	77%
Average billable rate per hour:⁽²⁾		
Corporate Finance/Restructuring	\$ 440	\$ 414
Economic Consulting	442	398
Forensic and Litigation Consulting	377	338

- (1) We calculate the utilization rate for our billable professionals by dividing the number of hours that all of our billable professionals worked on client assignments during a period by the total available working hours for all of our billable professionals during the same period, assuming a 40-hour work week and a 52-week year. Available working hours include vacation and professional training days, but exclude holidays. Utilization rates are presented for our segments that primarily bill clients on an hourly basis. We have not presented a utilization rate for our Technology segment and Strategic Communications segment as most of the revenues of these segments are not generated on an hourly basis.
- (2) For engagements where revenues are based on number of hours worked by our billable professionals, average billable rate per hour is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period. We have not presented an average billable rate per hour for our Technology segment and Strategic Communications segment as most of the revenues of these segments are not generated on an hourly basis.

Reconciliation of Operating Income to EBITDA

We use earnings before interest, taxes, depreciation and amortization plus litigation settlement losses, net (“EBITDA”) in evaluating our financial performance. Although EBITDA is not a measure of financial condition or performance determined in accordance with GAAP we believe that it can be a useful operating performance measure for evaluating our results of operation 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 EBITDA to evaluate and compare the operating performance of our segments and it is one of the primary measures used to determine employee bonuses. We also use EBITDA to value the businesses we acquire or anticipate acquiring. EBITDA is 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. This non-GAAP measure should be considered in addition to, but not as a substitute for or superior to, the information contained in our statements of income. The following table provides a reconciliation of operating income to EBITDA.

	Three Month Ended	
	March 31,	
	2008	2007
	(dollars in thousands)	
Operating income	\$ 59,111	\$ 38,449
Depreciation	6,026	3,958
Amortization of other intangible assets	2,898	2,737
Litigation settlement losses, net	(1)	(741)
EBITDA	\$68,034	\$44,403

Three Months Ended March 31, 2008 compared to Three Months Ended March 31, 2007

Revenues

Revenues for the three months ended March 31, 2008 increased \$79.4 million, or 34.9%, as compared to the three months ended March 31, 2007. Revenues increased in each of our operating segments during the first quarter of 2008. The primary drivers of revenue growth were an increase in unit based and licensing sales in our Technology segment and an increase in consulting revenue in our Corporate Finance/Restructuring and Economic consulting segments. In addition, incremental revenue from acquisitions accounted for approximately \$13.0 million of the revenue growth. See “Segment Results” for an expanded discussion of segment revenue.

Operating Income

Operating income for the three months ended March 31, 2008 increased \$20.7 million, or 53.7%, as compared to the three months ended March 31, 2007. While the operating income of all segments improved, higher operating income in our Technology and Corporate Finance/Restructuring segments was the primary driver of the growth. Our Technology segment experienced an increase in operating income due to the addition of a large pharmaceutical engagement in the first quarter of 2008. This engagement resulted in an increase in higher margin unit-based sales in 2008, which resulted in growth in the operating income of this segment as compared to 2007 and significantly improved the segment’s gross profit margin. Our Corporate Finance/Restructuring segment benefited from a higher volume of restructuring consulting work in the current quarter as well as the receipt of several large success fees, which contributed approximately \$3.0 million to operating income in the first quarter of 2008 after bonuses. Incremental operating income from acquisitions accounted for approximately \$3.0 million of the operating income growth. Unallocated corporate expenses for the three months ended March 31, 2008 increased by \$2.1 million as compared to the three months ended March 31, 2007, primarily due to an increase in salaries and bonus expense driven the by the hiring of additional corporate employees to support our growing organization. See “Segment Results” for an expanded discussion of segment operating results.

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Other Income (Expense)

Interest income for the three months ended March 31, 2008 increased \$2.6 million as compared to the three months ended March 31, 2007. We invested excess cash in the first quarter of 2008 as a result of the public stock offering that closed in the fourth quarter of 2007. Interest expense decreased in 2008 as compared to 2007 because there were no borrowings on our bank line of credit in the first quarter of 2008.

Income Tax Provision

Our effective tax rate for the three months ended March 31, 2008 decreased to 39.6% in 2008 from 44.0% for the three months ended March 31, 2007. Approximately half of the rate decrease was attributable to the implementation of a tax planning strategy in the second quarter of 2007 that substantially reduced the amount of foreign earnings that were subject to U.S. federal income tax. The balance of the decrease was due to a reduction in state income taxes, primarily due to legislative changes, and a decrease in nondeductible expenses as a percentage of pretax income.

SEGMENT RESULTS

We evaluate the performance of our operating segments based on operating income excluding depreciation, amortization of other intangible assets and unallocated corporate expenses and including litigation settlement gains and losses, which we refer to as “segment profit”. Segment profit consists of the revenues generated by that segment, less the direct costs of revenues and selling, general and administrative expenses that are incurred directly by that segment as well as an allocation of certain centrally managed costs, such as information technology services, marketing and facility costs. Although segment profit is not a measure of financial condition or performance in accordance with generally accepted accounting principles, we use it to evaluate and compare the performance of our segments and it is one of the primary measures used to determine employee incentive compensation. The following table reconciles segment operating income to segment profit at March 31, 2008 and 2007.

	Three Month Ended	
	March 31,	
	2008	2007
	(dollars in thousands)	
Segment operating income	\$78,354	\$55,569
Depreciation	4,632	2,963
Amortization of other intangible assets	2,898	2,737
Litigation settlement losses, net	(1)	(550)
Total segment profit	\$85,883	\$60,719

TECHNOLOGY

	Three Month Ended March 31,	
	2008	2007
(dollars in thousands)		
Revenues	\$56,535	\$33,050
Operating expenses		
Direct cost of revenues	25,422	16,798
Selling, general and administrative expenses	10,133	7,006
Amortization of other intangible assets	563	317
	<u>36,118</u>	<u>24,121</u>
Segment operating income	20,417	8,929
Depreciation	2,342	1,361
Amortization of other intangible assets	563	317
Segment profit	\$23,322	\$10,607
Gross profit margin ⁽¹⁾	55.0%	49.2%
Segment profit as a percent of revenues	41.3%	32.1%
Number of revenue-generating professionals: (at period end)	375	273

(1) Revenues net of direct costs, as a percentage of revenues

Three Months Ended March 31, 2008 compared to Three Months Ended March 31, 2007

A number of factors affect the demand for our Technology services including the number of large complex litigations, class action proceedings, merger and acquisition activity and governmental and internal investigations. During the first quarter of 2008, we experienced increased demand for our services. Revenues increased \$23.5 million, or 71.1%, in 2008 as compared to 2007. Revenues generated from unit-based and other sales in our software as a service business increased approximately \$17.0 million while revenues related to our consulting services increased approximately \$4.0 million. Unit-based and other sales and consulting revenue growth was primarily driven by a large pharmaceutical product liability engagement in the first quarter of 2008. In addition, acquisitions accounted for approximately \$3.0 million of the increase in revenue in the first quarter of 2008. Increased demand for our services and acquisitions resulted in an increase of 102 revenue-generating professionals in 2008 as compared to 2007.

Our gross profit margin increased 5.8 percentage points in 2008 as compared to 2007, due to a higher percentage of our revenue coming from unit-based sales, which yield higher profit margins than our hourly-based consulting revenues.

Selling, general and administrative expenses increased \$3.1 million in 2008 as compared to 2007. Investment in customer support, marketing and sales functions to accommodate a growing customer base resulted in an increase in salaries and other employee-related costs and rent and occupancy costs. Marketing and travel-related expenses also increased relative to the first quarter of 2007 due to sales and marketing activities directed at increasing brand awareness, expanding our channel sales program and expanding our international presence.

Segment profit increased \$12.7 million, or 119.9%, in 2008 as compared to 2007 due to revenue growth coupled with improved margins. Segment profit as a percent of revenue was 41.3% in 2008 as compared to 32.1% in 2007. Higher margin unit-based sales were a greater percentage of our revenues in 2008, resulting in improved segment profit margins.

CORPORATE FINANCE/RESTRUCTURING

	Three Months Ended March 31,	
	2008	2007
	(dollars in thousands, except rate per hour)	
Revenues	\$79,283	\$62,102
Operating expenses:		
Direct cost of revenues	44,859	36,029
Selling, general and administrative expenses	13,035	10,896
Amortization of other intangible assets	40	41
	<u>57,934</u>	<u>46,966</u>
Segment operating income	21,349	15,136
Depreciation	521	301
Amortization of other intangible assets	40	41
Litigation settlement losses, net	—	(550)
Segment profit	\$21,910	\$14,928
Gross profit margin ⁽¹⁾	43.4%	42.0%
Segment profit as a percent of revenues	27.6%	24.0%
Number of revenue-generating professionals: (at period end)	427	325
Utilization rates of billable professionals	83%	86%
Average billable rate per hour	\$ 440	\$ 414

(1) Revenues net of direct costs, as a percentage of revenues

Three Months Ended March 31, 2008 compared to Three Months Ended March 31, 2007

A number of factors affect the demand for our Corporate Finance/Restructuring services including general economic conditions, the availability of credit, leverage levels, lending activity, over-expansion of businesses, competition, merger and acquisition activity and management crises. We often see weak demand for one or more of our service offerings being counterbalanced by stronger demand for other service offerings. For example, demand for our transaction advisory or post-acquisition integration services may increase during a period of reduced bankruptcy or restructuring activity. If demand for one or more of our corporate finance/restructuring services weakens, we are often able to shift professionals to work on engagements in other service offerings or our other business segments. The demand for our restructuring services has been strong in 2008 due to continued instability in the sub-prime mortgage, financial institution, and housing related markets.

Total revenues increased \$17.2 million, or 27.7%, in 2008 as compared to 2007. Revenues from consulting billed on an hourly basis increased approximately \$13.0 million, or 29%, in 2008 as compared to 2007. The increase in consulting revenue was primarily driven by increased demand for restructuring consulting in the U.S, with major engagements focused on consulting related to the sub-prime mortgage, financial institutions and housing-related markets. The hiring of 102 additional revenue-generating professionals as compared to 2007, combined with increased demand for our services yielded more billable hours and growth in consulting income. Consulting income also benefited to a lesser extent from an increase in our average billable rate per hour in 2008 due to annual rate increases as well as a change in the mix of staff working on engagements. In addition, the first quarter of 2008 included \$5.0 million in success fees as compared to \$1.4 million of success fees in 2007. Contract revenue from healthcare consulting increased approximately \$3.0 million in 2008 as compared to 2007 due to the addition of a major restructuring engagement and several large turnaround/performance improvement engagements in the first quarter of 2008. Offsetting these increases was a decline of approximately \$3.0 million in revenue related to outside contract consultants who provided specific expertise on certain consulting

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engagements in 2007. Our gross profit margin improved by 1.4 percentage points in 2008 as compared to 2007. The improvement in our gross profit margin was primarily due to the increase in success fees in the current quarter which have a higher gross profit margin than other consulting income.

Selling, general and administrative costs increased \$2.1 million, or 19.6%, in 2008 as compared to 2007. The increase in selling, general and administrative costs is primarily due to an increase in bad debt expense, growth in rent and occupancy costs associated with the opening of new offices, an increase in marketing costs due to the hosting of a major client event, and an increase in recruiting expenses.

Segment profit increased \$7.0 million, or 46.8%, in 2008 as compared to 2007. This increase was primarily due to revenue growth in 2008. Segment profit as a percent of revenue improved to 27.6% of revenues from 24.0% in 2007. Segment profit as a percent of revenue increased primarily due to the increase in success fees in the current quarter.

ECONOMIC CONSULTING

	Three Months Ended	
	March 31,	
	2008	2007
	(dollars in thousands, except rate per hour)	
Revenues	\$56,415	\$39,997
Operating expenses:		
Direct cost of revenues	37,138	24,330
Selling, general and administrative expenses	6,444	4,904
Amortization of other intangible assets	570	1,153
	<u>44,152</u>	<u>30,387</u>
Segment operating income	12,263	9,610
Depreciation	483	345
Amortization of other intangible assets	570	1,153
Segment profit	\$13,316	\$11,108
Gross profit margin ⁽¹⁾	34.2%	39.2%
Segment profit as a percent of revenues	23.6%	27.8%
Number of revenue-generating professionals: (at period end)	234	209
Utilization rates of billable professionals	90%	85%
Average billable rate per hour	\$ 442	\$ 398

(1) Revenues net of direct costs, as a percentage of revenues

Three Months Ended March 31, 2008 compared to Three Months Ended March 31, 2007

A number of factors affect the demand for our Economic consulting services including merger and acquisition (M&A) activity (particularly large mergers of competitors within a single industry), general economic conditions, competition and governmental investigations. Demand for our services was high in the first quarter of 2008 with engagements focused on financial economics and strategic mergers and acquisitions. The large number of U.S. merger engagements in the fourth quarter of 2007 allowed us to enter 2008 with a high level of analytical work. M&A activity shifted from private equity firms to corporate buyers, who were priced out of many acquisition opportunities in 2007. In the first quarter of 2008 we saw increased corporate M&A activity across many business sectors, including financial services, hospitals, airlines, and industrial corporations and we retained a significant number of engagements in these areas. Acquisitions by corporate buyers are more likely to raise competition issues and to draw increased scrutiny from antitrust agencies. The credit market turmoil also

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caused an upswing in financial consulting engagements, as private equity buyers were unwilling or unable to close deals at originally agreed prices, and private actions were brought against companies and boards of directors alleging various forms of negligence. We also continued to experience an increased volume of rail commercial litigation and regulatory work as a result of revised regulatory standards.

