
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004

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)

900 Bestgate Road, Suite 100, Annapolis, Maryland
(Address of Principal Executive Offices)

52-1261113

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

21401
(Zip Code)

(410) 224-8770

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

<u>Class</u>	<u>Outstanding at October 31, 2004</u>
Common stock, par value \$0.01 per share	42,398,418

FTI CONSULTING, INC. AND SUBSIDIARIES
INDEX

	Page
PART I	FINANCIAL INFORMATION
Item 1.	Consolidated Financial Statements
	Consolidated Balance Sheets
	December 31, 2003 and September 30, 2004
	3
	Consolidated Statements of Income
	Three months and nine months ended September 30, 2003 and 2004
	4
	Consolidated Statement of Stockholders' Equity
	Nine months ended September 30, 2004
	5
	Consolidated Statements of Cash Flows
	Nine months ended September 30, 2003 and 2004
	6
	Notes to Consolidated Financial Statements
	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	30
Item 4.	Controls and Procedures
	30
PART II	OTHER INFORMATION
Item 1.	Legal Proceedings
	31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	32
Item 3.	Defaults Upon Senior Securities
	32
Item 4.	Submission of Matters to a Vote of Security Holders
	32
Item 5.	Other Information
	32
Item 6.	Exhibits
	33
	SIGNATURES
	34

PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	December 31, 2003	September 30, 2004
		(unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 5,765	\$ 8,987
Accounts receivable		
Accounts receivable	69,095	90,460
Unbilled receivables	34,672	39,025
Allowance for doubtful accounts	(20,045)	(19,977)
	83,722	109,508
Deferred income taxes	4,798	5,377
Prepaid expenses and other current assets	4,918	8,171
	99,203	132,043
Property and equipment, net	20,757	20,684
Goodwill	514,544	515,398
Other intangible assets, net	10,137	6,238
Other assets	15,924	17,180
	\$ 660,565	\$ 691,543
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 18,869	\$ 14,681
Accrued compensation and benefits	32,815	35,375
Current portion of long-term debt	16,250	20,000
Billings in excess of services provided	16,336	8,772
	84,270	78,828
Long-term debt, net of current portion	105,000	90,000
Deferred rent, capital lease obligations and other, net of current portion	1,822	10,198
Deferred income taxes	14,317	23,235
Commitments and contingent liabilities (notes 4 and 5)		
Stockholders' equity		
Preferred stock, \$0.01 par value; 5,000 shares authorized; none outstanding	—	—
Common stock, \$0.01 par value; 75,000 shares authorized; 42,253 shares issued and outstanding — 2003 and 42,391 shares issued and outstanding — 2004	423	424
Additional paid-in capital	332,823	331,907
Unearned compensation	(5,733)	(5,977)
Retained earnings	127,667	162,928
Accumulated other comprehensive loss	(24)	—
	455,156	489,282
Total liabilities and stockholders' equity	\$ 660,565	\$ 691,543

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Revenues	\$83,593	\$104,433	\$279,470	\$322,118
Operating expenses				
Direct cost of revenues	37,388	56,677	126,998	176,852
Selling, general and administrative expense	19,165	25,892	59,119	76,490
Amortization of other intangible assets	775	1,244	2,325	4,220
	<u>57,328</u>	<u>83,813</u>	<u>188,442</u>	<u>257,562</u>
Operating income	<u>26,265</u>	<u>20,620</u>	<u>91,028</u>	<u>64,556</u>
Other income (expense)				
Interest income	404	189	767	575
Interest expense	(1,249)	(1,564)	(4,183)	(4,753)
	<u>(845)</u>	<u>(1,375)</u>	<u>(3,416)</u>	<u>(4,178)</u>
Income from continuing operations before income tax provision	<u>25,420</u>	<u>19,245</u>	<u>87,612</u>	<u>60,378</u>
Income tax provision	<u>10,295</u>	<u>8,294</u>	<u>35,485</u>	<u>25,117</u>
Income from continuing operations	<u>15,125</u>	<u>10,951</u>	<u>52,127</u>	<u>35,261</u>
Discontinued operations				
(Loss) income from operations of discontinued operations, net of income tax benefit (provision) of \$190 and (\$1,156)	(267)	—	1,649	—
Income (loss) from sale of discontinued operations, net of income tax benefit (provision) of \$658 and \$(2,681)	304	—	(6,971)	—
Income (loss) from discontinued operations	<u>37</u>	<u>—</u>	<u>(5,322)</u>	<u>—</u>
Net income	<u>\$15,162</u>	<u>\$ 10,951</u>	<u>\$ 46,805</u>	<u>\$ 35,261</u>
Earnings per common share — basic				
Income from continuing operations	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.28</u>	<u>\$ 0.84</u>
Net income	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.15</u>	<u>\$ 0.84</u>
Earnings per common share — diluted				
Income from continuing operations	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.25</u>	<u>\$ 0.83</u>
Net income	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.12</u>	<u>\$ 0.83</u>

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

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

	Common Stock		Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount					
Balance, January 1, 2004	42,253	\$ 423	\$332,823	\$ (5,733)	\$127,667	\$ (24)	\$455,156
Issuance of common stock in connection with:							
Exercise of options, including income tax benefit of \$1,976	440	4	4,610				4,614
Employee stock purchase plan	202	2	2,838				2,840
Restricted share grants, net of forfeitures	75	1	1,141	(1,142)			—
Purchase and retirement of common stock	(579)	(6)	(9,323)				(9,329)
Contingent payments to former owners of subsidiary, net of income tax benefit of \$126			(182)				(182)
Amortization of unearned compensation				898			898
Other comprehensive income, net of income taxes of \$17						24	24
Net income					35,261		35,261
Balance, September 30, 2004	42,391	\$ 424	\$331,907	\$ (5,977)	\$162,928	\$ —	\$489,282

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

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

	Nine Months Ended September 30,	
	2003	2004
Operating activities		
Net income	\$ 46,805	\$ 35,261
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	4,682	6,647
Amortization of other intangible assets	2,325	4,220
Provision for doubtful accounts	5,213	5,390
Non-cash stock-based compensation	748	898
Loss from sale of discontinued operations	6,971	—
Income tax benefit from stock option exercises and other stock-based compensation	11,173	2,102
Non-cash interest expense and other	1,323	(47)
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	2,286	(30,590)
Prepaid expenses and other assets	(739)	(5,180)
Accounts payable, accrued expenses and other	6,404	11,694
Income taxes payable	4,492	4,841
Accrued compensation expense	(4,805)	2,560
Billings in excess of services provided	(1,383)	(7,564)
	<u>85,495</u>	<u>30,232</u>
Investing activities		
Purchases of property and equipment	(7,988)	(6,694)
Cash received from sale of discontinued operations	12,150	—
Payments for acquisition of businesses, including contingent payments and acquisition costs	(408)	(1,247)
Change in other assets	105	(610)
	<u>3,859</u>	<u>(8,551)</u>
Financing activities		
Issuance of common stock, net of offering costs	99,223	—
Issuance of common stock under equity compensation plans	12,006	2,638
Purchase and retirement of common stock	—	(9,329)
Borrowings under revolving credit facility	—	43,500
Payments of revolving credit facility	—	(43,500)
Payments of long-term debt	(76,954)	(11,250)
Payments of capital lease obligations and other	(117)	(518)
	<u>34,158</u>	<u>(18,459)</u>
Net increase in cash and cash equivalents	<u>123,512</u>	<u>3,222</u>
Cash and cash equivalents, beginning of period	<u>9,906</u>	<u>5,765</u>
Cash and cash equivalents, end of period	<u>\$ 133,418</u>	<u>\$ 8,987</u>

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

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(amounts in tables expressed in thousands, except per share data)
Unaudited

1. Basis of Presentation

Our unaudited 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, 2003.

2. Significant Accounting Policies*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 potentially dilutive effects of shares issued and issuable under our stock option plans using the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Numerator — basic and diluted				
Income from continuing operations	\$15,125	\$10,951	\$52,127	\$35,261
Income (loss) from discontinued operations	37	—	(5,322)	—
Net income	<u>\$15,162</u>	<u>\$10,951</u>	<u>\$46,805</u>	<u>\$35,261</u>
Denominator				
Weighted average number of common shares outstanding — basic	41,764	42,134	40,597	42,135
Effect of dilutive restricted shares	—	2	—	3
Effect of dilutive stock options	821	343	1,209	396
Weighted average number of common shares outstanding — diluted	<u>42,585</u>	<u>42,479</u>	<u>41,806</u>	<u>42,534</u>
Earnings per common share — basic				
Income from continuing operations	\$ 0.36	\$ 0.26	\$ 1.28	\$ 0.84
Loss from discontinued operations	—	—	(0.13)	—
Net income	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.15</u>	<u>\$ 0.84</u>
Earnings per common share — diluted				
Income from continuing operations	\$ 0.36	\$ 0.26	\$ 1.25	\$ 0.83
Loss from discontinued operations	—	—	(0.13)	—
Net income	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 1.12</u>	<u>\$ 0.83</u>
Antidilutive stock options and restricted shares	<u>1,793</u>	<u>2,999</u>	<u>843</u>	<u>3,161</u>

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

Stock-Based Compensation

We record compensation expense for stock-based compensation for employees and non-employee members of our board of directors using the intrinsic value method prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB Opinion No. 25, compensation expense is recorded over the vesting period to the extent that the fair value of the underlying stock on the grant date exceeds the exercise or acquisition price of the stock or stock-based award.