Total revenues increased \$16.4 million, or 41.0%, in 2008 as compared to 2007. Revenue from consulting billed on an hourly basis increased approximately \$13.0 million in 2008 as compared to 2007. The increase in hourly consulting revenue was due to increased billable headcount, greater utilization and an increase in the average billable rate per hour in 2008. The number of revenue-generating professionals increased by 25 over 2007 due to hiring associated with the increased demand for our services. The average billable rate per hour increased due to billing rate increases in January 2008 for most of the Economic Consulting segment and an increase in the number of billable hours of senior managing directors and managing directors who bill at higher rates. Outside consultant revenue also increased by approximately \$2.5 million in 2008 as compared to 2007 due to the need for highly specialized resources on large complex cases. The remaining increase in revenue in 2008 was primarily due to an increase in other engagement related charges that have been passed onto our clients.

Our gross profit margin decreased by 5.0 percentage points in 2008 as compared to 2007 primarily due to an increase in incentive compensation as a percent of revenue. This increase in incentive compensation was required to attract and retain key management personnel who are in high demand in the marketplace.

Selling, general and administrative expenses increased \$1.5 million in 2008 as compared to 2007. The primary drivers of the increase in selling, general and administrative expenses were an increase in bad debt expense, employee related costs, legal expenses and rent and occupancy costs.

Segment profit increased \$2.2 million, or 19.9%, in 2008 as compared to 2007. The primary reason for the increase in segment profit was revenue growth. Segment profit as a percent of revenues decreased to 23.6% in 2008 from 27.8% in 2007. The decrease in the segment profit margin in 2008 was driven by a lower gross profit margin, partially offset by a decrease in selling, general and administrative expenses as a percent of revenues in 2008.

STRATEGIC COMMUNICATIONS

	Three Months Ended	
	March 31,	
	2008	2007
	(dollars in thousands)	
Revenues	\$54,614	\$38,213
Operating expenses:		
Direct cost of revenues	31,013	18,550
Selling, general and administrative expenses	11,583	10,189
Amortization of other intangible assets	1,212	737
	43,808	29,476
Segment operating income	10,806	8,737
Depreciation	662	497
Amortization of other intangible assets	1,212	737
Litigation settlement losses, net	(1)	—
Segment profit	\$12,679	\$ 9,971
Gross profit margin ⁽¹⁾	43.2%	51.5%
Segment profit as a percent of revenues	23.2%	26.1%
Number of revenue-generating professionals: (at period end)	571	419

(1) Revenues net of direct costs, as a percentage of revenues

Three Months Ended March 31, 2008 compared to Three Months Ended March 31, 2007

A number of factors affect the demand for our strategic communications services, including merger and acquisition activity, public stock offerings, business crises and governmental legislation and regulation. The capital markets project based revenue that contributed to our 2007 growth, has slowed in the current quarter; however, we continue to be involved in a number of high profile financial crisis communications projects.

Total revenues increased \$16.4 million, or 42.9%, in 2008 as compared to 2007. Acquisitions accounted for approximately \$8.2 million of the revenue growth. The remaining \$8.2 million of revenue growth was driven by an increase in retained revenues of approximately \$3.0 million, an increase in direct costs passed through to clients of approximately \$3.0 million, and an increase in project-based revenues of approximately \$1.0 million. The number of revenue-generating professionals increased by 152 over 2007 primarily due to professionals added as the result of acquisitions.

Our gross profit margin decreased by 8.3 percentage points in 2008 as compared to 2007. An increase in pass-through costs as a percentage of revenue reduced the gross profit margin in 2008. The remaining decrease in gross profit margin is due to the allocation of staff bonuses to direct costs, rather than selling, general and administrative expenses in 2008.

Selling, general and administrative expenses increased \$1.4 million in 2008 as compared to 2007. Acquisitions accounted for approximately \$1.3 million of the increase in 2008. Excluding the impact of acquisitions, selling general and administrative expenses were unchanged from 2007. The allocation of staff bonuses to direct costs rather than selling, general and administrative expenses offset a \$1.0 million increase in other selling, general and administrative expenses driven by higher employee related costs and bad debt expense.

Segment profit increased \$2.7 million, or 27.2%, in 2008 as compared to 2007. The primary reason for the increase in segment profit was acquisitions. Segment profit as a percent of revenues declined to 23.2% in 2008 from 26.1% in 2007. The decrease in the segment profit margin in 2008 was due to an increase in pass-through costs as a percentage of revenues in 2008.

FORENSIC AND LITIGATION CONSULTING

	Three Months Ended March 31,	
	2008	2007
	(dollars in thousands, except rate per hour)	
Revenues	\$60,255	\$54,363
Operating expenses:		
Direct cost of revenues	34,089	30,474
Selling, general and administrative expenses	12,134	10,243
Amortization of other intangible assets	513	489
	<u>46,736</u>	<u>41,206</u>
Segment operating income	13,519	13,157
Depreciation	624	459
Amortization of other intangible assets	513	489
Litigation settlement losses	—	—
Segment profit	\$14,656	\$14,105
Gross profit margin ⁽¹⁾	43.4%	43.9%
Segment profit as a percent of revenues	24.3%	25.9%
Number of revenue-generating professionals: (at period end)	597	402
Utilization rates of billable professionals	75%	77%
Average billable rate per hour	\$ 377	\$ 338

(1) Revenues net of direct costs, as a percentage of revenues

Three Months Ended March 31, 2008 as compared to Three Months Ended March 31, 2007

A number of factors affect the demand for our Forensic and Litigation consulting services, including the number of large complex litigations, governmental and regulatory investigations, class-action suits, business espionage and illegal or fraudulent activity. If demand weakens for a particular service offering, we are often able to shift professionals to work on engagements of our other business segments.

Total revenue increased \$5.9 million, or 10.8%, in 2008 as compared to 2007. The primary drivers of revenue growth were an increase in net consulting revenue of approximately \$5.0 million driven by an increase in billable rates, growth in our Latin American investigations business, and revenue growth in our financial consulting and construction businesses. Acquisitions contributed approximately \$2.0 million in revenue in 2008. Offsetting these revenue increases was a \$1.0 million one time performance based fee earned in the first quarter of 2007. The number of revenue-generating professionals increased by 195 over 2007 due primarily to professionals added as the result of acquisitions. The average billable rate per hour increased due to yearly billing rate increases that took effect in September 2007.

Our gross profit margin decreased by 0.5 percentage points in 2008 as compared to 2007. The decrease in gross profit margin was primarily the result of an increase in compensation expense as a percentage of revenue.

Selling, general and administrative costs increased \$1.9 million in 2008 as compared to 2007. The main drivers of the increase in selling, general and administrative expenses were an increase in bad debt expense, higher recruiting expenses and incremental expenses from acquisitions.

Segment profit increased \$0.6 million in 2008 as compared to 2007. Excluding \$0.5 million of incremental segment profit generated by acquired businesses, segment profit increased \$0.1 million. The increase in segment profit was due to higher revenues. Segment profit as a percent of revenue was 24.3% in 2008, down from 25.9% in 2007. The growth of selling, general and administrative expenses at a greater rate than revenue growth in 2008, coupled with a lower gross profit margin, caused a decline in segment profit as a percent of revenue in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our primary financing needs continue to be funded by the operation of our business, including capital expenditures and debt service requirements. In addition, we may also need to fund new acquisitions and potential contingent obligations related to our acquisitions and satisfy the conversion of convertible notes. We currently anticipate that capital expenditures will range from \$43.0 million to \$47.0 million during 2008, including direct support for specific client engagements. Our estimate takes into consideration the needs of our existing business as well as the needs of our recently completed acquisitions, but does not include the impact of future acquisitions or specific client engagements that are not currently contemplated.

Our current sources of liquidity include cash and cash equivalents which totaled \$227.1 million at March 31, 2008, cash generated by operations, and our senior secured bank credit facility. At March 31, 2008, we had \$140.8 million of availability under our senior secured bank credit facility after deducting \$9.2 million of outstanding letters of credit secured by the facility. The terms of our senior secured bank credit facility are discussed in Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources" in our Annual Report on Form 10-K for the year ended December 31, 2007. At March 31, 2008, we were in compliance with all covenants as stipulated in the senior secured bank credit facility and the indentures governing our senior notes.

On October 15, 2007, the \$150.0 million aggregate principal amount of 3 3/4% convertible notes (Notes) due July 15, 2012 became convertible at the option of the holders and are currently convertible through July 15, 2008 as provided in the Indenture covering the Notes. The Notes became convertible as a result of the closing price of our common stock exceeding the conversion threshold price of \$37.50 per share (120% of the applicable

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conversion price of \$31.25 per share) for at least 20 days in the 30 consecutive trading days of each of the periods ended October 15, 2007, January 15, 2008 and April 15, 2008.

Upon surrendering any Note for conversion, in accordance with the Indenture, the holder of such Note shall receive cash in the amount of the lesser of (i) the \$1,000 principal amount of such Note or (ii) the "conversion value" of the Note as defined in the Indenture. The conversion feature results in a premium over the face amount of the Notes equal to the difference between our stock price as determined by the calculation set forth in the Indenture and the conversion price of \$31.25 times the conversion ratio of 31.998 shares of common stock for each \$1,000 principal amount of the Notes. We retain our option to satisfy any conversion value in excess of each \$1,000 principal amount of the Notes with shares of common stock, cash or a combination of both cash and shares. The premium will be calculated using the stock price calculation defined in the Indenture. Assuming conversion of the full \$150.0 million principal amount of the Notes, for every \$1.00 the market price of our common stock exceeds \$31.25 per share, we will be required, at our option, either to pay an additional \$4.8 million or to issue shares of our common stock with a then market price equivalent to \$4.8 million to settle the conversion feature. We believe we have adequate capital resources to fund potential conversions.

Cash flows.

	Three Months Ended March 31,	
	2008	2007
	(dollars in thousands)	
Net cash used in operating activities	\$ (10,110)	\$ (29,984)
Net cash used in investing activities	(128,532)	(32,552)
Cash provided by financing activities	4,889	8,616

The Company has included an immaterial prior period reclassification in its Condensed Consolidated Statements of Cash Flows to reflect the twice yearly issuance of shares to employees under its Employee Stock Purchase Plan. The reclassification results in an increase to net cash provided by financing activities and a corresponding decrease to net cash used in operating activities. The amount of this correction for the period ending March 31, 2007 is \$3.1 million.

We have historically financed our operations and capital expenditures solely through cash flows from operations. During the first quarter of our fiscal year, our working capital needs generally exceed our cash flows from operations due to the payments of annual incentive compensation and acquisition contingent payment amounts. Our cash flows generally improve subsequent to the first quarter of each year.

Cash used in operating activities for the first three months of 2008 was \$10.1 million, as compared to cash used in operating activities of \$30.0 million for the three months ended March 31, 2007. The decrease in cash used in operating activities was primarily due to the funding of fewer forgivable employee loans in 2008. Forgivable employee loans funded in the first quarter of 2008 totaled approximately \$2.0 million as compared to forgivable employee loans funded in the first quarter of 2007 of approximately \$28.0 million. Operating cash flows in the first quarter of 2007 also benefited from the receipt of \$10.5 million from one of our landlords to fund tenant improvements. This payment is accounted for as a reduction of rent expense over the life of the related lease.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, notes receivable, accounts payable, accrued expenses and accrued compensation expense. The timing of billings and collections of receivables as well as payments for compensation arrangements affect the changes in these balances.

Net cash used in investing activities for the three months ended March 31, 2008 was \$128.5 million as compared to cash used in investing activities of \$32.6 million for the three months ended March 31, 2007. The

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increase in cash used in investing activities is primarily due to an increase in cash used to fund acquisitions. For the three months ended March 31, 2008, cash used in investing activities included \$54.6 million paid to fund acquisitions and \$39.0 million of acquisition contingent payments. In addition, on March 31, 2008 we transferred \$26.8 million of cash to a third party in advance of an acquisition which closed on April 1, 2008. This advance is classified within "Other Investing" on the Condensed Consolidated Statement of Cash Flows. For the three months ended March 31, 2007, net cash used in investing activities included \$5.3 million used to acquire the remaining 3% of share capital of FD; \$7.6 million of acquisition contingent payments, and \$6.1 million related to other acquisition activities.