All options granted under our stock-based employee compensation plans had an exercise price greater than or equal to the market value of the underlying common stock on the date of grant. We also periodically issue restricted and unrestricted stock to employees in connection with new hires and performance evaluations. The fair market value on the date of issue of unrestricted stock is immediately charged to compensation expense, and the fair value on the date of issue of restricted stock is charged to compensation expense ratably over the restriction period.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages companies to recognize expense for stock-based awards based on their estimated fair value on the date of grant. Statement No. 123 requires the disclosure of pro forma income and earnings per share data in the notes to the financial statements if the fair value method is not adopted. The following table illustrates the effect on net income and earnings per share if we had determined compensation costs by applying the fair value recognition provisions of Statement No. 123 to stock-based employee awards.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net income, as reported	\$15,162	\$10,951	\$46,805	\$35,261
Add — Stock-based employee compensation cost included in reported net income, net of income taxes	631	152	748	524
Deduct — Total stock-based employee compensation expense determined under a fair value based method for all awards, net of income taxes	(3,256)	(2,085)	(8,298)	(5,624)
Net income, pro forma	\$12,537	\$ 9,018	\$39,255	\$30,161
Earnings per common share				
Basic, as reported	\$ 0.36	\$ 0.26	\$ 1.15	\$ 0.84
Basic, pro forma	\$ 0.30	\$ 0.21	\$ 0.97	\$ 0.72
Diluted, as reported	\$ 0.36	\$ 0.26	\$ 1.12	\$ 0.83
Diluted, pro forma	\$ 0.30	\$ 0.21	\$ 0.96	\$ 0.71

The Black-Scholes option-pricing model and other models were developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of subjective assumptions, including the expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options, and because

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

changes in the subjective input assumptions can materially affect the fair value estimate, we believe the existing models do not necessarily provide a reliable measure of the fair value of our stock-based awards. The fair value of our stock-based awards was estimated on the measurement date using the Black-Scholes option-pricing model along with the following assumptions.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Assumptions				
Risk-free interest rate — option plan grants	2.59%	2.88% — 3.91%	1.86% — 2.59%	1.90% — 3.91%
Risk-free interest rate — purchase plan grants	1.02%	1.61%	1.02% — 1.16%	0.96% — 1.61%
Dividend yield	0%	0%	0%	0%
Expected life of option grants	3 years	3 — 5 years	3 years	3 — 5 years
Expected life of stock purchase plan grants	0.5 years	0.5 years	0.5 years	0.5 years
Stock price volatility — option plan grants	55.5%	56.4% — 59.1%	55.5% — 59.4%	54.6% — 59.6%
Stock price volatility — purchase plan grants	33.8%	71.6%	33.8% — 61.0%	56.9% — 71.6%
Weighted average fair value of grants				
Stock options:				
Grant price = fair market value	\$ 8.52	\$ 8.96	\$ 9.08	\$ 7.07
Grant price > fair market value	\$ 7.87	\$ 6.35	\$ 10.08	\$ 6.29
Employee stock purchase plan shares	\$ 5.98	\$ 5.78	\$ 7.37	\$ 6.54
Restricted shares	\$ —	\$ 18.83	\$ —	\$ 17.12

Goodwill and Other Intangible Assets

We perform impairment tests on the carrying value of our goodwill as of October 1st of each year. No impairment of goodwill was identified as a result of these tests, which we conducted as of October 1, 2003. Due to the resignation of a number of our professional staff, we performed an impairment test of our goodwill in February 2004. No impairment of goodwill was identified as a result of our test.

Other intangible assets with finite lives are amortized over their estimated useful lives. The changes in the carrying amount of goodwill for the nine months ended September 30, 2004, are as follows:

Balance as of January 1, 2004	\$ 514,544
Goodwill acquired during the year:	
Costs related to acquisitions completed in 2003	439
Adjustments to allocation of purchase price	415
Balance as of September 30, 2004	\$ 515,398

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

The table below summarizes our other intangible assets subject to amortization. Intangible asset amortization is estimated to be \$1.2 million for the remainder of 2004, \$3.2 million in 2005 and \$1.8 million in 2006. The amortizable assets acquired in 2003 are based on our estimated valuations, which we will finalize in 2004. The final valuations may be higher than our preliminary estimates or the estimated useful lives could be shorter than our preliminary estimates, both of which could increase our estimates of future amortization expense.

	Useful Life in Years	December 31, 2003		September 30, 2004	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contracts, backlog	1.5 to 3	\$ 12,700	\$ 4,247	\$ 12,691	\$ 7,708
Intellectual property	3	360	160	540	430
Non-compete agreement	3	1,790	306	1,940	795
		<u>\$ 14,850</u>	<u>\$ 4,713</u>	<u>\$ 15,171</u>	<u>\$ 8,933</u>

Income Taxes

Our income tax provision consists principally of federal and state income taxes. Our estimated combined annual federal and state income tax rate for 2004 increased from the 40.9% rate originally anticipated to 41.6% based on our estimated effective tax rate for the full year. This change is attributed to an increase to our estimated effective state income tax rate. Our estimated effective tax rate may change due to ongoing changes in the mix of earnings between higher and lower state tax jurisdictions and the impact of nondeductible expenses.

Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

3. Discontinued Operations

During 2003, we sold our applied sciences practice group, consisting of the LWG asset disposal group and the SEA asset disposal group. Because we eliminated the operations and cash flows of the business components comprising the applied sciences practice group from our ongoing operations as a result of the disposition transactions, and because we did not have any significant continuing involvement in the operations after the disposition transactions, we presented the results of the applied sciences practice group's operations as a discontinued operation through 2003. Summarized operating results of the applied sciences practice group for the three- and nine-month periods ended September 30, 2003 are as follows:

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Revenues	\$ 6,495	\$ 24,011
(Loss) income before income taxes	(458)	2,805
Net (loss) income	(267)	1,649

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

4. Long-Term Debt and Capital Lease Obligations

	December 31, 2003	September 30, 2004
Bank credit facility		
Term loans, interest payable monthly and quarterly (3.1% to 3.2% — 2003; 3.3% to 3.4% — 2004)	\$ 121,250	\$ 110,000
Revolving loan commitment of \$100.0 million, interest payable monthly and quarterly	—	—
Total long-term debt	121,250	110,000
Less current portion	16,250	20,000
Long-term debt, net of current portion	\$ 105,000	\$ 90,000
Total capital lease obligations		
Less current portion	583	287
Capital lease obligations, net of current portion	\$ 366	\$ 161

Bank credit facility. Our bank credit facility provides for up to \$225.0 million of secured financing, consisting of a \$100.0 million revolving credit facility and \$125.0 million in term loans. Principal payments on the term loans began on December 31, 2003, and are payable quarterly thereafter through September 30, 2008. The maturity date of the \$100.0 million revolving credit facility is November 28, 2008. However, we may choose to repay outstanding borrowings under the revolving credit facility at any time before maturity without penalty. Debt under the credit facility bears interest at an annual rate equal to the London Interbank Offered Rate, or LIBOR, plus an applicable margin or an alternative base rate defined as the higher of (1) the lender's announced U.S. prime rate or (2) the federal funds rate plus the sum of 50 basis points and an applicable margin. Under the credit facility, the lenders have a security interest in substantially all of our assets. As of September 30, 2004, substantially all of our subsidiaries are guarantors of borrowings under our bank credit facility in the amount of \$110.0 million.

The bank credit facility contains covenants which limit our ability to incur additional indebtedness; create liens; pay dividends on, make distributions or repurchases of our capital stock or make specified other restricted payments; consolidate, merge or sell all or substantially all of our assets; guarantee obligations of other entities; enter into hedging agreements; enter into transactions with affiliates or related persons or engage in any business other than the consulting business. The credit facility requires compliance with financial ratios, including total indebtedness to earnings before interest, taxes, depreciation and amortization, or EBITDA; EBITDA to specified charges and the maintenance of a minimum net worth, each as defined under the amended credit facility. As of September 30, 2004, we were in compliance with all covenants as stipulated in the credit facility agreements.