Capital expenditures were \$7.5 million during the three months ended March 31, 2008 as compared to \$13.8 million for the three months ended March 31, 2007. Capital expenditures in the first quarter of 2008 primarily related to leasehold improvements and the purchase of data processing equipment. Capital expenditures in the first quarter of 2007 primarily related to leasehold improvements to support the expansion and renovation of our offices. We had no material outstanding purchase commitments as of March 31, 2008.

Our financing activities consisted principally of borrowings and repayments under long-term debt arrangements as well as issuances of common stock. During the three months ended March 31, 2008, our financing activities consisted of a \$6.3 million repayment of notes payable, primarily to former shareholders of an acquired business and \$8.6 million of cash received from the issuance of common stock under equity compensation plans. During the three months ended March 31, 2007, our financing activities consisted of the borrowing and repayment of \$15.0 million on our senior secured bank line of credit in addition to \$7.9 million of cash received from the issuance of common stock under equity compensation plans.

Future Outlook

We believe that our anticipated operating cash flows and our total liquidity, consisting of our cash on hand and \$140.8 million of availability under our senior secured bank credit facility, are sufficient to fund our capital and liquidity needs for at least the next twelve months. In April 2008, we used \$102.3 million of our cash on hand to complete an acquisition. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, our business plans change, economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market price of our securities.

Any new debt funding, if available, may be on terms less favorable to us than our senior secured bank credit facility or the indentures that govern our senior notes and convertible notes. See "Forward-Looking Statements."

Off-balance sheet arrangements. We have no off-balance sheet arrangements other than operating leases and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities.

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Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007

Recently Issued Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133”. SFAS 161 will require entities to provide qualitative disclosures about the objectives and strategies for using derivatives, quantitative disclosures about the fair value of gains and losses on derivative contracts, and disclosures about credit-risk related to contingent features in their hedged positions. The statement also asks entities to disclose more information about the location and amounts of derivative instruments in financial statements; how derivatives and related hedges are accounted for under SFAS No. 133; and how the hedges affect the entity’s financial position, financial performance and cash flows. The statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged, but not required. As of March 31, 2008 we have not adopted SFAS 161.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital expenditures, expectations, plans or intentions relating to acquisitions and other matters, business trends and other information that is not historical and, may appear under the headings “Part 1—Item 2. Managements’ Discussion and Analysis of Financial Condition and Results of Operations,” “Item 1A—Risk Factors” in our Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission or SEC on February 29, 2008 and the other documents we file with the SEC. When used in this quarterly report, the words such as *estimates, expects, anticipates, projects, plans, intends, believes, forecasts* and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management’s examination of historical operating trends, are based upon our expectations at the time we make them and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, this Quarterly Report on Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include the following:

- our ability to attract and retain qualified professionals and senior management;
- conflicts resulting in our inability to represent certain clients;
- our former employees joining competing businesses;
- our ability to manage our professionals’ utilization and billing rates;
- our ability to integrate the operations of acquisitions and the costs of integration;
- our ability to adapt to and manage the risks associated with operating in non-U.S. markets;

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- our ability to replace senior managers and practice leaders who have highly specialized skills and experience;
- our ability to find suitable acquisition candidates or take advantage of opportunistic acquisition situations;
- periodic fluctuations in revenues, operating income and cash flows;
- damage to our reputation as a result of claims involving the quality of our services;
- unexpected terminations of client engagements;
- competition;
- general economic factors, industry trends, bankruptcy rates, capital market conditions, merger and acquisition activity, major litigation activity and other events outside of our control;
- our ability to manage growth;
- changes in demand for our services;
- risk of non-payment of receivables;
- our outstanding indebtedness; and
- proposed changes in accounting principles.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included herein. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances and do not intend to do so.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks see “Item 7A Quantitative and Qualitative Disclosures about Market Risk”, in our Annual Report on Form 10-K for the year ended December 31, 2007. There have been no significant changes in our market risk exposure since our December 31, 2007 year end except as noted below.

Equity Price Sensitivity. During the first quarter of 2008, we granted certain sellers of two acquired companies contractual protection against a decline in the value of the common stock we issued them as consideration for the acquisitions. Upon the lapse of the restrictions on the common stock, if the market price of our common stock is below \$56.66, in one case and \$64.04 in the other case, we have agreed to make additional cash payments to the sellers equal to the deficiency. In the past, we have granted sellers of other acquired businesses similar contractual protection against a decline in the value of the common stock issued to them as consideration for their acquisition. These agreements are discussed under “Equity Price Sensitivity” in “Item 7A—Quantitative and Qualitative Disclosures about Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2007. Based on the price of our common stock on March 31, 2008, we would not be obligated to make any price protection related payments under existing contractual arrangements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have

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concluded that our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and in the case of more complex legal proceedings such as intellectual property and securities litigation, the results are difficult to predict at all. We are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition or results of our operations.

Item 1A. Risk Factors

There were no material changes in any risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 29, 2008, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities. The information required by this Item has previously been provided in the Company's Current Report on Form 8-K dated March 31, 2008 filed with the SEC on April 4, 2008.

Repurchases of our Common Stock. The following table provides information with respect to purchases we made of our common stock during the first quarter of 2008 (in thousands, except per share amounts).

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value that May Yet Be Purchased Under the Program ⁽²⁾
January 1 through January 31, 2008	5 ⁽¹⁾	\$ 60.05	—	—
February 1 through February 28, 2008	—	—	—	\$ 50,000
March 1 through March 31, 2008	2 ⁽¹⁾	63.89	—	\$ 50,000
Total	<u>7</u>		<u>—</u>	

(1) Represents 6,900 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(2) In October 2003, our Board of Directors initially approved a share repurchase program under which we are authorized to purchase shares of our common stock. From time to time since then, our Board has increased the amount of authorized share repurchases under the program. On February 25, 2008, our Board of Directors authorized up to \$50.0 million of stock purchases through February 25, 2009.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Asset Purchase Agreement dated March 31, 2008 by and among FTI Consulting, Inc., FTI SMC Acquisition LLC, The Schonbraun McCann Consulting Group LLC, the individuals listed on Schedule I thereto and Bruce Schonbraun as the Members' Representative. Exhibits, schedules (or similar attachments) to the Purchase Agreement (other than the form of Restricted Stock Agreement which is attached as Exhibit A thereto, are not filed). FTI will furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request. The registrant has requested confidential treatment with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Act. Such portions have been omitted from this exhibit and filed separately with the Securities and Exchange Commission. (Filed with the SEC on April 4, 2008 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 31, 2008 and incorporated herein by reference.)
3.1	Articles of Incorporation of FTI Consulting, Inc., as amended and restated. (Filed with the SEC on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
3.2	By-laws of FTI Consulting, Inc., as amended and restated through September 17, 2004. (Filed with the SEC on November 9, 2004 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference.)
10.1*†	FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated Effective as of February 20, 2008
10.2*†	FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Restricted Stock Unit Agreement for Non-Employee Directors Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008
10.3*†	FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Stock Unit Agreement for Non-Employee Directors Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008
10.4*†	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15D-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15D-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

* Management or Director contract or compensatory plan or arrangement.

† Filed herewith.

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: May 7, 2008

by _____/s/ CATHERINE M. FREEMAN
Catherine M. Freeman
Senior Vice President and Chief Accounting Officer
(principal accounting officer)

FTI CONSULTING, INC.
NON-EMPLOYEE DIRECTOR COMPENSATION PLAN
AMENDED AND RESTATED EFFECTIVE AS OF FEBRUARY 20, 2008

1. *Establishment and Objectives of the Plan*

FTI Consulting, Inc., a Maryland corporation (“*FTI*” or the “*Company*”), by action of its Board of Directors (the “*Board*”), hereby further amends and restates the FTI Consulting, Inc. Non-Employee Director Compensation Plan (the “*Plan*”), for the benefit of Non-Employee Directors of FTI. The Plan was adopted by the Board effective as of April 27, 2005, was amended by the Board effective as of June 6, 2006, and was further amended and restated by the Board as set forth herein to be effective as of February 20, 2008. The Plan is intended to advance the interests of the Company by providing the Company an advantage in attracting and retaining Non-Employee Directors and by providing Non-Employee Directors with additional incentive to serve the Company by increasing their proprietary interest in the success of the Company. All equity-based awards under this Plan shall be made pursuant to an Equity Plan.

2. *Definitions*

As used in the Plan, the following definitions apply to the terms indicated below.

(a) “*Account*” means a bookkeeping reserve account to which Stock Units, Restricted Stock Units or cash amounts, as applicable, are credited on behalf of Non-Employee Directors.

(b) “*Affiliate*” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company (including, but not limited to, joint ventures, limited liability companies and partnerships), as determined by the Board.

(c) “*Annual Equity Award*” means the grant of an Award to a Non-Employee Director pursuant to Section 5.

(d) “*Annual Equity Award Value*” means the U.S. dollar value established by the Board in accordance with Section 5.1, used to determine the Annual Equity Award.

(e) “*Annual Meeting*” means the annual meeting of stockholders of the Company held on the relevant Annual Meeting Date.

(f) “*Annual Meeting Date*” means the date of the Company’s Annual Meeting for the relevant Plan Year.

(g) “*Annual Retainer*” means the retainer fee established by the Board in accordance with Section 4.1 and payable to a Non-Employee Director for services performed as a member of the Board of Directors.

- (h) “*Appointment Date*” means the date that a New Director first joins the Board as a Non-Employee Director, provided such date is not an Annual Meeting Date.
- (i) “*Award*” means a share of Restricted Stock, a Restricted Stock Unit or a Stock Unit, as applicable, or, to the extent applicable with respect to awards granted prior to the Effective Date, an Option.
- (j) “*Board*” or “*Board of Directors*” means the Board of Directors of the Company.
- (k) “*Change in Control*” means (1) the acquisition (other than from the Company) in one or more transactions by any Person, as defined below, of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of (A) the then outstanding shares of the securities of the Company, or (B) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors (the “*Company Voting Stock*”); (2) the closing of a sale or other conveyance of all or substantially all of the assets of the Company; or (3) the effective time of any merger, share exchange, consolidation, or other business combination involving the Company if immediately after such transaction persons who hold a majority of the surviving entity (or the entity owning 100% of such surviving entity) are not persons who, immediately prior to such transaction, held the Company Voting Stock. For purposes of the foregoing, a “*Person*” means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than employee benefit plans sponsored or maintained by the Company or entities controlled by the Company.
- (l) “*Change in Control Event*” shall have the meaning ascribed thereto under Code Section 409A(a)(2)(A)(v) with respect to a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company.
- (m) “*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder.
- (n) “*Committee*” means the Compensation Committee of the Board (or any successor Board committee as may be designated by the Board from time to time), comprised of directors who are independent directors as defined in the New York Stock Exchange’s Listed Company Manual, who are “outside directors” within the meaning of Code Section 162(m), and who are “non-employee directors” within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act
- (o) “*Common Stock*” means the Company’s common stock, par value \$.01 per share.
- (p) “*Company*” means FTI Consulting, Inc., a Maryland corporation.
- (q) “*Cyclical Equity Grant*” means the grant of an equity award on the applicable three-year cyclical payment date of each Incumbent Director as compensation pursuant to Section 5 of the Plan as in effect prior to the Effective Date.

(r) “*Deferral Election*” means a written election made in accordance with the provisions of Section 6 to defer receipt of the Non-Employee Director’s Annual Retainer or Annual Equity Award.

(s) “*Disability*” or “*Disabled*” means the inability to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment that is expected to result in death or last for a continuous period of not less than twelve months, as determined in accordance with Code section 409A.

(t) “*Effective Date*” means February 20, 2008.

(u) “*Elected Payment Date*” means the date elected by a Non-Employee Director pursuant to Section 7 of this Plan.

(v) “*Elections*” mean, collectively, a Non-Employee Director’s Deferral Elections and Payment Elections.

(w) “*Eligible Director*” means each New Director and each Incumbent Director who is a Non-Employee Director on or after an Annual Meeting Date; provided that in each such case the person was serving as a director on the Board at the relevant time.

(x) “*Equity Plan*” means any equity compensation plan that has been approved by the Company’s stockholders, from time to time, provided that such equity compensation plan provides for the applicable Award.

(y) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(z) “*Existing Maturity Date*” means (i) with respect to an Annual Retainer, the date an Incumbent Director would have been eligible to receive his next Annual Retainer under the this Plan as in effect immediately before the Effective Date, and (ii) with respect to the Annual Equity Award, the date an Incumbent Director would have been eligible to receive his next Cyclical Equity Grant under the Plan as in effect immediately before the Effective Date.