Interest rate swaps. We have previously entered into interest rate swap transactions on a portion of our outstanding term loans. At December 31, 2003, the notional amount of our outstanding interest rate swap agreement was \$8.6 million. The interest rate swap expired in January 2004. We recognize changes in the fair value of interest rate swaps in the consolidated financial statements as changes in accumulated other comprehensive income (loss). During 2003 and 2004, we did not recognize a net gain (loss) related to the interest rate swap transactions as there was no ineffective portion of the cash flow hedge nor was there any portion of the hedged instrument excluded from the assessment of hedge effectiveness.

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

Future maturities of long-term debt and capital lease obligations. For years subsequent to December 31, 2003, scheduled annual maturities of long-term debt and capital lease obligations outstanding as of December 31, 2003 are as follows.

	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
Remainder of 2004	\$ 5,000	\$ 81	\$ 5,081
2005	21,250	283	21,533
2006	26,250	89	26,339
2007	31,250	16	31,266
2008	26,250	2	26,252
	<u>110,000</u>	<u>471</u>	<u>110,471</u>
Less imputed interest	—	23	23
	<u>\$110,000</u>	<u>\$ 448</u>	<u>\$110,448</u>

5. Commitments and Contingencies

Commitments. We entered into a new lease agreement for office space in New York City. The lease commenced on July 22, 2004 and expires in November 2021. In accordance with the lease terms, we received a cash inducement of \$8.1 million which we have classified as deferred rent in our balance sheet. We will amortize the cash inducement over the life of the lease as a reduction to the cash rent expense. We plan on consolidating our New York City area offices and relocating our employees into the new space during the fourth quarter of 2004. As a result of this decision, we will be vacating leased office facilities prior to the lease termination dates. Although we plan on subleasing the facilities, we expect to record a loss of about \$3.2 million related to the subleased facilities during the fourth quarter of 2004.

Contingencies. See note 9 and “Part II — Other Information, Item 1. Legal Proceedings.”

6. Stock Option and Employee Stock Purchase Plans

Stock Option Plans. Our 1997 Stock Option Plan provides for the issuance of up to 11,587,500 shares of common stock to employees and non-employee directors. Under the terms of the 1997 plan, we may grant option rights or shares of restricted and unrestricted common stock to employees. As of September 30, 2004, 366,113 shares of common stock are available for grant under our 1997 Stock Option Plan.

On May 19, 2004, our stockholders approved the FTI Consulting, Inc. 2004 Long-Term Incentive Plan. The 2004 plan provides for grants of option rights, appreciation rights, restricted or unrestricted shares, performance awards or other stock-based awards to our officers, employees, non-employee directors and individual service providers. We are authorized to issue up to 3,000,000 shares of common stock under the 2004 plan. As of September 30, 2004, 2,603,145 shares of common stock are available for grant under our 2004 Long-Term Incentive Plan.

Vesting provisions for individual awards under our stock option plans are at the discretion of our board of directors. Generally, outstanding options have been granted at prices equal to or exceeding the market value of the stock on the grant date, vest over three to five years, and expire ten years subsequent to award.

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

During the nine months ended September 30, 2004, we granted 109,855 shares of restricted common stock to employees at a weighted-average fair value of \$17.12. We did not grant any shares of common stock to employees during the nine months ended September 30, 2003.

The following table summarizes the option activity under the plans for the nine-month periods ended September 30, 2003 and 2004.

	2003	Weighted Average Exercise Price	2004	Weighted Average Exercise Price
Option outstanding, January 1	5,807	\$ 14.72	4,330	\$ 18.54
Options granted during the period:				
Options granted = fair market value	282	\$ 22.72	765	\$ 16.88
Options granted > fair market value	68	\$ 28.85	68	\$ 18.04
Options exercised	(1,715)	\$ 7.00	(440)	\$ 6.00
Options forfeited	(61)	\$ 17.60	(484)	\$ 22.05
Options outstanding, September 30	4,381	\$ 18.42	4,239	\$ 19.14
Options exercisable, September 30	1,413	\$ 16.32	2,171	\$ 18.24

Following is a summary of the status of stock options outstanding and exercisable at September 30, 2004.

Exercise Price Range	Shares	Options Outstanding		Options Exercisable	
		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Exercise Price
\$ 1.90 — \$12.36	938	\$ 9.24	6.2 years	717	\$ 8.28
\$14.14 — \$18.60	912	\$ 16.72	9.1 years	162	\$ 17.36
\$19.24 — \$21.65	820	\$ 21.23	8.1 years	452	\$ 21.28
\$21.97 — \$24.28	976	\$ 23.92	8.1 years	543	\$ 24.17
\$25.67 — \$33.25	593	\$ 27.73	8.1 years	297	\$ 27.30
	4,239	\$ 19.14		2,171	\$ 18.24

Employee Stock Purchase Plan

The FTI Consulting, Inc. Employee Stock Purchase Plan allows eligible employees to subscribe to purchase shares of common stock through payroll deductions of up to 15% of eligible compensation, subject to limitations. The purchase price is the lower of 85% or the fair market value of our common stock on the first trading day or the last trading day of each semi-annual offering period. A total of 2,050,000 shares are authorized for purchase under the plan. As of September 30, 2004, 580,126 shares of common stock are available for sale to plan participants. Employees purchased shares under this plan during the following periods at the weighted average prices per share as indicated: nine months ended September 30, 2003 — 113,297 at \$21.23; and nine months ended September 30, 2004 — 202,396 at \$14.03.

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

7. Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net income	\$15,162	\$10,951	\$46,805	\$35,261
Other comprehensive income — change in fair value of interest rate swaps	174	—	511	24
Total comprehensive income, net of income taxes	<u>\$15,336</u>	<u>\$10,951</u>	<u>\$47,316</u>	<u>\$35,285</u>

8. Segment Reporting

Prior to September 1, 2002, we were organized into three operating segments: financial consulting, litigation consulting and applied sciences. As a result of the acquisition of the domestic Business Recovery Services division of PricewaterhouseCoopers, LLP in August 2002 and the decision to sell the applied sciences practice group, we began managing our operations as one segment. During the fourth quarter of 2003, we completed three acquisition transactions. As part of the integration of the acquired businesses, we reorganized our operations into three operating segments. During the first quarter of 2004, we completed the reorganization and appointed a manager for each operating segment.

Our reportable operating segments are business units that offer distinct services. Within our forensic and litigation consulting practice, we help clients assess complex financial transactions and reconstruct events from incomplete and/or corrupt data, uncover vital evidence, identify potential claims and assist in the pursuit of economic recoveries. We also provide asset tracing investigative services and expert witness services. Our litigation practice serves clients in all phases of litigation, including pre-filing, discovery, jury selection, trial preparation, expert testimony and the actual trial. We assist with refining issues in litigation and venue selection, and provide fraud investigation and securities litigation assistance. Our trial graphics and technology and electronic evidence experts assist clients in preparing for and presenting their cases in court.

Our corporate finance/restructuring practice provides turnaround, performance improvement, lending solutions, financial and operational restructuring, restructuring advisory, mergers and acquisitions and interim management services. We assist under performing companies in making decisions to improve their financial and operational position given their current situation. We analyze, recommend and implement strategic alternatives for our corporate finance/restructuring clients, such as rightsizing infrastructure, improving working capital management, selling non-core assets or business units, restructuring capital and borrowings, and assessing long-term viability and business strategy. We also lead and manage the financial aspects of the in-court restructuring process, such as assessing the impact of a bankruptcy filing on the client's financial and operational situation, planning for the smooth transition in and out of bankruptcy, facilitating the sale of assets and assisting to arrange debtor-in-possession financing. Through our corporate finance services, we can help financially distressed companies implement their plans by providing interim management teams.

Within our economic consulting practice, we provide our clients with analyses of complex economic issues for use in legal and regulatory proceedings, strategic decision-making and public policy debates. Our services include providing advice and testimony related to

- antitrust and competition issues that arise in the context of potential mergers and acquisitions;
- other antitrust issues, including alleged price fixing, cartels and other forms of exclusionary behavior;

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

- the application of modern finance theory to issues arising in securities litigation; and
- public policy studies on behalf of companies, trade associations and governmental agencies.

We evaluate the performance of these operating segments based on operating income before depreciation, amortization and corporate general and administrative expenses. In general, our assets are not specifically attributable to any particular segment; therefore, we do not allocate assets to our reportable segments. Accordingly, asset information by reportable segment is not presented. The reportable segments use the same accounting policies as those used by the company. There are no significant intercompany sales or transfers.

Substantially all of our revenues and assets are attributed to or are located in the United States. We do not have a single customer that represents ten percent or more of our consolidated revenues.

In 2003, we did not operate our business practices as segments. Accordingly, we did not report results of operations by segment. The table below presents revenues, gross margin and segment profits for the three- and nine-month periods ended September 30, 2004. For the three- and nine-month periods ended September 30, 2003, the table presents segment revenues and gross margin that are estimates derived from classifying client engagements by the principal nature of the service.

	<u>Forensic and Litigation Consulting</u>	<u>Corporate Finance/ Restructuring</u>	<u>Economic Consulting</u>	<u>Total</u>
Three months ended September 30, 2003				
Revenues	\$ 22,545	\$ 58,484	\$ 2,564	\$ 83,593
Gross margin	10,499	34,730	976	46,205
Segment profit	N/A	N/A	N/A	33,245
Three months ended September 30, 2004				
Revenues	\$ 44,035	\$ 40,409	\$ 19,989	\$ 104,433
Gross margin	20,733	20,552	6,471	47,756
Segment profit	11,708	13,557	3,354	28,619
Nine months ended September 30, 2003				
Revenues	\$ 73,862	\$ 196,743	\$ 8,865	\$ 279,470
Gross margin	35,014	113,806	3,652	152,472
Segment profit	N/A	N/A	N/A	112,018
Nine months ended September 30, 2004				
Revenues	\$ 133,890	\$ 123,272	\$ 64,956	\$ 322,118
Gross margin	63,129	59,175	22,962	145,266
Segment profit	38,737	38,816	14,112	91,665

N/A– Not available

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(amounts in tables expressed in thousands, except per share data)
Unaudited

The following table presents a reconciliation of segment profit to income from continuing operations before income taxes.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Operating profit				
Total segment profit	\$ 33,245	\$ 28,619	\$ 112,018	\$ 91,665
Corporate general and administrative expenses	4,774	4,459	14,378	16,242
Depreciation and amortization	1,431	2,296	4,287	6,647
Amortization of other intangible assets	775	1,244	2,325	4,220
Interest expense, net	845	1,375	3,416	4,178
Income from continuing operations before income tax provision	\$ 25,420	\$ 19,245	\$ 87,612	\$ 60,378

9. Subsequent Event

In December 2003, we filed an action in the Supreme Court of the State of New York against PricewaterhouseCoopers LLP seeking damages, and injunctive and other equitable relief, and the enforcement of the non-competition covenants contained in our asset purchase agreement with PricewaterhouseCoopers relating to the acquisition of its domestic Business Recovery Services division. On November 3, 2004, the parties executed a settlement and release in the case. As a result, we expect to record a pre-tax gain of about \$1.0 million in the fourth quarter of 2004. See “Part II — Other Information, Item 1. Legal Proceedings.”

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- and nine-month periods ended September 30, 2004 and 2003, 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 financial statements and notes and with our consolidated financial statements and notes included in our annual report on Form 10-K for the year ended December 31, 2003 and our quarterly reports on Form 10-Q for the three months ended March 31, 2004 and June 30, 2004. Historical results and any discussion of prospective results may not indicate our future performance. See "— Forward Looking Statements."

We are one of the largest providers of forensic and litigation consulting, corporate finance/restructuring and economic consulting services in the United States. Within our forensic and litigation consulting practice, we help clients assess complex financial transactions and reconstruct events from incomplete and/or corrupt data, uncover vital evidence, identify potential claims and assist in the pursuit of economic recoveries. We also provide asset tracing investigative services and expert witness services. Our litigation practice serves clients in all phases of litigation, including pre-filing, discovery, jury selection, trial preparation, expert testimony and the actual trial. We assist with refining issues in litigation and venue selection, and provide fraud investigation and securities litigation assistance. Our trial graphics and technology and electronic evidence experts assist clients in preparing for and presenting their cases in court.

Our corporate finance/restructuring practice provides turnaround, performance improvement, lending solutions, financial and operational restructuring, restructuring advisory, mergers and acquisitions and interim management services. We assist under performing companies in making decisions to improve their financial and operational position given their current situation. We analyze, recommend and implement strategic alternatives for our corporate finance/restructuring clients, such as rightsizing infrastructure, improving working capital management, selling non-core assets or business units, restructuring capital and borrowings, and assessing long-term viability and business strategy. We also lead and manage the financial aspects of the in-court restructuring process, such as assessing the impact of a bankruptcy filing on the client's financial and operational situation, planning for the smooth transition in and out of bankruptcy, facilitating the sale of assets and assisting to arrange debtor-in-possession financing. Through our corporate finance services, we can help financially distressed companies implement their plans by providing interim management teams.

Within our economic consulting practice, we provide our clients with analyses of complex economic issues for use in legal and regulatory proceedings, strategic decision-making and public policy debates. Our services include providing advice and testimony related to:

- antitrust and competition issues that arise in the context of potential mergers and acquisitions;
- other antitrust issues, including alleged price fixing, cartels and other forms of exclusionary behavior;
- the application of modern finance theory to issues arising in securities litigation; and
- public policy studies on behalf of companies, trade associations and governmental agencies.

All of our practices have experience providing testimony in the following areas: fraud, damages, lost profits, valuation, accountant's liability and malpractice, contract disputes, patent infringement, price fixing, purchase price disputes, solvency and insolvency, fraudulent conveyance, preferences, disclosure statements, trademark and copyright infringement and the financial impact of government regulations.

Recent Events Affecting Our Operations. We entered into a new lease agreement for office space in New York City. The lease commenced on July 22, 2004 and expires in November 2021. In accordance with the lease terms, we received a cash inducement of \$8.1 million which we have classified as deferred rent in our balance

[Table of Contents](#)

sheet. We will amortize the cash inducement over the life of the lease as a reduction to the cash rent expense. We plan on consolidating our New York City area offices and relocating our employees into the new space during the fourth quarter of 2004. As a result of this decision, we will be vacating leased office facilities prior to the lease termination dates. Although we plan on subleasing the facilities, we expect to record a loss of about \$3.2 million related to the subleased facilities during the fourth quarter of 2004.

During the first quarter of 2004, we announced the unanticipated departure of a number of senior professionals in our corporate finance/restructuring practice. Some or all of those professionals have formed a company to compete with us. In addition, some of our clients have transferred their engagements to those former employees and their company. See "Part II — Other Information, Item 1. Legal Proceedings." These clients requested refunds of their retainer balances, which negatively impacted our cash flows during the early part of 2004.

During the fourth quarter of 2003, we completed three strategic business acquisitions. The Lexecon business, which we acquired as of November 28, 2003, is one of the leading economic consulting firms in the United States, concentrating in litigation support and expert analysis, public policy analysis, anti-trust and competition and general business services. We acquired substantially all of the assets and certain liabilities of Lexecon Inc. from its parent Nextera Enterprises, Inc. We added 122 billable Lexecon professionals. These professionals now operate as part of our economic consulting practice.

We acquired specified assets and liabilities of the dispute advisory services business of KPMG LLP, as of October 31, 2003. The dispute advisory services business assists clients in the analysis and resolution of all phases of complex claims and disputes. We added 151 billable professionals with the dispute advisory services business. These professionals now operate as part of our forensic and litigation consulting practice.

As of October 15, 2003, we acquired substantially all of the assets and certain liabilities of Ten Eyck Associates, P.C., which expanded our consulting services relating to SEC investigations, securities law litigation, SEC accounting and enforcement, fraud investigations and The Sarbanes-Oxley Act of 2002. With the Ten Eyck asset acquisition, we added approximately 20 billable professionals. These professionals now operate as part of our forensic and litigation consulting practice.

Selected Financial and Operating Data. Over the past several years the growth in our revenues and profitability has resulted primarily from the acquisitions we have completed and also from our ability to attract new and recurring engagements. During the third quarter of 2004, our revenues increased \$20.8 million, or 24.9%, as compared to the third quarter of 2003. During the nine months ended September 30, 2004, our revenues increased \$42.6 million, or 15.3%, as compared to the nine months ended September 30, 2003. Revenues increased by 95.3% in our forensic and litigation practice and by 679.6% in our economic consulting practice. This growth was primarily due to the acquisitions we completed during the fourth quarter of 2003. Although total revenues increased, the reduced volume of new business in the restructuring market and the unanticipated departure of a number of billable professional staff in our corporate finance/restructuring practice resulted in a 30.9% decrease in revenues from those services during 2004 as compared to 2003.

Our financial results are primarily driven by:

- the utilization rates of the billable professionals we employ;
- the number of billable professionals we employ;
- the rates per hour we charge our clients for service; and
- the number and size of engagements we secure.