(aa) “*Fair Market Value*” means, with respect to a share of the Common Stock on the relevant date, the closing price, regular way, reported on the New York Stock Exchange or if no sales of the Common Stock are reported on the New York Stock Exchange for that date, the closing price reported for the last previous day for which sales were reported on the New York Stock Exchange. If the Common Stock is no longer listed on the New York Stock Exchange, the Committee may designate such other exchange, market or source of data as it deems appropriate for determining such value for the purposes of the Plan. For all purposes under the Plan, the term “*relevant date*” as used in this definition of Fair Market Value means the date as of which Fair Market Value is to be determined.

(bb) “*Grant Date*” means, as applicable, (i) with respect to the Annual Retainer, the date specified in Section 4.2 for receipt of the Annual Retainer absent a Deferral Election, and (ii) with respect to the Annual Equity Award, the Annual Meeting Date or the Appointment Date, as applicable, on which the applicable Annual Equity Award is made, as specified in Section 5.2.

(cc) “*Incumbent Director*” means a person serving as a Non-Employee Director on the Effective Date and who continues to serve as a Non-Employee Director immediately following the Annual Meeting held in 2008.

(dd) “*New Director*” means a person who (i) is first elected or appointed as a Non-Employee Director on or after the Effective Date or (ii) first becomes a Non-Employee Director on or after the Effective Date.

(ee) “*Non-Employee Director*” means a member of the Board who, at the time of his or her service, is not an employee of the Company or any Affiliate.

(ff) “*Option*” means a nonstatutory stock option to purchase one share of Common Stock as provided for under an the FTI Consulting, Inc. Non-Employee Director Compensation Plan as in effect prior to the Effective Date.

(gg) “*Payment Date*” means the date on which the first of the events set forth in Section 7.3 shall occur.

(hh) “*Payment Election*” means a written election made in accordance with the provisions of Section 7.2 to select an Elected Payment Date with regard to an award of Stock Units and/or Restricted Stock Units.

(ii) “*Plan*” means the FTI Consulting, Inc. Non-Employee Director Compensation Plan, as amended, restated and supplemented from time to time.

(jj) “*Plan Administrator*” means the Board or the Committee, as the case may be.

(kk) “*Plan Year*” means the twelve-month period coinciding with the calendar year.

(ll) “*Prorated Amount*” means an amount equal to: (1) the Annual Retainer or Annual Equity Award Value, as applicable, reduced (or increased in the case of the first Annual Retainer and the first Annual Equity Award after the Effective Date with respect to an Incumbent Director whose Existing Maturity Date in the relevant Plan Year precedes the Annual Meeting Date for such Plan Year), by (2) the product of (x) the quotient determined by dividing (i) the Annual Retainer or Annual Equity Award Value, as applicable, by (ii) 365 days, multiplied by (y) the number of days between, (i) in the case of an Incumbent Director, the applicable Plan Year’s Annual Meeting Date and the Incumbent Director’s Existing Maturity Date, and, (ii) in the case of a New Director, the Appointment Date and the Annual Meeting Date immediately preceding the New Director’s Appointment Date (excluding the Annual Meeting Date itself). By way of example only of a reduction of the Annual Equity Award Value, if an Incumbent Director’s Existing Maturity Date is October 24 2008 and the Annual Meeting Date for the 2008 Plan Year is June 10, 2008, the Prorated Amount would be \$156,849.52 (determined as follows: \$250,000 - \$93,150.48 (or \$684.93 (\$250,000 ÷ 365 days) x 136 days (the number of days between October 24, 2008 and June 10, 2008 (not counting the Annual Meeting Date)) =

\$156,849.52). By way of example only of an increase of the Annual Equity Award Value, if an Incumbent Director's Existing Maturity Date is June 5, 2008 and the Annual Meeting Date for the 2008 Plan Year is June 10, 2008, the Prorated Amount would be \$252,739.72 (determined as follows: \$250,000 + \$2,739.72 (or \$684.93 (\$250,000 ÷ 365 days) x 4 days (the number of days between June 5, 2008 and June 10, 2008 (not counting the Annual Meeting Date)) = \$2,739.72).

(mm) "*Restricted Stock*" means a share of Common Stock that is granted pursuant to the terms of Section 5.3.

(nn) "*Restricted Stock Unit*" means the expression on the Company's books of a unit which is equivalent to one share of Common Stock, which unit is granted pursuant to the terms of Section 5 of the Plan.

(oo) "*Securities Act*" means the Securities Act of 1933, as amended.

(pp) "*Stock Unit*" means the expression on the Company's books of a unit, which is equivalent to one share of Common Stock, which unit is granted pursuant to the terms of Section 4 of the Plan.

(qq) "*Termination Date*" means the date on which the Non-Employee Director ceases to be a member of the Board of Directors of the Company.

(rr) "*Unforeseeable Emergency*" means a severe financial hardship resulting from an illness or accident of the Non-Employee Director or his or her spouse, beneficiary or dependent, loss of property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Non-Employee Director, determined in accordance with Code Section 409A and the regulations issued thereunder.

(ss) "*Vesting Date*" means, with respect to each share of Restricted Stock and each Restricted Stock Unit, the applicable date upon which such Restricted Stock or Restricted Stock Unit vests pursuant to Section 7.

3. *Administration of the Plan*

Except as otherwise provided herein, the Plan shall be administered by the Board. The Board shall have full authority to administer the Plan, including authority to interpret and construe any provision of the Plan and the terms of any Award granted under it and to adopt such rules and regulations for administering the Plan as it may deem necessary. Decisions of the Board shall be final and binding on all parties. The Board shall be the named fiduciary for purposes of the claims procedure set forth in Section 15.

4. *Annual Retainer*

4.1 *Amount of Annual Retainer.* Until changed by resolution of the Board, the amount of the Annual Retainer will be \$50,000 for each Non-Employee Director who does not serve as a chair of a committee of the Board; \$55,000 for each Non-Employee Directors who

serves as the chair of the Compensation Committee of the Board and the Nominating and Corporate Governance Committee of the Board; and \$60,000 for the Non-Employee Director who serves as the chair of the Audit Committee of the Board.

4.2 Timing and Manner of Annual Retainer Payment; Proration of Annual Retainer.

(a) On each Annual Meeting Date following the Effective Date, each Non-Employee Director who is duly elected and qualified at such Annual Meeting or who is otherwise serving as a Non-Employee Director immediately following the Annual Meeting, shall receive an Annual Retainer which shall be paid in cash on such Annual Meeting Date, subject to his or her Deferral Election pursuant to Section 4.3.

(b) Notwithstanding anything in the Plan to the contrary, (i) the amount of the Annual Retainer payable to an Incumbent Director on the first Annual Meeting Date following the Effective Date shall be equal to the Prorated Amount, and (ii) a New Director shall receive an Annual Retainer equal to the Prorated Amount on his or her Appointment Date.

4.3 Election to Defer Receipt of Annual Retainer. Each Eligible Director is permitted, in accordance with the election provisions set forth in Section 6 and Section 7, to make a Deferral Election and Payment Election with respect to his or her Annual Retainer. For each Plan Year with respect to which a Non-Employee Director has a valid Deferral Election in force, provided that sufficient securities are then available for award under the applicable Equity Plan, the Non-Employee Director shall be awarded on the applicable Grant Date, a number of Stock Units equal to the quotient, rounded down to the nearest whole share, obtained by dividing the amount of the Annual Retainer by the Fair Market Value of one share of Common Stock on the applicable Grant Date. Such Stock Units will be credited to the Non-Employee Director's Account as of the applicable Grant Date. Stock Units will be settled in shares of Common Stock upon or as soon as practicable (but in no event more than 30 days) following the Non-Employee Director's Payment Date. Upon the Payment Date for any Stock Units, the Company shall issue to the Non-Employee Director, or his or her estate in the event of death a number of shares of Common Stock equal to the number of Stock Units then credited to his or her Account. The crediting of Stock Units to the Non-Employee Director's Account shall not entitle the Non-Employee Director to voting or other rights as a stockholder until shares of Common Stock are issued upon payment, but shall entitle the Non-Employee Director to receive dividend equivalents under Section 8. Stock Units will be evidenced by written documentation in a form approved by the Plan Administrator, which shall be subject to the terms and conditions of the Plan and the applicable Equity Plan.

4.4 Cash Payment in Lieu of Stock Units. In the event that there are insufficient Stock Units available for issuance to pay the Annual Retainer pursuant to all Deferral Elections, the Company may credit cash amounts in lieu of Stock Units, to the Accounts of one or more Non-Employee Directors for some or all of the amount of the Annual Retainer subject to such Deferral Elections. The amount of the Annual Retainer taken into consideration in determining Stock Units shall be adjusted accordingly for the crediting of such cash amounts. Such credited cash amounts shall accrue interest at the simple interest at an annual rate of 6%.

5. *Annual Equity Awards.*

5.1 *Annual Equity Award Value.* Until changed by resolution of the Board, the Annual Equity Award Value will be \$250,000.

5.2 *Commencement and Timing of Annual Equity Award; Proration of Annual Equity Award.*

(a) An Annual Equity Award shall be granted to each New Director on his or her Appointment Date and on each Annual Meeting Date thereafter provided that he or she is then and continues to be a Non-Employee Director immediately following such Annual Meeting, and provided further that if sufficient securities are not available under the applicable Equity Plan, Section 5.4 shall be applicable.

(b) An Annual Equity Award shall be granted to each Incumbent Director on the Annual Meeting Date for the Plan Year which includes the Incumbent Director's Existing Maturity Date, and on each Annual Meeting Date thereafter, provided that he or she is then and continues to be a Non-Employee Director immediately following such Annual Meeting, and provided further that if sufficient securities are not available under the applicable Equity Plan, Section 5.4 shall be applicable.

(c) Notwithstanding anything in this Plan to the contrary, the Annual Equity Award Value shall be the Prorated Amount for (i) the Annual Equity Award made to a New Director on an Appointment Date, and (ii) the Annual Equity Award made to an Incumbent Director on the Annual Meeting Date for the Plan Year which includes his or her Existing Maturity Date.

(d) An Annual Equity Award shall not be granted to a Non-Employee Director on any Annual Meeting Date if such individual is not duly elected or qualified at such Annual Meeting or who is not otherwise serving as a Non-Employee Director immediately following the Annual Meeting.

5.3 *Form of Annual Equity Award*

(a) The Annual Equity Award shall be granted in the form of a number of shares of Restricted Stock equal to the quotient, rounded down to the nearest whole share, obtained by dividing the amount of the Annual Equity Award Value by the Fair Market Value of one share of Common Stock on the applicable Grant Date. Each Eligible Director shall be permitted, in accordance with the election provisions set forth in Section 6 and Section 7 to make a Deferral Election and a Payment Election with respect to his or her Annual Equity Award. For each Plan Year with respect to which a Non-Employee Director has a valid Deferral Election in force, provided that sufficient securities are then available for award under the applicable Equity Plan, the Non-Employee Director shall be awarded on the Grant Date a number of Restricted Stock Units equal to the number of shares of Restricted Stock otherwise issuable with respect to such Annual Equity Award. Restricted Stock Units will be credited to a Non-Employee Director's Account as of the applicable Grant Date.

(b) All shares of Restricted Stock granted as Annual Equity Awards shall (i) be subject to the vesting provisions set forth in Section 7.1; (ii) until the Vesting Date, be nontransferable and not subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment, or in any other manner made subject to a hedge transaction or puts and calls; and (iii) entitle the holder to all the rights of a stockholder, including voting and rights to receive dividends and distributions with respect to such shares, but shall be subject to transfer restrictions until the Vesting Date. All shares of Restricted Stock that are unvested as of the Termination Date, after giving effect to Section 7.1, shall be forfeited to the Company for no consideration on such Termination Date. The Non-Employee Director will be reflected on the Company's books as the owner of record of the shares of Restricted Stock as of the Grant Date. The Company will hold the share certificates for safekeeping, or otherwise retain the shares in uncertificated book entry form, until the shares of Restricted Stock become vested and non-forfeitable. Any such share certificates shall bear an appropriate legend regarding nontransferability of the shares until the Vesting Date. All regular cash dividends on such shares of Restricted Stock will be paid directly to the Non-Employee Director on the applicable dividend payment dates. As soon as practicable after the Vesting Date of the shares of Restricted Stock, the Company will deliver a share certificate to the Non-Employee Director, or deliver shares electronically or in certificate form to the Non-Employee Director's designated broker on such director's behalf, for such vested shares. Restricted Stock Awards will be evidenced by written documentation, in a form approved by the Plan Administrator, which shall be subject to the terms and conditions of the Plan and the applicable Equity Plan.