Utilization Rates of Billable Professionals

	2003	2004	Percent Change
Three Months Ended September 30,			
Forensic and Litigation Consulting	72%	71%	(1.4)%
Corporate Finance/Restructuring	82%	84%	2.4%
Economic Consulting	83%	70%	(15.7)%
Total	78%	75%	(3.9)%
Nine Months Ended September 30,			
Forensic and Litigation Consulting	79%	74%	(6.3)%
Corporate Finance/Restructuring	89%	84%	(5.6)%
Economic Consulting	92%	79%	(14.1)%
Total	85%	78%	(8.2)%

We calculate the utilization rate for our professional staff by dividing the number of hours that all of our professionals charged our clients during a period by the total available working hours for all of our professionals assuming a 40-hour work week and a 52-week year. Available working hours include vacation and professional training days, but exclude holidays. Utilization of our professionals is affected by a number of factors, including:

- the number, size and timing of client engagements;
- the hiring of new professionals, which generally results in a temporary drop in our utilization rate during the transition period for new hires;
- our ability to forecast demand for our services and thereby maintain an appropriate level of professionals; and
- conditions affecting the industries in which we practice as well as general economic conditions.

During the first nine months of 2004, we experienced a decrease in utilization rates across all practice areas as compared to the same period of 2003. During the first half of 2003, utilization rates were high and our financial performance was strong across all practice areas. However, during the third quarter of 2003, demand for our corporate finance/restructuring services began to decline, primarily resulting from a strengthening economy coupled with a decline in the volume of new business in the restructuring market. As a result of economic conditions, utilization rates decreased in our corporate finance/restructuring practice during 2003. The unanticipated departures of professionals from this practice area during the first quarter of 2004 resulted in a further reduction to utilization rates beginning in 2004, since these professionals were highly utilized. Beginning in late 2003, we began to mitigate the impact of declining utilization rates by reassigning our corporate finance/restructuring professionals to other practice areas where demand was higher. We also began to more closely manage our professional staffing levels to optimize our utilization rates. We believe we have successfully implemented our business strategy. For the nine- and three-month periods ended September 30, 2004, the utilization rate in our corporate finance/restructuring practice has remained stable at 84%.

For the nine- and three-month periods ended September 30, 2004, the utilization rate in our forensic and litigation consulting practice was lower than for the same periods of 2003. This is primarily attributable to the dispute advisory services business of KPMG that we acquired in the fourth quarter of 2003. The overall utilization rate of these professionals is lower than our historical experience in this practice. The utilization of professionals in this practice is highly impacted by seasonal factors such as the vacation of our staff as well as client personnel. This typically results in lower utilization rates during the summer months of the third quarter as compared to the remainder of the year.

The economic consulting practice predominately reflects the results of the Lexecon business we acquired in the fourth quarter of 2003. Prior to the Lexecon acquisition, our economic consulting practice was relatively

[Table of Contents](#)

small and the utilization rates in 2003 primarily reflect the impact of several large engagements that were ongoing at that time. The utilization rate declined by 13.6%; from 81% during the second quarter of 2004 to 70% during the third quarter of 2004. This is primarily due to seasonal factors such as the vacation of our staff as well as client personnel. During the fourth quarter of 2004, we expect the utilization rate in this practice area to improve as compared to third quarter of 2004.

Number of Billable Professionals

	September 30, 2003		September 30, 2004		Percent Change
	Headcount	% of Total	Headcount	% of Total	
Forensic and Litigation Consulting	221	38.9%	348	47.9%	57.5%
Corporate Finance/Restructuring	322	56.7%	230	31.7%	(28.6)%
Economic Consulting	25	4.4%	148	20.4%	492.0%
Total	568	100.0%	726	100.0%	27.8%

* The headcount information for 2003 excludes employees associated with our discontinued operations.

The number of billable employees increased from September 30, 2003 to September 30, 2004 largely due to the integration of Ten Eyck and KPMG's dispute advisory services business into our forensic and litigation consulting practice and Lexecon into our economic consulting practice. We acquired about 290 billable employees as a result of these transactions in the fourth quarter of 2003. During the latter part of 2003 and the first quarter of 2004, our corporate finance/restructuring practice experienced a decrease in billable employees related to the decreased demand for these services. In addition, during the first quarter of 2004, about 60 of our professionals departed from our former FTI/Policano & Manzo restructuring practice.

Average Billable Rate per Hour

	2003	2004	Percent Change
Three Months Ended September 30,			
Forensic and Litigation Consulting	\$288	\$285	(1.0)%
Corporate Finance/Restructuring	420	458	9.0%
Economic Consulting	300	374	24.7%
Total	362	361	(0.3)%
Nine Months Ended September 30,			
Forensic and Litigation Consulting	\$277	\$285	2.9%
Corporate Finance/Restructuring	414	434	4.8%
Economic Consulting	266	375	41.0%
Total	351	353	0.6%

We calculate average billable rate per hour by dividing employee revenues for the period, excluding outside consultant and reimbursable revenues, by the number of hours worked on client assignments during the same period. Average hourly billable rates are affected by a number of factors, including:

- our clients' perception of our ability to add value through the services we provide;
- the market demand for our services;
- introduction of new services by our competitors;
- the pricing policies of our competitors; and
- general economic conditions.

[Table of Contents](#)

Our average billable rate per hour for the nine-month period ended September 30, 2004 was \$352, an increase from an average of \$351 for the same period of 2003. The improvement in our billable rates is the result of several factors, including:

- planned bill rate increases implemented during the second half of 2003;
- planned bill rate increases implemented throughout our corporate finance/restructuring practice during the second quarter of 2004, and as a result of employee promotions during the third quarter of 2004;
- a decrease in billable professionals in our corporate finance/restructuring practice primarily at the lower levels, which resulted in an increasing percentage of our professional employees being billable at higher rates;
- an increase in the billable rates in our economic practice attributable to the Lexecon acquisition; and
- offset by a larger percentage of our revenues being generated by the forensic and litigation consulting practice which has the lowest average billable rate per hour of all our practice areas.

For the third quarter of 2004, the average billable rate per hour decreased in our forensic and litigation consulting practice as compared to the third quarter of 2003. This practice now has a larger proportion of professionals at the lower levels resulting in a lower average billable rate per hour than we experienced prior to the acquisition of the dispute advisory services business of KPMG.

Although billable rates increased across most of our practice areas during the third quarter of 2004 as compared to the third quarter of 2003, the total company billable rate decreased. This decrease is primarily due to a larger percentage of our business being generated in 2004 by the forensic and litigation consulting practice which has lower billable rates than our corporate finance/restructuring practice.

Segment Profits.

	2003		2004		Percent Change
	Segment Profits	% of Segment Revenues	Segment Profits	% of Segment Revenues	
(dollars in thousands)					
Three Months Ended September 30,					
Forensic and Litigation Consulting	N/A	N/A	\$ 11,708	26.6%	N/A
Corporate Finance/Restructuring	N/A	N/A	13,557	33.6%	N/A
Economic Consulting	N/A	N/A	3,354	16.8%	N/A
Corporate	\$ (4,774)	N/A	(4,459)	N/A	(6.6)%
Total	\$ 28,471	34.1%	\$ 24,160	23.1%	(15.1)%
Nine Months Ended September 30,					
Forensic and Litigation Consulting	N/A	N/A	\$ 38,737	28.9%	N/A
Corporate Finance/Restructuring	N/A	N/A	38,816	31.5%	N/A
Economic Consulting	N/A	N/A	14,112	21.7%	N/A
Corporate	\$ (14,378)	N/A	(16,242)	N/A	13.0%
Total	\$ 97,640	34.9%	\$ 75,423	23.4%	(22.8)%

N/A– Not available

[Table of Contents](#)

In 2003, we did not operate our business practices as segments. Accordingly, we did not report results of operations by segment. The table above presents segment profits for the three- and nine-month periods ended September 30, 2004. We evaluate the performance of these segments based on operating income before depreciation, amortization and corporate general and administrative expenses.

Total segment profits decreased during the three- and nine-month periods ended September 30, 2004 as compared to the comparable periods of 2003. This decrease was driven by several factors, including the following:

- the decrease in demand for our corporate finance/restructuring related services, which began late in the third quarter of 2003;
- the unanticipated departure during the first quarter of 2004 of a number of billable professional staff in our corporate finance/restructuring practice that operated at high utilization rates;
- lower utilization rates generated by our recently acquired businesses relative to our historical experience;
- lower gross profit margins generated by our recently acquired businesses, particularly Lexecon, an economic consulting business that operates in a competitive environment that typically generates lower gross margins than those experienced by our financial and litigation consulting and our corporate finance/restructuring practices;
- the increased investment in practice-area expansion, including sign-on and direct compensation for several senior-level professionals; and
- an increase in corporate overhead expenses driven largely by increased staffing and consulting costs to support our growing organization, to address the requirements of the Sarbanes-Oxley Act and to further strengthen our corporate governance activities.

We have addressed the decrease in demand for our services through the voluntary and involuntary turnover of our professionals as well as through reassignments of professionals to other practice areas. Any decrease in revenues without a corresponding reduction in our costs will likely harm our profitability. In the second quarter of 2004, our efforts were successful and segment margins as a percentage of segment revenues have increased across all three operating segments as compared to the first quarter of 2004. During the third quarter of 2004, customary seasonal factors resulted in lower utilization rates and lower revenues than we generally experience during the first half of the year.

Critical Accounting Policies

General. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, goodwill, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We derive substantially all of our revenue from providing professional services to our clients. Most of these services are rendered under arrangements that require the client to pay us a fee for the hours that we incur at agreed-upon rates. We also bill our clients for the cost of the production of our work

[Table of Contents](#)

products and other direct expenses that we incur on behalf of the client, such as travel costs and materials that we purchase to produce presentations for courtroom proceedings. We recognize revenue from our professional services as work is performed and expenses are incurred. The basis for our policy is the fact that we normally obtain engagement letters or other agreements from our clients prior to performing any services. In these letters and other agreements, the clients acknowledge that they will pay us based upon our time spent on the matter and at our agreed-upon hourly rates. Revenues recognized but not yet billed to clients are recorded at net realizable value as unbilled receivables in the accompanying consolidated balance sheets. Billings in excess of services provided represent amounts billed to clients, such as retainers, in advance of work being performed.

Some clients pay us retainers before we begin any work for them. We hold retainers on deposit until we have completed the work. We apply these retainers to final billings and refund any excess over the final amount billed to clients, as appropriate, upon our completion of the work. If the client is in bankruptcy, fees for our professional services may be subject to approval by the court. In some cases, a portion of the fees to be paid to us by a client is required by a court to be held until completion of our work. We make a determination whether to record all or a portion of such a holdback as revenue prior to collection on a case-by-case basis.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our clients to pay our fees or for disputes that affect our ability to fully collect our billed accounts receivable as well as potential fee reductions or refunds imposed by bankruptcy courts. We estimate this allowance by reviewing the status of all accounts and recording reserves based on our experiences in these cases and historical bad debt expense. Our actual experience has not varied significantly from our estimates. However, if the financial condition of our clients were to deteriorate, resulting in their inability to pay our fees, we may need to record additional allowances in future periods. This risk is mitigated to the extent that we may receive retainers from some of our clients prior to performing significant services.

Goodwill. As of September 30, 2004, we have goodwill of \$515.4 million that we recorded for business combinations completed principally in the last five years. The majority of this goodwill was generated from our acquisitions completed during 2002 and the fourth quarter of 2003. Goodwill represented 74.5% of our total assets at September 30, 2004. We make at least annual assessments of impairment of our goodwill in accordance with our stated accounting policy. In making these impairment assessments, we must make subjective judgments regarding estimated future cash flows and other factors to determine the fair value of the reporting units of our business that are associated with this goodwill. It is possible that these judgments may change over time as market conditions or our strategies change, and these changes may cause us to record impairment charges to adjust our goodwill to its estimated implied fair value. Due to the departures of former members of our professional staff, we performed an impairment test of our goodwill in February 2004. No impairment of goodwill was identified as a result of our test.

[Table of Contents](#)
Results of Continuing Operations
Revenues.

	2003		2004		Percent Change
	Revenues	% of Total	Revenues	% of Total	
(dollars in thousands)					
Three Months Ended September 30,					
Forensic and Litigation Consulting	\$ 22,545	27.0%	\$ 44,035	42.2%	95.3%
Corporate Finance/Restructuring	58,484	69.9%	40,409	38.7%	(30.9)%
Economic Consulting	2,564	3.1%	19,989	19.1%	679.6%
Total	\$ 83,593	100.0%	\$ 104,433	100.0%	24.9%
Nine Months Ended September 30,					
Forensic and Litigation Consulting	\$ 73,862	26.4%	\$ 133,890	41.6%	81.3%
Corporate Finance/Restructuring	196,743	70.4%	123,272	38.3%	(37.3)%
Economic Consulting	8,865	3.2%	64,956	20.1%	632.7%
Total	\$ 279,470	100.0%	\$ 322,118	100.0%	15.3%

Revenues from continuing operations increased for the three- and nine-month periods ended September 30, 2004 as compared to the comparable periods of 2003. This increase is primarily attributable to the acquisitions we completed during the fourth quarter of 2003 offset by the decrease in demand for our corporate finance/restructuring services, which began during the third quarter of 2003. The growth in our forensic and litigation consulting practice is primarily due to the acquisitions of Ten Eyck and the dispute advisory services business from KPMG. The increase in revenues related to our economic consulting practice is attributable to the acquisition of Lexecon.

Our corporate finance/restructuring practice accounted for about 70% of our revenues during the three- and nine-month periods ended September 30, 2003 as compared to about 38% during the three- and nine-month periods ended September 30, 2004. Late in the third quarter of 2003, we began to experience a decrease in demand for our corporate finance/restructuring related services, which has negatively impacted our revenues from that segment. The departure of a number of our billable professionals in the corporate finance/restructuring practice during the first quarter of 2004 also contributed to the decrease in revenues from that segment. Because this practice generates the highest billable rate per hour, the decrease in revenues attributable to this segment has largely impacted our overall revenue growth.

We believe total revenues will be higher in 2004 than 2003. We attribute this expected growth primarily to the businesses we acquired in 2003 and their expected growth during 2004, as well as the stabilization of our corporate finance/restructuring practice.

Direct Cost of Revenues.

	2003		2004		Percent Change
	Cost of Revenues	% of Segment Revenues	Cost of Revenues	% of Segment Revenues	
(dollars in thousands)					
Three Months Ended September 30,					
Forensic and Litigation Consulting	\$ 12,046	53.4%	\$ 23,302	52.9%	93.4%
Corporate Finance/Restructuring	23,754	40.6%	19,857	49.1%	(16.4)%
Economic Consulting	1,588	61.9%	13,518	67.6%	751.3%
Total	\$ 37,388	44.7%	\$ 56,677	54.3%	51.6%
Nine Months Ended September 30,					
Forensic and Litigation Consulting	\$ 38,848	52.6%	\$ 70,761	52.9%	82.1%
Corporate Finance/Restructuring	82,937	42.2%	64,097	52.0%	(22.7)%
Economic Consulting	5,213	58.8%	41,994	64.7%	705.6%
Total	\$ 126,998	45.4%	\$ 176,852	54.9%	39.3%

[Table of Contents](#)

Our direct cost of revenues consists primarily of employee compensation and related payroll benefits, the cost of outside consultants assigned to revenue-generating activities and other related expenses billable to clients. Direct cost of revenues increased as a percentage of revenues across all of our operating segments primarily due to lower utilization rates experienced across all practices during the nine-month period ended September 30, 2004 as compared to the same period in 2003. This resulted in revenues growing at a slower pace than direct costs. In addition:

- The departure of some of our professionals in the corporate finance/restructuring practice during the first quarter of 2004 contributed to the increase in that practice, primarily because these professionals generally operated at higher utilization rates and higher billable rates than our other professionals.
- The acquisition of Lexecon, which operates at a lower gross margin than our other operating segments, contributed to the increase in our economic consulting practice.

Direct cost of revenues as a percentage of revenues for the forensic and litigation consulting practice has remained stable for all periods presented at about 53%.

Selling, General and Administrative Expense.

	2003		2004		Percent Change
	SG & A	% of Segment Revenues	SG & A	% of Segment Revenues	
(dollars in thousands)					
Three Months Ended September 30,					
Forensic and Litigation Consulting	N/A	N/A	\$ 9,937	22.6%	N/A
Corporate Finance/Restructuring	N/A	N/A	7,374	18.3%	N/A
Economic Consulting	N/A	N/A	3,355	16.8%	N/A
Corporate	\$ 5,262	N/A	5,226	N/A	(0.7)%
Total	\$19,165	22.9%	\$25,892	24.8%	35.1%
Nine Months Ended September 30,					
Forensic and Litigation Consulting	N/A	N/A	\$26,929	20.1%	N/A
Corporate Finance/Restructuring	N/A	N/A	21,570	17.5%	N/A
Economic Consulting	N/A	N/A	9,532	14.7%	N/A
Corporate	\$15,655	N/A	18,459	N/A	17.9%
Total	\$59,119	21.2%	\$76,490	23.8%	29.4%

N/A – Not available

Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, rent, marketing, corporate overhead expenses and depreciation and amortization of property and equipment. Selling, general and administrative expense increased as a percentage of our total revenues for the three- and nine- month periods ended September 30, 2004 as compared to the same periods in 2003. This increase is largely attributable to increased personnel, facilities and general corporate expenses, including advertising and legal costs, associated with the acquisitions completed in 2003 and other business activities.