(c) All Restricted Stock Units granted as Annual Equity Awards shall (i) be subject to the vesting provisions set forth in Section 7.1; (ii) be nontransferable and not subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment, or in any other manner made subject to a hedge transaction or puts and calls; and (iii) be settled in shares of Common Stock, to the extent vested, upon the Non-Employee Director's Payment Date. All Restricted Stock Units that are unvested as of the Non-Employee Director's Payment Date, after giving effect to Section 7.1, shall be forfeited to the Company for no consideration on such Payment Date. Upon the Payment Date for any Restricted Stock Units, the Company shall issue to the Non-Employee Director, or the Non-Employee Director's estate as applicable, a number of shares of Common Stock equal to the number of vested Restricted Stock Units then credited to the Non-Employee Director's Account. The grant of a Restricted Stock Unit shall not entitle the Non-Employee Director to voting or other rights as a stockholder until shares of Common Stock are issued to the holder upon the Payment Date, but shall entitle the Non-Employee Director to receive dividend equivalents under Section 8. Restricted Stock Units will be evidenced by written documentation in a form approved by the Plan Administrator, which shall be subject to the terms and conditions of the Plan and the applicable Equity Plan.

5.4 *Cash Payment in Lieu of Restricted Stock or Restricted Stock Units.* In the event that sufficient shares of Common Stock are not available for issuance to pay an Annual Equity Award, in lieu thereof the Company may credit cash amounts, in lieu of Restricted Stock

or Restricted Stock Units, to the Accounts of one or more Non-Employee Directors for some or all of the amount of the Annual Equity Award Value, subject to any applicable Deferral Elections. The amount of the Annual Equity Award taken into consideration in determining Restricted Stock and Restricted Stock Units shall be adjusted accordingly for the crediting of such cash amounts. Such credited cash amounts shall accrue interest at an annual rate of 6% and shall be paid, if, as and when the Vesting Date would have occurred had such payment been made in the form of Restricted Stock, or, for any Eligible Director who made a valid Deferral Election with respect to an Annual Equity Award, the Payment Date for the vested Restricted Stock Units corresponding to such cash amount, as the case may be.

6. *Elections*

6.1 *Deferral Elections.* A Non-Employee Director shall be permitted to make a Deferral Election for each Plan Year with respect to the Annual Retainer and Annual Equity Award payable therein. A Non-Employee Director's Deferral Elections shall apply to the entire amount, but not less than the entire amount, of the Annual Retainer and/or Annual Equity Award payable in the Plan Year immediately following the Plan Year in which the Deferral Elections are made, subject to the election rules set forth in Sections 6.2 and 7.2 of the Plan.

6.2 *Election Rules.* Elections shall be made by filing with the Secretary of the Company a written Election Form substantially in the form attached hereto as Exhibit A in accordance with the following rules and the provisions of Section 7.2:

(a) A Non-Employee Director must make a Deferral Election for an Annual Retainer or Annual Equity Award by December 31st of the Plan Year immediately preceding the Plan Year in which such Annual Retainer would otherwise be paid or credited, and/or such Annual Equity Award would be granted, to such Non-Employee Director.

(b) Notwithstanding Section 6.2(a), Elections by a New Director may be made prior to the 30th day after the individual first becomes a New Director and shall be applicable prospectively only. An individual who anticipates becoming a New Director may file his or her Elections in advance of becoming a New Director and any such Elections, if made before the date the individual becomes a New Director, shall apply to the Annual Retainer and Annual Equity Award next payable upon the individual becoming a Non-Employee Director.

(c) Deferral Elections may not be revoked or modified with respect to the Annual Retainer payable, or the Annual Equity Award to be awarded, during any Plan Year for which the Deferral Elections are effective. Deferral Elections will remain in effect from Plan Year to Plan Year unless modified prospectively by the Non-Employee Director for a subsequent Plan Year. Modifications to a Non-Employee Director's current Deferral Elections for any subsequent Plan Year may be made by filing a new Election Form by December 31st of the Plan Year preceding the Plan Year for which the modified Deferral Elections are to become effective.

(d) Once deferred pursuant to an effective Deferral Election, an Annual Retainer payment and Annual Equity Award may not be distributed to a Non-Employee Director on any date other than the applicable Payment Date.

6.3 *Default Elections.* For the avoidance of doubt, if a Non-Employee Director does not have a valid Deferral Election in effect at the relevant time, his Annual Retainer will be paid in cash. Subject to Section 5.4, if a Non-Employee Director does not have a valid Deferral Election in effect at the relevant time, his or her Annual Equity Award shall be awarded in the form of shares of Restricted Stock.

7. *Vesting; Payment Elections and Payment Date*

7.1 *Vesting.* All Restricted Stock Units and shares of Restricted Stock granted pursuant to Section 5 shall be subject to the following vesting provisions:

(a) Restricted Stock Units and shares of Restricted Stock granted pursuant to Section 5 shall be unvested, unexercisable and subject to risk of forfeiture on the Grant Date.

(b) Restricted Stock Units and shares of Restricted Stock shall each become vested and no longer subject to risk of forfeiture as to the full amount granted to such Non-Employee Director on the first anniversary of the Grant Date, provided that the Non-Employee Director is serving in that capacity on the applicable vesting date.

(c) In the event of the death or Disability of a Non-Employee Director, all unvested shares of Restricted Stock and all unvested Restricted Stock Units will immediately vest in full.

(d) In the event of any transaction resulting in a Change in Control of the Company, all unvested shares of Restricted Stock and all unvested Restricted Stock Units will vest immediately prior to the consummation of such Change in Control.

7.2 *Payment Elections.*

(a) A Non-Employee Director who makes a Deferral Election pursuant to Section 6 may select an Elected Payment Date for a Stock Unit or Restricted Stock Unit Award on the date that he or she makes a Deferral Election for such Award.

(b) The Elected Payment Date for any Stock Unit Award or Restricted Stock Unit Award must be on or after January 1st of the second calendar year after the Grant Date with respect to such Award.

(c) To the extent that an Eligible Employee does not make a valid Payment Election with respect to a Deferral Election, there shall be no Elected Payment Date for such Award (and no subsequent Payment Election shall be permitted with respect to such Award).

(d) An Elected Payment Date may not be revoked with respect to an Award of Stock Units or Restricted Stock Units, except prior to December 31 of the Plan Year preceding the Plan Year in which the Award is to be made.

(e) An Elected Payment Date with regard to an Award of Stock Units or Restricted Stock Units may be changed only if the following is satisfied: (i) the subsequent payment election shall not take effect until at least 12 months after the date on which the subsequent election is made; (ii) the Elected Payment Date under the subsequent payment election must be at least five years after the Elected Payment Date of the current election; and (iii) the subsequent payment election is made at least 12 months prior to the Elected Payment Date under the current election.

7.3 Payment Date.

(a) Stock Units and vested Restricted Stock Units credited to a Non-Employee Director's Account shall be distributed in accordance with the requirements of Code Section 409A (including without limitation Section 409A(a)(2) of the Code) as soon as practicable (but in no event more than thirty (30) days) following the earliest of:

- (1) The applicable valid Elected Payment Date (if any) for any Stock Unit or Restricted Stock Unit;
- (2) The Non-Employee Director's Termination Date;
- (3) The date the Non-Employee Director becomes Disabled;
- (4) The date of the Non-Employee Director's death;
- (5) The effective date of a Change in Control Event; or
- (6) The occurrence of an Unforeseeable Emergency with respect to the Non-Employee Director.

(b) The amount distributed under Sections 7.3(a)(1) shall be the amount in the Account covered by the applicable Elected Payment Date. The amount distributed under Sections 7.3(a)(2)-(5) shall be the whole vested amount in the Account.

(c) The amount distributed under Section 7.3(a)(6) shall not exceed the amount necessary to satisfy such Unforeseeable Emergency plus the amount necessary to pay taxes reasonably anticipated as a result of the distribution (the "*Unforeseeable Emergency Amount*"), after taking into account the extent to which such Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Non-Employee Director's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). The Board shall have full and final authority to determine the Unforeseeable Emergency Amount, and shall make such determination consistent with Section 409A. After such distribution of the Unforeseeable Emergency Amount, amounts remaining in the Non-Employee Director's Account shall continue to be subject to the terms of the Plan.

8. *Dividend Equivalents*

If the Company declares a cash dividend payable to the holders of its Common Stock generally, then, on the payment date of the dividend, each Non-Employee Director who has made a Deferral Election will be credited with a number of additional Stock Units or Restricted Stock Units, as applicable, equal to the quotient, rounded down to the nearest whole share, determined by dividing (i) the product of (A) the amount of the cash dividend per share of Common Stock multiplied by (B) the number of whole Stock Units and whole Restricted Stock Units credited to the Non-Employee Director's Account as of the dividend record date, by (ii) the Fair Market Value of a share of Common Stock on the payment date of the dividend. The additional Stock Units or Restricted Stock Units so credited shall have the same Vesting Dates, to the extent applicable, and shall be paid at the same time and in the same manner as the Stock Units or Restricted Stock Units underlying the original Award. No adjustments for dividends shall be made to any Option previously granted under the Plan if the record date of any dividend is prior to the date of issuance of the shares of Common Stock purchased pursuant to exercise of the Option.

9. *Adjustments for Corporate Transactions and Other Events*

9.1 *Changes in Capital Structure; Fractional Awards.* In the event of a stock dividend on, or stock split or reverse stock split affecting, the Common Stock, the number of shares of unvested Restricted Stock and the number of Stock Units and Restricted Stock Units credited to each Non-Employee Director's Account subject to the relevant record and payment dates of such stock dividend, stock split or reverse stock split shall, without further action of the Board, be adjusted to reflect such event. Fractional shares and fractional cents that arise with respect to outstanding Awards as a result of the stock dividend, stock split or reverse stock split shall be rounded down to the nearest whole share or cent.

9.2 *Other Transactions Affecting the Common Stock.* The terms and conditions of this Plan and any applicable Award agreement, including without limitation the vesting provisions of Section 7, will apply with equal force to any additional and/or substitute securities or other property (including cash) received by a Non-Employee Director in exchange for, or by virtue of his holding or having been credited with, an Award, whether such additional and/or substitute securities or other property are received as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, share exchange, or similar event.

9.3 *Unusual or Nonrecurring Events.* The Board shall make, in its discretion and without the consent of holders of Awards, adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Board determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

10. *Compliance With Other Laws and Regulations*

The Plan, the grant of Awards, and the obligation of the Company to issue and deliver shares of Common Stock upon vesting of shares of Restricted Stock or upon the payment of any Stock Units or Restricted Stock Units or upon exercise of Options shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by such governmental or regulatory agency or national securities exchange as may be required. The Company shall not be required to issue any shares upon vesting of shares of Restricted Stock, upon the payment of any Stock Units or Restricted Stock Units or upon exercise of Options, if the issuance of such shares shall constitute a violation by the Non-Employee Director or the Company of any provisions of any law or regulation of any governmental authority or national securities exchange. Each Award granted under this Plan shall be subject to the requirement that, if at any time the Plan Administrator shall determine that (a) the listing, registration or qualification of the shares subject thereto on any securities exchange or trading market or under any state or federal law of the United States or of any other country or governmental subdivision thereof, (b) the consent or approval of any governmental regulatory body, or (c) the making of investment or other representations are necessary or desirable in connection with the issue or purchase of shares subject thereto, no shares of Common Stock may be issued upon grant, vesting, or exercise of any Award unless such listing, registration, qualification, consent, approval or representation shall have been effected or obtained, free of any conditions not acceptable to the Plan Administrator. Any determination in this connection by the Plan Administrator shall be final, binding, and conclusive.

11. *Modification and Termination*

The Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

12. *Successors*

All obligations of the Company under the Plan will be binding on any successor to the Company, whether the existence of the successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

13. *Reservation of Rights*

Nothing in this Plan or in any award agreement granted hereunder will be construed to limit in any way the Board's right to remove a Non-Employee Director from the Board of Directors.

14. *Legal Construction*

14.1 *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein will also include the feminine; the plural will include the singular and the singular will include the plural.

14.2 *Requirements of Law.* The issuance of payments under the Plan will be subject to all applicable laws, rules, and regulations.

14.3 *Tax Law Compliance.* To the extent any provision of the Plan or action by the Board or Plan Administrator would subject any Non-Employee Director to liability for interest or additional taxes under Code Section 409A, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Board. It is intended that the Plan and all Awards granted thereunder will comply with Section 409A of the Code and any regulations and guidelines issued thereunder, and the Plan and all Award agreements shall be interpreted and construed on a basis consistent with such intent. The Plan and all Award agreements may be amended in any respect deemed necessary (including retroactively) by the Board in order to preserve compliance with Section 409A of the Code.