The increase in corporate overhead expenses is primarily related to increased back-office staffing and related costs to support our growing organization. In addition, corporate staffing and consulting costs have increased to address the requirements of the Sarbanes-Oxley Act and to further strengthen our corporate governance activities. In particular, during the latter part of 2003 we expanded our internal legal and audit departments and enhanced our regulatory reporting functions.

[Table of Contents](#)

Depreciation and amortization of property and equipment classified within selling, general and administrative expense increased by \$638,000 or 44.6% from the three-months ended September 30, 2003 as compared to the same period in 2004. Depreciation and amortization of property and equipment increased by \$1.7 million or 39.0% from the nine-months ended September 30, 2003 as compared to the same period in 2004. These increases are a result of the increase in the furniture and equipment and office build-out necessary to support a larger organization.

Amortization of Other Intangible Assets. The amortization expense related to other intangible assets increased by \$469,000, or 60.5%, for the three months ended September 30, 2004 as compared to the same period in 2003. Amortization expense increased by \$1.9 million, or 81.5%, for the nine months ended September 30, 2004 as compared to the same period in 2003. This increase is related to the identifiable intangible assets recorded in connection with the acquisitions we completed during the fourth quarter of 2003. Amortization expense increased at a lesser rate during the three-month period as compared to the nine-month period as a result of some intangible assets becoming fully amortized during the first quarter of 2004.

We amortize other intangible assets over their useful lives ranging from 18 to 36 months. We are in the process of completing valuations of the intangible assets that we acquired during 2003. At September 30, 2004, the estimated valuation of these intangible assets, totaling \$10.1 million, is based on data that we have developed to date. We will finalize our valuations in 2004. The final valuations may be higher than our preliminary estimates or the estimated useful lives could be shorter than our preliminary estimates, both of which could increase our future amortization expense.

Interest Expense. Interest expense consists primarily of interest on debt we incurred to purchase businesses over the past several years, including the amortization of deferred bank financing fees. Interest expense increased by \$315,000, or 25.2% for the three months ended September 30, 2004 as compared to the three months ended September 30, 2003. For the nine months ended September 30, 2004, interest expense increased by \$570,000, or 13.6%, as compared to the nine months ended September 30, 2003. This increase is primarily attributable to higher average borrowings outstanding during 2004 as compared to 2003. During the nine months ended September 30, 2003, we wrote-off about \$768,000 of deferred bank financing fees as a result of the early extinguishment of long-term debt. This resulted in interest expense increasing by a lesser percentage for the nine-month periods as compared to the three-month periods.

Income Taxes. Our effective tax rate was approximately 40.5% from continuing operations during the three- and nine-month periods ended September 30, 2003 and 41.6% during the nine-month period ended September 30, 2004. The effective tax rate for the three months ended September 30, 2004 was 43.1% in order to achieve the year to date estimated rate of 41.6%. Our estimated combined federal and state income tax rate for 2004 increased from the 40.9% rate originally anticipated based on our estimated effective tax rate for the full year. This change is attributed to our estimated effective state income tax rate. Our estimated effective tax rate may change due to ongoing changes in the mix of earnings between higher and lower state tax jurisdictions and the impact of nondeductible expenses.

Liquidity and Capital Resources

Cash Flows.

	Nine Months Ended September 30,		Percent Change
	2003	2004	
Cash provided by operating activities	\$85,495	\$ 30,232	(64.6)%
Cash provided by (used in) investing activities	3,859	(8,551)	(321.6)%
Cash provided by (used in) financing activities	34,158	(18,459)	(154.0)%

[Table of Contents](#)

We have historically financed our operations and capital expenditures solely through cash flows from operations. However, during the nine months ended September 30, 2004, our operating income has declined as compared to the same period of 2003. As a result we have used borrowings under our revolving credit facility to finance some of our cash needs during the nine-months ended 2004. We have fully repaid these borrowings during the third quarter of 2004. Specifically, we have used borrowings to finance our share repurchase program, discussed in more detail below. During 2004, our working capital requirements were higher than we have historically experienced primarily due to:

- increased working capital requirements during the first quarter of 2004 to fund the dispute advisory services business of KPMG that we acquired as of October 31, 2004;
- increased quarterly incentive compensation payments attributable to the Lexecon business that we acquired as of November 28, 2003;
- increased sign-on and retention compensation paid during 2004 to attract senior-level professionals and retain our strongest performers; and
- refunds of retainer balances associated with the loss of client engagements resulting from the departure of corporate finance/restructuring professionals.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, accounts payable and 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. Our billed and unbilled accounts receivable, net of billings in excess of services provided have increased primarily due to the following:

- ***A decrease in retainers we collect from our clients prior to the performance of our service.*** Historically, our corporate finance/restructuring practice has generated the largest amount of retainers from our clients prior to beginning any billable work. This practice area also generated the lowest days sales outstanding rate in our company. The professionals that left us during the first quarter of 2004 transferred some of our clients and engagements to their new company. As a result, we were required to refund a large amount of retainer balances. Accordingly, the average days sales outstanding in this practice area more than doubled. The corporate finance/restructuring practice continues to have the shortest collection period in our company.
- ***The acquisition of the dispute advisory services business of KPMG.*** We did not acquire any accounts receivable when we acquired the dispute advisory services business of KPMG during the fourth quarter of 2004. This business also did not begin to generate a substantial amount of revenues until late in the first quarter of 2004. Accordingly, the net accounts receivable attributable to the forensic and litigation consulting practice has increased substantially more than our other practice areas during 2004 as compared to December 31, 2003.
- ***The acquisition of Lexecon.*** The average days sales outstanding for our economic practice area is the highest in our company and is attributable to the acquisition of Lexecon which occurred late in the fourth quarter of 2003.

Net cash used in investing activities during the nine months ended September 30, 2004 increased \$12.4 million as compared to the same period in 2003, primarily due to \$12.2 million received from the sale of our applied sciences practice during 2003. We had no material outstanding purchase commitments as of September 30, 2004.

Our financing activities have consisted principally of borrowings and repayments under long-term debt arrangements as well as issuances of common stock. Our long-term debt arrangements have principally been obtained to provide financing for our business acquisitions. During the first quarter of 2003, we completed the public offering of 4.0 million shares of our common stock, generating net cash proceeds of \$99.2 million. We

[Table of Contents](#)

used about half of the net proceeds from the stock offering to repay our long-term debt. We also used all of the net cash proceeds from the sale of our applied sciences practice to repay debt. During the nine months ended September 30, 2004, our financing activities consisted principally of \$11.3 million of principal payments on our term loans and \$43.5 million of borrowings under our revolving credit facility that have been repaid in full.

In October 2003, our board of directors approved a share repurchase program under which we may purchase, from time to time, up to \$50.0 million of our common stock over the next twelve months. The shares of common stock may be purchased through open market or privately negotiated transactions and will be funded with a combination of cash on hand, existing bank credit facilities or new credit facilities. During the nine months ended September 30, 2004, we purchased and retired 578,900 shares of our common stock at a total cost of about \$9.3 million. From October 2003 through September 30, 2004, we purchased and retired a total of 773,100 shares of our common stock for a total of about \$13.4 million. In October 2004, our board of directors extended the share repurchase program through October 31, 2005. We are authorized to purchase shares of our common stock up to the remaining balance of \$36.6 million. These purchases may be made through open market or privately negotiated transactions. The program will continue to be funded with a combination of cash on hand, existing bank credit facilities or new credit facilities.

Future Capital Needs and Resources. Effective as of November 28, 2003, our bank credit agreements were amended and restated. The amended bank credit facility provides for up to \$225.0 million of secured financing, consisting of a \$100.0 million revolving loan and \$125.0 million in term loans. The maturity date of the \$100.0 million revolving credit facility is November 28, 2008. However, we may choose to repay outstanding borrowings under the revolving credit facility at any time before maturity without penalty. Principal payments on the term loans began on December 31, 2003, and are payable quarterly thereafter through September 30, 2008. Debt under the credit facility bears interest at an annual rate equal to LIBOR plus an applicable margin or an alternative base rate defined as the higher of (1) the lender's announced prime rate or (2) the federal funds rate plus the sum of 50 basis points and an applicable margin. Under the credit facility, the lenders have a security interest in substantially all of our assets. As of September 30, 2004, we had outstanding aggregate debt under the credit facility of \$110.0 million, bearing interest at rates ranging from 3.3% to 3.4%. We are not subject to any penalties for early payment of debt under the credit facility.