14.4 *Unfunded Status of the Plan.* The Plan is intended to constitute and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan for a select group of management under the Employee Retirement Income Security Act of 1974, as amended. To the extent that any Non-Employee Director or other person acquires a right to receive payments from the Company pursuant to the Plan or any Award made under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

14.5 *Governing Law.* The validity, construction and effect of the Plan, of Award agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Plan Administrator relating to the Plan or such Award agreements, and the rights of any and all persons having or claiming to have any interest herein or hereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Maryland, without regard to its conflict of laws principles.

14.6 *Nontransferability.* A Non-Employee Director's Account may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All rights with respect to an Account and other Awards will be available during the Non-Employee Director's lifetime only to the Non-Employee Director or the Non-Employee Director's guardian or legal representative. The Board of Directors may, in its discretion, require a Non-Employee Director's guardian or legal representative to supply it with evidence the Board of Directors deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Non-Employee Director.

15. *Claims Procedure*

15.1 *Initial Claims*. In the event that a dispute arises over any payment or Award under this Plan and the payment or Award is not paid or delivered to the Non-Employee Director (or to the Non-Employee Director's estate in the case of the Non-Employee Director's death), the claimant of such payment or Award must file a written claim with the Plan Administrator within 60 days from the date payment or delivery is refused. The Plan Administrator shall review the written claim and, if the claim is denied in whole or in part, shall provide, in writing and within 90 days of receipt of such claim, the specific reasons for such denial and reference to the provisions of this Plan or the applicable Equity Plan upon which the denial is based and any additional material or information necessary to perfect the claim. Such written notice shall further indicate the steps to be taken by the claimant if a further review of the claim denial is desired.

15.2 *Appeals*. If the claimant desires a second review, he or she shall notify the Plan Administrator in writing within 60 days of the first claim denial. The claimant may review the Plan, the applicable Equity Plan or any documents relating thereto and submit any written issues and comments he or she may feel appropriate. In its discretion, the Plan Administrator shall then review the second claim and provide a written decision within 60 days of receipt of such claim. This decision shall likewise state the specific reasons for the decision and shall include reference to specific provisions of the Plan or the applicable Equity Plan upon which the decision is based.

* * * * *

ELECTION FORM
FOR THE
FTI CONSULTING, INC.
NON-EMPLOYEE DIRECTOR COMPENSATION PLAN
[_____] Plan Year

The Undersigned hereby elects to receive all compensation earned for service on the Board of Directors (the “*Board*”) and the Committees of the Board of FTI Consulting, Inc. (the “*Company*”) pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan, as amended and in effect on the applicable payment date (the “*Plan*”), as specified below.

I. Annual Retainer (*select one*):

____ 100% of the Annual Retainer Fee (including Committee Chair fees) (the “*Annual Retainer*”) payable to me pursuant to the Plan in the form of cash in such amount and on such terms as determined in accordance with the Plan.

____ 100% of the Annual Retainer payable to me pursuant to the Plan in the form of deferred stock units in such amount and on such terms as determined in accordance with the Plan.

II. Annual Equity Award (*select one*):

____ 100% of any Annual Equity Award payable to me pursuant to the Plan in the form of restricted shares of common stock of the Company in such amount and on such terms as determined in accordance with the Plan.

____ 100% of any Annual Equity Award payable to me pursuant to the Plan in the form of restricted deferred stock units in such amount and on such terms as determined in accordance with the Plan.

My elections pursuant to Sections I and II above shall remain in effect for each subsequent calendar year, unless I terminate or modify my election in writing on or before the last day of the calendar year preceding the calendar year for which I would like such termination or modification to apply.

III. Payment Date Election

Subject to the terms and conditions of the Plan, I hereby make the following payment date election [OPTIONAL]:

____ I elect _____, 2____ as my Elected Payment Date with regard to a grant (if any) of stock units made under the Plan in calendar year 200____. The earliest Elected Payment Date permitted is January 1, 20____.

____ I elect _____, 2____ as my Elected Payment Date with regard to a grant (if any) of restricted stock units made under the Plan in calendar year 200____. The earliest Elected Payment Date permitted is January 1, 20____.

The Elected Payment Dates chosen pursuant to Section III above, shall only be effective with regard to a grant (if any) of Stock Units and/or Restricted Stock Units made under the Plan in calendar year 200____. The Elected Payment Dates shall not be valid for any grant of Stock Units and/or Restricted Stock Units made after such calendar year, and new Elected Payment Dates shall have to be chosen for grants (if any) in future years.

In making the foregoing elections, I certify that I understand that:

- My elections with respect to the Annual Retainer and Annual Equity Award, as the case may be, shall be payable to me only as elected in this Election Form and as described in the Plan and shall not be distributable other than as indicated therein.
- My elections shall apply to the entire amount of the Annual Retainer and Annual Equity Award payable to me in the calendar year for which such elections are made.
- Defined terms in this Election Form have the meanings given them in the Plan. I have read and understand the Plan and I have consulted with my own legal or tax advisor before signing this Election Form. I am not relying on any representation of the Company in making these elections.
- The Board may at any time and from time to time alter, amend, modify or terminate the Plan in whole or in part, and any such alteration, amendment, modification or termination may affect my elections to the extent provided in the Plan or under applicable law.

I acknowledge having received copies of the Plan and related Prospectus and I understand their terms and provisions, including the provisions limiting revocation or modification of my elections in accordance with the terms of the Plan.

Date: _____

Print Name: _____

Received by FTI Consulting, Inc

By: _____

Name: _____

Title: _____

Date: _____

Non-Employee Director Stock Unit Agreement

 Recipient's Copy Company's Copy

FTI CONSULTING, INC.
DEFERRED COMPENSATION PLAN
FOR KEY EMPLOYEES AND NON-EMPLOYEE DIRECTORS

**STOCK UNIT AGREEMENT FOR NON-EMPLOYEE DIRECTORS UNDER THE NON-EMPLOYEE
DIRECTOR COMPENSATION PLAN, AS AMENDED AND RESTATED
EFFECTIVE AS OF FEBRUARY 20, 2008**

To _____:

FTI Consulting, Inc., a Maryland corporation (the "**Company**"), has granted you an award (this "**Award**") of _____ stock units (the "**Stock Units**") under the FTI Consulting, Inc. Deferred Compensation Plan for Key Employees and Non-Employee Directors, as adopted effective June 6, 2006, as further amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. Each Stock Unit represents, on the books of the Company, a unit which is equivalent to one share of the Company's common stock, \$0.01 par value (the "**Common Stock**"). The effective date of grant will be _____, 20__ (the "**Grant Date**"), subject to your promptly signing and returning a copy of this Agreement (as defined below) to the Company. The Award has been made in fulfillment of your election under the FTI Consulting, Inc. Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008, as further amended from time to time (the "**Director Compensation Plan**"), to defer receipt of your Annual Retainer payment that was otherwise payable in cash.

This Stock Unit Agreement for Non-Employee Directors (the "**Agreement**") evidences the Award of the Stock Units. The Award is subject in all respects to and incorporates by reference the terms and conditions of the Plan and the Director Compensation Plan.

By executing this Agreement, you acknowledge that you have received a copy of the Plan, the Prospectus for the Plan, as further amended from time to time (the "**Plan Prospectus**"), the Director Compensation Plan, and the Prospectus for the Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008, as further amended from time to time (the "**Director Compensation Plan Prospectus**"). You may request additional copies of the Plan, the Plan Prospectus, the Director Compensation Plan, and the Director Compensation Plan Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 500 East Pratt Street, Suite 1400, Baltimore, Maryland 21202 (Phone: (410) 951-4800). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Plan Prospectus (described more fully at the end of the Plan Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally.

1. Terms and Conditions of this Award. The following terms and conditions will apply:

(a) *Credit to Account.* The Stock Units shall be credited to your Account as of the Grant Date.

(b) *Vesting*. All of the Stock Units are fully vested and nonforfeitable as of the Grant Date.

(c) *Payment*.

i. *Timing*. The Stock Units under this Award will be settled in shares of Common Stock upon or as soon as practicable following a Payment Date.

ii. *Issuance of Shares of Common Stock*. Upon payment, subject to Sections 1(c)(iii)-(vi) of this Agreement, the Company shall issue to you, or your estate as applicable, a number of shares of Common Stock equal to the number of Stock Units credited to your Account.

iii. *Registration of Shares*. The shares of Common Stock issued in settlement of the Stock Units shall be registered in your name, or, if applicable, in the names of your heirs or your estate. In the Company's discretion, such shares may be issued either in certificated form or in uncertificated, book entry form. The certificate or book entry account shall bear such restrictive legends or restrictions as the Company, in its sole discretion, shall require. If delivered in certificate form, the Company may deliver a share certificate to you, or deliver shares electronically or in certificate form to your designated broker on your behalf. If you are deceased (or if Disabled and if necessary) at the time that a delivery of share certificates is to be made, the certificates will be delivered to your executor, administrator, or legally authorized guardian or personal representative (as applicable).

iv. *Restrictions on Grant of Stock Units and Issuance of Shares of Common Stock*. The grant of the Stock Units and issuance of shares of Common Stock upon settlement of the Stock Units will be subject to and in compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Stock Units shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Stock Units, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

v. *Fractional Shares*. The Company will not be required to issue fractional shares of Common Stock upon payment of the Stock Units. Fractional shares of Common Stock will be rounded down to the nearest whole share.

vi. *Postponement of Delivery*. The Company may postpone the issuance and delivery of any shares of Common Stock provided for under this Agreement for so long as the Company determines to be necessary or advisable to satisfy the following:

- (1) the completion or amendment of any registration of such shares or satisfaction of any exemption from registration under any securities law, rule, or regulation;
- (2) compliance with any requests for representations; and

(3) receipt of proof satisfactory to the Company that a person seeking such shares on your behalf upon your Disability (as hereafter defined) (if necessary), or upon your estate's behalf after your death, is appropriately authorized.

(d) *Dividend Equivalents*. As of the payment date of any dividend (whether in cash or in kind), your Account will be credited with a number of additional Stock Units, rounded down to the nearest whole share, determined by dividing (i) the product of (A) the amount of the cash dividend per share of Common Stock multiplied by (B) the number of whole Stock Units credited to the Non-Employee Director's Account as of the dividend record date, by (ii) the Fair Market Value of a share of Common Stock on the payment date of the dividend; provided, that such dividend equivalent Stock Units will only be credited to your Account if sufficient shares of Common Stock are available for award under the Plan as of the dividend payment date to credit such Stock Units.

2. Restrictions on Transfer. Prior to settlement, you may not sell, assign, transfer, pledge, hypothecate, encumber or dispose of in any way (whether by operation of law or otherwise) any Stock Units, and Stock Units may not be subject to execution, attachment or similar process. Any sale or transfer, or purported sale or transfer, shall be null and void. The Company will not be required to recognize on its books any action taken in contravention of these restrictions.

3. Legends. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Common Stock issued pursuant to this Agreement. You will, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Agreement in your possession in order to carry out the provisions of this Section.

4. Tax Withholding. Since you are not an employee of the Company or any Affiliate, the Company is not required to, and the Company will not, deduct from any compensation or any other payment of any kind due you the amount of any federal, state, local or foreign taxes required to be paid by you as a result of the grant, vesting or settlement of the Stock Units in whole or in part. You expressly acknowledge that you are solely responsible for the payment of any such federal, state, local or foreign taxes, and you may not rely on the Company for any assistance with regard to withholding or paying such taxes.

5. Adjustments for Corporate Transactions and Other Events.

(a) *Stock Dividend, Stock Split and Reverse Stock Split*. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Stock Units hereunder shall be adjusted as provided under the Director Compensation Plan.

(b) *Unusual or Nonrecurring Events*. The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute rights to receive securities received by you in exchange for, or by virtue of your ownership of, the Stock Units, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or other similar event. If the Stock Units are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, rights to receive securities of another entity, or other property (including cash), then the rights of the Company under this Agreement will inure to the benefit of the Company's successor, and this Agreement will apply to the rights to receive securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Stock Units.

6. Non-Guarantee of Service Relationship. Nothing in the Plan, the Director Compensation Plan or this Agreement alters your service relationship with the Company or shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain you as a member of the Board of Directors for any period of time. This Agreement is not to be construed as a contract of service relationship between the Company and you. This Agreement does not limit in any way the possibility of your removal from the Board of Directors in accordance with the By-Law provisions in effect at the relevant time, whether or not such removal results in the forfeiture of any Stock Units or any other adverse effect on your interests under the Plan.

7. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any Stock Units until shares of Common Stock have been issued to you upon payment of the Stock Units. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate or certificates are issued, except as provided in Sections 1(d) and 5 of this Agreement.

8. The Company's Rights. The existence of the Stock Units does not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, including that of its Affiliates, or any merger or consolidation of the Company or any Affiliate, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of the Company's or any Affiliate's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

9. Entire Agreement. This Agreement, inclusive of the Plan and the terms of the Director Compensation Plan incorporated into this Agreement, contains the entire agreement between you and the Company with respect to the Stock Units. Any and all existing oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement by any person with respect to the Award or the Stock Units are superseded by this Agreement and are void and ineffective for all purposes.

10. Conformity and Conflict. All terms not defined in this Agreement have the meanings given in, first, the Director Compensation Plan, and if not defined in the Director Compensation Plan, second, in the Plan. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any provision, term or condition of this Agreement, the Plan, or the Director Compensation Plan, the provisions of, first, the Director Compensation Plan, second, the Plan, and lastly, this Agreement, will control in that order of priority, except in the case of Section 12 of this Agreement which will control in all cases.

11. Amendment. This Agreement may be amended from time to time by the Committee in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Stock Units as determined in the discretion of the Committee, except as provided in the Plan, the Director Compensation Plan or in any other written document signed by you and the Company.

12. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Committee relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, will be determined exclusively in accordance with the laws of the State of Maryland, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect to the Award or the Stock Units will be brought in the federal or state courts in the districts which include Baltimore, Maryland, and you agree and submit to the personal jurisdiction and venue thereof.

13. Unfunded Status. The Stock Units and the Account to which they are credited are intended to constitute and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation arrangement for a select group of management of the Company under the Employee Retirement Income Security Act of 1974, as amended. Your settlement rights pursuant to this Agreement shall be no greater than the right of any unsecured general creditor of the Company.

14. Severability. If a court of competent jurisdiction (or arbitrator(s), as applicable) determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Further, it is the parties' intent that any court order (or decision of arbitrator(s), as applicable) striking any portion of this Agreement should modify the terms as narrowly as possible to give as much effect as possible to the intentions of the parties' under this Agreement.

15. Further Assurances. You agree to use your reasonable and diligent best efforts to proceed promptly with the transactions contemplated herein, to fulfill the conditions precedent for your benefit or to cause the same to be fulfilled and to execute such further documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated herein.

16. Headings; Interpretation. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement. Whenever the context requires, all words under in the singular shall be construed to include the plural and vice versa. Words of the masculine gender shall be deemed to include the correlative words of the feminine gender. The word "you" or "your" means the recipient of the Restricted Stock Units as reflected in the first paragraph of this Agreement. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Committee, to apply to the estate, personal representative, or beneficiary to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the words "you" and "your" will be deemed to include such person.

17. Counterparts. This Agreement may be executed in counterparts (including electronic signatures or facsimile copies), each of which will be deemed an original, but all of which together will constitute the same instrument.

{The signature page follows.}

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer this _____ day of _____, 20__.

FTI CONSULTING, INC.

By: _____

The undersigned hereby represents that he/she has read the Prospectus and that he/she is familiar with the terms of the Plan and the Director Compensation Plan. The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees, on behalf of himself/herself and on behalf of his/her beneficiaries, estate and permitted assigns, to be bound by all of the provisions set forth herein, and that the Award and Stock Units are subject to all of the terms and provisions of this Agreement, and of the Plan under which it is granted, as the Plan may be amended in accordance with their respective terms. The undersigned agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee concerning any questions arising under this Agreement, the Plan or the Director Compensation Plan with respect to the Award or Stock Units.

WITNESS

AWARD RECIPIENT

Non-Employee Director Restricted Stock Unit Agreement

- Recipient's Copy
 Company's Copy

FTI CONSULTING, INC.
DEFERRED COMPENSATION PLAN
FOR KEY EMPLOYEES AND NON-EMPLOYEE DIRECTORS

RESTRICTED STOCK UNIT AGREEMENT FOR NON-EMPLOYEE DIRECTORS UNDER
THE NON-EMPLOYEE DIRECTOR COMPENSATION PLAN, AS AMENDED AND
RESTATED EFFECTIVE AS OF FEBRUARY 20, 2008

To _____:

FTI Consulting, Inc., a Maryland corporation (the "**Company**"), has granted you an award (this "**Award**") of _____ restricted stock units (the "**Restricted Stock Units**") under the FTI Consulting, Inc. Deferred Compensation Plan for Key Employees and Non-Employee Directors, as adopted effective June 6, 2006, as further amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. Each Restricted Stock Unit represents, on the books of the Company, a unit which is equivalent to one share of the Company's common stock, \$0.01 par value (the "**Common Stock**"). The effective date of grant will be _____, 20__ (the "**Grant Date**"), subject to your promptly signing and returning a copy of this Agreement (as defined below) to the Company. The Award has been made in fulfillment of your election under the FTI Consulting, Inc. Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008, as further amended from time to time (the "**Director Compensation Plan**"), to receive your Cyclical Equity Grant in the form of Restricted Stock Units.

This Restricted Stock Unit Agreement for Non-Employee Directors (the "**Agreement**") evidences the Award of the Restricted Stock Units. The Award is subject in all respects to and incorporates by reference the terms and conditions of the Plan and the Director Compensation Plan.

By executing this Agreement, you acknowledge that you have received a copy of the Plan, the Prospectus for the Plan, as amended from time to time (the "**Plan Prospectus**"), the Director Compensation Plan, and the Prospectus for the Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008, as further amended from time to time (the "**Director Compensation Plan Prospectus**"). You may request additional copies of the Plan, the Plan Prospectus, the Director Compensation Plan, and the Director Compensation Plan Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 500 East Pratt Street, Suite 1400, Baltimore, Maryland 21202 (Phone: (410) 951-4800). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Plan Prospectus (described more fully at the end of the Plan Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally.

1. Terms and Conditions of this Award. The following terms and conditions will apply:

(a) *Credit to Account.* The Restricted Stock Units shall be credited to your Account as of the Grant Date.

(b) *Vesting.* All of the Restricted Stock Units are nonvested and forfeitable as of the Grant Date. The Restricted Stock Units will vest and no longer be subject to risk of forfeiture as to 100%

of the Restricted Stock Units on the first anniversary of the Grant Date. Notwithstanding the foregoing, all outstanding unvested Restricted Stock Units will become fully vested and nonforfeitable upon the earliest of: (1) the occurrence of a Change in Control (as hereafter defined) or a Change in Control Event (such vesting will be deemed to occur immediately before such Change in Control or a Change in Control Event), (2) your death, or (3) your Disability (as hereafter defined).

(c) *Settlement or Forfeiture.*

i. *Timing.* Vested Restricted Stock Units under this Award will be settled in shares of Common Stock upon or as soon as practicable following the earlier of (i) your Termination Date or (ii) the occurrence of a Change in Control Event. Any Restricted Stock Units that are unvested as of your Termination Date shall be forfeited for no consideration on your Termination Date.

ii. *Issuance of Shares of Common Stock.* Upon settlement, subject to Sections 1(c)(iii)-(vi) of this Agreement, the Company shall issue to you, or your estate as applicable, a number of shares of Common Stock equal to the number of vested Restricted Stock Units credited to your Account.

iii. *Registration of Shares.* The shares of Common Stock issued in settlement of the vested Restricted Stock Units shall be registered in your name, or, if applicable, in the names of your heirs or your estate. In the Company's discretion, such shares may be issued either in certificated form or in uncertificated, book entry form. The certificate or book entry account shall bear such restrictive legends or restrictions as the Company, in its sole discretion, shall require. If delivered in certificate form, the Company may deliver a share certificate to you, or deliver shares electronically or in certificate form to your designated broker on your behalf. If you are deceased (or if Disabled and if necessary) at the time that a delivery of share certificates is to be made, the certificates will be delivered to your executor, administrator, or legally authorized guardian or personal representative (as applicable).

iv. *Restrictions on Grant of Restricted Stock Units and Issuance of Shares of Common Stock.* The grant of the Restricted Stock Units and issuance of shares of Common Stock upon settlement of the vested Restricted Stock Units will be subject to and in compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Common Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Restricted Stock Units shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the vested Restricted Stock Units, the Company may require you to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

v. *Fractional Shares.* The Company will not be required to issue fractional shares of Common Stock upon settlement of the vested Restricted Stock Units. Fractional shares of Common Stock will be rounded down to the nearest whole share.

vi. *Postponement of Delivery.* The Company may postpone the issuance and delivery of any shares of Common Stock provided for under this Agreement for so long as the Company determines to be necessary or advisable to satisfy the following:

- (1) the completion or amendment of any registration of such shares or satisfaction of any exemption from registration under any securities law, rule, or regulation;

(2) compliance with any requests for representations; and

(3) receipt of proof satisfactory to the Company that a person seeking such shares on your behalf upon your Disability (if necessary), or upon your estate's behalf after your death, is appropriately authorized.

(d) *Dividend Equivalents*. As of the date the Company pays any dividend (whether in cash or in kind) on shares of Common Stock, your Account shall be credited with that number of Restricted Stock Units, rounded down to the nearest whole share, determined by dividing (i) the product of (A) the amount of the cash dividend per share of Common Stock multiplied by (B) the number of whole Restricted Stock Units credited to the Non-Employee Director's Account as of the dividend record date, by (ii) the Fair Market Value of a share of Common Stock on the payment date of the dividend; provided, that such dividend equivalent Restricted Stock Units will only be credited to your Account if sufficient shares of Common Stock are available for award under the Plan as of the dividend payment date to credit such Restricted Stock Units.

2. Restrictions on Transfer. Prior to settlement, you may not sell, assign, transfer, pledge, hypothecate, encumber or dispose of in any way (whether by operation of law or otherwise) any Restricted Stock Units, and Restricted Stock Units may not be subject to execution, attachment or similar process. Any sale or transfer, or purported sale or transfer, shall be null and void. The Company will not be required to recognize on its books any action taken in contravention of these restrictions.

3. Legends. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Common Stock issued pursuant to this Agreement. You will, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Agreement in your possession in order to carry out the provisions of this Section.

4. Tax Withholding. Since you are not an employee of the Company or any Affiliate, the Company is not required to, and the Company will not, deduct from any compensation or any other payment of any kind due you the amount of any federal, state, local or foreign taxes required to be paid by you as a result of the grant, vesting or settlement of the Restricted Stock Units in whole or in part. You expressly acknowledge that you are solely responsible for the payment of any such federal, state, local or foreign taxes, and you may not rely on the Company for any assistance with regard to withholding or paying such taxes.

5. Adjustments for Corporate Transactions and Other Events.

(a) *Stock Dividend, Stock Split and Reverse Stock Split*. Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Restricted Stock Units hereunder shall be adjusted as provided under the Director Compensation Plan.

(b) *Unusual or Nonrecurring Events*. The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute rights to receive securities received by you in exchange for, or by virtue of your ownership of, the Restricted Stock Units, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or other similar event. If the Restricted Stock Units are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its

assets, rights to receive securities of another entity, or other property (including cash), then the rights of the Company under this Agreement will inure to the benefit of the Company's successor, and this Agreement will apply to the rights to receive securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Restricted Stock Units.

6. Non-Guarantee of Service Relationship. Nothing in the Plan, the Director Compensation Plan or this Agreement alters your service relationship with the Company or shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain you as a member of the Board of Directors for any period of time. This Agreement is not to be construed as a contract of service relationship between the Company and you. This Agreement does not limit in any way the possibility of your removal from the Board of Directors in accordance with the By-Law provisions in effect at the relevant time, whether or not such removal results in the forfeiture of any Restricted Stock Units or any other adverse effect on your interests under the Plan.

7. Rights as Stockholder. You shall not have any of the rights of a stockholder with respect to any Restricted Stock Units until shares of Common Stock have been issued to you upon settlement of the vested Restricted Stock Units. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate or certificates are issued, except as provided in Sections 1(d) and 5 of this Agreement.

8. The Company's Rights. The existence of the Restricted Stock Units does not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, including that of its Affiliates, or any merger or consolidation of the Company or any Affiliate, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of the Company's or any Affiliate's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

9. Entire Agreement. This Agreement, inclusive of the Plan and the terms of the Director Compensation Plan incorporated into this Agreement, contains the entire agreement between you and the Company with respect to the Restricted Stock Units. Any and all existing oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement by any person with respect to the Award or the Restricted Stock Units are superseded by this Agreement and are void and ineffective for all purposes.

10. Conformity and Conflict. All terms not defined in this Agreement have the meanings given in, first, the Director Compensation Plan, and if not defined in the Director Compensation Plan, second, in the Plan. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any provision, term or condition of this Agreement, the Plan, or the Director Compensation Plan, the provisions of, first, the Director Compensation Plan, second, the Plan, and lastly, this Agreement, will control in that order of priority, except in the case of Section 12 of this Agreement which will control in all cases.

11. Amendment. This Agreement may be amended from time to time by the Committee in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Restricted Stock Units as determined in the discretion of the Committee, except as provided in the Plan, the Director Compensation Plan or in any other written document signed by you and the Company.

12. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Committee relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, will be determined exclusively

in accordance with the laws of the State of Maryland, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect to the Award or the Restricted Stock Units will be brought in the federal or state courts in the districts which include Baltimore, Maryland, and you agree and submit to the personal jurisdiction and venue thereof.

13. Unfunded Status. The Restricted Stock Units and the Account to which they are credited are intended to constitute and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation arrangement for a select group of management of the Company under the Employee Retirement Income Security Act of 1974, as amended. Your settlement rights pursuant to this Agreement shall be no greater than the right of any unsecured general creditor of the Company.

14. Severability. If a court of competent jurisdiction (or arbitrator(s), as applicable) determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Further, it is the parties' intent that any court order (or decision of arbitrator(s), as applicable) striking any portion of this Agreement should modify the terms as narrowly as possible to give as much effect as possible to the intentions of the parties' under this Agreement.

15. Further Assurances. You agree to use your reasonable and diligent best efforts to proceed promptly with the transactions contemplated herein, to fulfill the conditions precedent for your benefit or to cause the same to be fulfilled and to execute such further documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated herein.

16. Headings; Interpretation. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement. Whenever the context requires, all words under in the singular shall be construed to include the plural and vice versa. Words of the masculine gender shall be deemed to include the correlative words of the feminine gender. The word "you" or "your" means the recipient of the Restricted Stock Units as reflected in the first paragraph of this Agreement. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Committee, to apply to the estate, personal representative, or beneficiary to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the words "you" and "your" will be deemed to include such person.

17. Counterparts. This Agreement may be executed in counterparts (including electronic signatures or facsimile copies), each of which will be deemed an original, but all of which together will constitute the same instrument.

{The signature page follows.}

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer this _____ day of _____, 20__.

FTI CONSULTING, INC.

By: _____

The undersigned hereby represents that he/she has read the Prospectus and that he/she is familiar with the terms of the Plan and the Director Compensation Plan. The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees, on behalf of himself/herself and on behalf of his/her beneficiaries, estate and permitted assigns, to be bound by all of the provisions set forth herein, and that the Award and Restricted Stock Units are subject to all of the terms and provisions of this Agreement, and of the Plan under which it is granted, as the Plan may be amended in accordance with their respective terms. The undersigned agrees to accept as binding, conclusive, and final all decisions or interpretations of the Committee concerning any questions arising under this Agreement, the Plan or the Director Compensation Plan with respect to the Award or Restricted Stock Units.

WITNESS

AWARD RECIPIENT

FTI CONSULTING, INC. 2006 GLOBAL LONG-TERM INCENTIVE PLAN

**RESTRICTED STOCK AGREEMENT UNDER THE NON-EMPLOYEE DIRECTOR COMPENSATION PLAN,
AS AMENDED AND RESTATED EFFECTIVE AS OF FEBRUARY 20, 2008**

To _____:

FTI Consulting, Inc., a Maryland corporation (the "**Company**"), has granted you an award (this "**Award**") of _____ restricted shares (the "**Award Shares**") of the Company's common stock, \$0.01 par value (the "**Common Stock**"), under the FTI Consulting, Inc. Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008, as further amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. The effective date of grant will be _____, 2__ (the "**Grant Date**"), subject to your promptly signing and returning a copy of this agreement (the "**Agreement**") to the Company and delivering to the Company a stock power, endorsed in blank, with respect to the Award Shares.

This Agreement evidences the Award of the Award Shares. The Award is subject in all respects to and incorporates by reference the terms and conditions of the Plan and the FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan, as Amended and Restated Effective October 25, 2006, as further amended from time to time (the "**LTIP**"). By executing this Agreement, you acknowledge that you have received a copy of the Plan, the Prospectus for the Plan, as Amended and Restated as amended from time to time (the "**Prospectus**"), the LTIP and the Prospectus for the LTIP, as amended from time to time (the "**LTIP Prospectus**"). You may request additional copies of the Plan, the Prospectus, the LTIP or the LTIP Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 500 East Pratt Street, Suite 1400, Baltimore, Maryland 21202 (Phone: (410) 951-4800). You also may request from the Secretary of the Company copies of the other documents that make up a part of the LTIP Prospectus (described more fully at the end of the LTIP Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award are made in consideration of your service as a member of the Board of Directors of the Company.

1. Terminology; Conformity; Conflicts. All terms not defined in this Agreement have the meanings given in, first, the Plan, and if not defined in the Plan, second, in the LTIP. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any provision, term or condition of this Agreement, the LTIP, or the Plan, the provisions of, first, the Plan, second, the LTIP, and lastly, this Agreement, will control in that order of priority, except in the case of Section 12 of this Agreement which will control in all cases.

2. Terms and Conditions of this Award. The following terms and conditions will apply:

(a) *Vesting*. All of the Award Shares are nonvested, nontransferable and forfeitable as of the Grant Date. The Award Shares will vest and become transferable and no longer subject to risk of forfeiture as to 100% of the Award Shares on the first anniversary of the Grant Date.

(b) *Acceleration of Vesting*. All outstanding Award Shares will become fully vested, transferable and nonforfeitable upon the earliest of:

- i. the occurrence of a Change in Control (such vesting will be deemed to occur immediately before such Change in Control),

- ii. your death, or
- iii. your Disability.

(c) *Termination Date*. All Award Shares that are unvested as of your Termination Date, subject to the acceleration of vesting provisions herein, shall be forfeited to the Company for no consideration on such Termination Date.

3. Restrictions on Transfer. You may not sell, assign, transfer, pledge, hypothecate, encumber or dispose of in any way (whether by operation of law or otherwise) any unvested Award Shares, and unvested Award Shares may not be subject to execution, attachment or similar process. The Company will not be required to recognize on its books any action taken in contravention of these restrictions.

4. Stock Certificates.

(a) *Unvested Shares*. You are reflected as the owner of record of the Award Shares on the Company's books. The Company will hold the share certificates for safekeeping, or otherwise retain the Award Shares in uncertificated book entry form, until the Award Shares become vested and nonforfeitable, and any share certificates (or electronic delivery) representing such unvested shares will include a legend to the effect that you may not sell, assign, transfer, pledge, or hypothecate the Award Shares. You must deliver to the Company, as soon as practicable after the Grant Date, a stock power, endorsed in blank, with respect to the Award Shares. If you forfeit any Award Shares, the stock power will be used to return the certificates for the forfeited Award Shares to the Company's transfer agent for cancellation.

(b) *Vested Shares*. As soon as practicable after the Award Shares vest, the Company will deliver a share certificate to you, or deliver shares electronically or in certificate form to your designated broker on your behalf. If you are deceased at the time that a delivery of share certificates is to be made, the certificates will be delivered to your executor, administrator, or personal representative.

(c) *Legends*. Any share certificates delivered or Award Shares delivered electronically will, unless the Award Shares are registered and such registration is in effect, or an exemption from registration is available, under applicable federal and state law, bear a legend (or electronic notation) restricting transferability of such Award Shares.

(d) *Postponement of Delivery*. The Company may postpone the issuance and delivery of any Award Shares for so long as the Company determines to be necessary or advisable to satisfy the following:

- i. the completion or amendment of any registration of the Award Shares or satisfaction of any exemption from registration under any securities law, rule, or regulation; and
- ii. compliance with any requests for representations.

5. Taxation.

(a) *Tax Withholding*. Since you are not an employee of the Company or any Affiliate, the Company is not required to, and the Company will not, deduct from any compensation or any other payment of any kind due you the amount of any federal, state, local or foreign taxes required to

be paid by you as a result of the grant or vesting of the Award Shares in whole or in part. You expressly acknowledge that you are solely responsible for the payment of any such federal, state, local or foreign taxes, and you may not rely on the Company for any assistance with regard to withholding or paying such taxes.

(b) *Tax Election. You are advised to seek independent tax advice from your own advisors regarding the availability and advisability of making an election under Section 83(b) of the Internal Revenue Code of 1986, as amended.* Any such election, if made, must be made within 30 days of the Grant Date. You expressly acknowledge that you are solely responsible for filing any such Section 83(b) election with the appropriate governmental authorities, irrespective of the fact that such election is also delivered to the Company. You may not rely on the Company or any of its respective officers, directors or employees for tax or legal advice regarding this Award. You acknowledge that you have sought tax and legal advice from your own advisors regarding this Award or have voluntarily and knowingly foregone such consultation.

6. Adjustments for Corporate Transactions and Other Events.

(a) *Stock Dividend, Stock Split and Reverse Stock Split.* Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Restricted Stock Units hereunder shall be adjusted as provided under the Director Compensation Plan.

(b) *Unusual or Nonrecurring Events.* The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute rights to receive securities received by you in exchange for, or by virtue of your ownership of, the Award Shares, whether as a result of any spin-off, stock split-up, stock dividend, stock distribution, other reclassification of the Common Stock of the Company, or other similar event. If the Award Shares are converted into or exchanged for, or stockholders of the Company receive by reason of any distribution in total or partial liquidation or pursuant to any merger of the Company or acquisition of its assets, rights to receive securities of another entity, or other property (including cash), then the rights of the Company under this Agreement will inure to the benefit of the Company's successor, and this Agreement will apply to the rights to receive securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

7. Non-Guarantee of Service Relationship. Nothing in the Plan, the LTIP or this Agreement alters your service relationship with the Company or shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain you as a member of the Board of Directors for any period of time. This Agreement is not to be construed as a contract of service relationship between the Company and you. This Agreement does not limit in any way the possibility of your removal from the Board of Directors in accordance with the By-Law provisions in effect at the relevant time, whether or not such removal results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan.

8. Rights as Stockholder. As the owner of record of Award Shares, you are entitled to all rights of a stockholder of the Company, including the right to vote the Award Shares and the right to receive cash dividends or other distributions declared or paid with respect to nonvested and forfeitable Award Shares, but excluding the right to freely transfer the Award Shares until they become vested. All cash dividends and any other distributions paid with respect to nonvested Award Shares will be paid directly to you on the applicable dividend payment dates.

9. The Company's Rights. The existence of the Award Shares does not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, including that of its subsidiaries, or any merger or consolidation of the Company or any Affiliate, or any issue of bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of the Company's or any Affiliate's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

10. Entire Agreement. This Agreement, inclusive of the Plan and the LTIP incorporated into this Agreement, contains the entire agreement between you and the Company with respect to the Award Shares. Any and all existing oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement by any person with respect to the Award or the Award Shares are superseded by this Agreement and are void and ineffective for all purposes.

11. Amendment. This Agreement may be amended from time to time by the Committee in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Award Shares as determined in the discretion of the Committee, except as provided in the Plan, the LTIP or in any other written document signed by you and the Company.

12. Governing Law. The validity, construction and effect of this Agreement, and of any determinations or decisions made by the Committee relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, will be determined exclusively in accordance with the laws of the State of Maryland, without regard to its provisions concerning the applicability of laws of other jurisdictions. Any suit with respect to the Award or the Award Shares will be brought in the federal or state courts in the districts which include Baltimore, Maryland, and you agree and submit to the personal jurisdiction and venue thereof.

13. Headings; Interpretation. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement. Whenever the context requires, all words under in the singular shall be construed to include the plural and vice versa. Words of the masculine gender shall be deemed to include the correlative words of the feminine gender. The word "you" or "your" means the recipient of the Restricted Stock Units as reflected in the first paragraph of this Agreement. Whenever the word "you" or "your" is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Committee, to apply to the estate, personal representative, or beneficiary to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the words "you" and "your" will be deemed to include such person.

14. Counterparts. This Agreement may be executed in counterparts (including electronic signatures or facsimile copies), each of which will be deemed an original, but all of which together will constitute the same instrument.

{The signature page follows.}

IN WITNESS WHEREOF, the Company and the Award Recipient have caused this Agreement to be executed this _____ day of _____, 20__.

FTI CONSULTING, INC.

By: _____

Name: _____

Title: _____

The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees to be bound by all of the provisions set forth herein.

WITNESS

AWARD RECIPIENT

STOCK POWER

FOR VALUE RECEIVED, the undersigned, _____, hereby sells, assigns and transfers unto FTI Consulting, Inc., a Maryland corporation (the "Company"), or its successor, _____ shares of common stock, par value \$.01 per share, of the Company standing in my name on the books of the Company and its transfer agent, and hereby irrevocably constitutes and appoints Jack B. Dunn, IV and Eric B. Miller, or any one of them, as my attorney-in-fact to transfer the said stock on the books of the Company with full power of substitution in the premises.

WITNESS:

Dated: _____

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of FTI Consulting, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack B. Dunn, IV, President and Chief Executive Officer (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2008

By: _____ /s/ JACK B. DUNN, IV
Jack B. Dunn, IV
President and Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of FTI Consulting, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jorge Celaya, Executive Vice President and Chief Financial Officer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2008

By: _____ /s/ JORGE CELAYA
Jorge Celaya
Executive Vice President and Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.