Our amended and restated bank credit facility contains covenants which limit our ability to incur additional indebtedness; create liens; pay dividends on, make distributions or repurchases of our capital stock or make specified other restricted payments; consolidate, merge or sell all or substantially all of our assets; guarantee obligations of other entities; enter into hedging agreements; enter into transactions with affiliates or related persons or engage in any business other than the consulting business. The credit facility requires compliance with financial ratios, including total indebtedness to earnings before interest, taxes, depreciation and amortization, or EBITDA; EBITDA to specified charges and the maintenance of a minimum net worth, each as defined under the amended credit facility. At September 30, 2004, we were in compliance with all covenants as stipulated in the credit facility agreements.

As of September 30, 2004, our capital resources included \$9.0 million of cash and cash equivalents and a \$100.0 million revolving loan commitment under our amended and restated bank credit facility. The availability of borrowings under our revolving credit facility is subject to specified borrowing conditions. We use letters of credit primarily as security deposits for our office facilities. Letters of credit reduce the availability under our revolving credit facility. As of September 30, 2004, we have \$10.0 million of outstanding letters of credit, including an \$8.0 million letter of credit used in place of a security deposit for the New York City lease we entered into in July 2004. As of September 30, 2004, we have \$90.0 million of available borrowings under our revolving credit facility.

We currently anticipate that our future capital needs will principally consist of funds required for:

- operating expenses, general corporate and capital expenditures relating to the operation of our business, including costs related to our new office lease in New York City;

Forward-Looking Statements

Some of the statements under “— Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements expressed or implied by such forward-looking statements not to be fully achieved. These forward-looking statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of such terms or other comparable terminology. These statements are only predictions. We are under no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results and do not intend to do so. Factors, which may cause the actual results of operations in future periods to differ materially from intended or expected results include, but are not limited to, the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates on our variable rate debt. In the past, we managed this risk by entering into interest rate swaps. These hedges reduced our exposure to rising interest rates, but also reduced the benefits from lower interest rates.

Prior to 2004, we had entered into interest rate swap transactions on a portion of our outstanding term loans. Our interest rate swap agreement in effect at December 31, 2003 expired in January 2004. This interest rate swap was designated as a hedge against a portion of our outstanding debt and was used to convert the interest rate on a portion of our variable rate debt to fixed rates for the life of the swap. Because of the effectiveness of our hedge of variable interest rates associated with our debt, the change in fair value of our interest rate swaps resulting from changes in market interest rates is reported as a component of other comprehensive income.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2004, our disclosure controls and procedures were effective in timely alerting them to material information relating to FTI Consulting, Inc., including its consolidated subsidiaries, required to be included in our periodic Securities and Exchange Commission filings. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the deterioration of the degree of compliance with the policies and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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 can be costly 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, the results may not be predictable at all. Legal proceedings may adversely affect stock price and trading, as well as financial results, whether or not such claims or allegations have any merit.

On February 18, 2004, we filed suit in Superior Court of New Jersey, Bergen County, against a number of former employees and the new corporation they formed. In our complaint, we asserted that these former employees breached their duties of loyalty by wrongfully soliciting numerous employees of ours to leave us and to join them in a competitive venture, wrongfully soliciting our clients, and unlawfully using and disclosing our confidential and proprietary information in the new business venture. The parties have now agreed to resolve the matter through arbitration and to protect the confidentiality of all records and proceedings. An arbitrator has been selected and limited discovery is expected to begin in November 2004. The arbitration is expected to proceed in the first quarter of 2005. We are unable to predict the outcome of this arbitration.

On December 23, 2003, we filed an action in the Supreme Court of the State of New York against PricewaterhouseCoopers LLP seeking damages, and injunctive and other equitable relief, and the enforcement of the non-competition covenants contained in our asset purchase agreement with PricewaterhouseCoopers relating to the acquisition of its domestic Business Recovery Services division. On February 10, 2004, the court granted in part and denied in part our motion for preliminary injunction. PricewaterhouseCoopers appealed the ruling and in June 2004, the Supreme Court of the State of New York upheld the preliminary injunction and affirmed our interpretation of the non-competition sections of the Asset Purchase Agreement. On November 3, 2004, the parties executed a settlement and release in the case as follows:

- PricewaterhouseCoopers will pay us an agreed upon amount within 30 days of signing the settlement agreement which is expected to result in a pre-tax gain of about \$1.0 million;
- the current injunction will remain in place until August 31, 2005; and
- the case will be dismissed with leave to refile if there is a violation of the injunction.

[Table of Contents](#)

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

Purchases of Equity Securities

The following table provides information with respect to purchases we made of our common stock during the third quarter of 2004.

	Total Number of Shares Purchased (a)	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 (b)
July 1 through July 30, 2004	—	\$ —	—	\$ 41,616,011
August 1 through August 31, 2004	300,000	\$ 16.58	300,000	\$ 36,641,237
September 1 through September 30, 2004	—	\$ —	—	\$ 36,641,237
Total	300,000	\$ 16.58	300,000	\$ 36,641,237

(a) We purchased all of these shares of our common stock through our publicly announced stock repurchase program.

(b) In October 2003, we announced that our board of directors approved a \$50.0 million stock repurchase program. This program expires in October 2004. These amounts represent gross purchase prices and include the transaction costs we may incur, such as commissions, on the related purchases. In October 2004, our board of directors extended the share repurchase program through October 31, 2005.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

[Table of Contents](#)

Item 6. Exhibits

- 3.2 By-Laws of FTI Consulting, Inc., as amended and restated effective September 17, 2004.
- 4.1* Form of Incentive Stock Option Agreement used with 2004 Long-Term Incentive Plan.
- 4.2* Form of Restricted Stock Agreement used with 2004 Long-Term Incentive Plan.
- 10.1* Employment Agreement dated September 20, 2004 between FTI Consulting, Inc. and Dennis J. Shaughnessy.
- 10.2* Restricted Stock Agreement between FTI Consulting, Inc. and Dennis J. Shaughnessy, dated October 18, 2004.
- 10.3* Incentive Stock Option Agreement between FTI Consulting, Inc. and Dennis J. Shaughnessy, dated October 18, 2004.
- 10.4* Amendment dated September 23, 2004 to the Employment Agreement dated November 5, 2002 between FTI Consulting, Inc. and Jack B. Dunn, IV.
- 10.5* Restricted Stock Agreement between FTI Consulting, Inc. and Jack B. Dunn, IV, dated September 23, 2004.
- 14.1 Policy on Ethics and Business Conduct, as amended and restated effective September 17, 2004 (filed September 23, 2004 as an exhibit to FTI Consulting's Current Report on Form 8-K dated September 17, 2004 and incorporated herein by reference).
- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002).
- 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a) (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 contract or compensatory plan or arrangement

SIGNATURES

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

FTI CONSULTING, INC.

Date: November 9, 2004

By _____ /s/ THEODORE I. PINCUS

THEODORE I. PINCUS
Executive Vice President and Chief Financial Officer
(principal financial officer)

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION
(Amended and Restated)

BY-LAWS

[Including All Amendments Duly Adopted Through September 17, 2004.]

ARTICLE I

SECTION 1. Principal Office. The principal office of the corporation in the State of Maryland shall be located at 2021 Research Drive, Annapolis, Maryland 21401, or at any other place as the Board of Directors may designate.

SECTION 2. Additional Offices. The Corporation may have offices at such other places as the Board of Directors may from time-to-time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

SECTION 1. Place of Meetings. Meetings of stockholders shall be held at such place in the United States as is set from time to time by the Board of Directors.

SECTION 2. Annual Meeting. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held during the month of May in each year on a date and at the time set by the Board of Directors. Except as the Charter or statute provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. The failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

SECTION 3. Special Meeting. The president, chief executive officer or Board of Directors may call special meetings of the stockholders. Special meetings of stockholders shall also be called by the secretary upon the written request of the stockholders entitled to cast at least twenty-five percent (25%) of all votes entitled to be cast at the meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on at such meeting. The secretary shall inform such stockholders of the reasonably estimated cost of preparing and mailing such notice of the meeting and, upon payment to the Corporation of such costs, the secretary shall give notice to each stockholder entitled to notice of the meeting.

The Board of Directors, the president, chief executive officer or secretary shall fix a record date for such special meetings of the stockholders, which date shall be at least ten (10) days, but not more than ninety (90) days, before the date of the meeting.

SECTION 4. Notice of Meetings. Not less than ten (10) nor more than ninety (90) days before each stockholders' meeting, the secretary shall give written notice of the meeting to each stockholder entitled to vote at the meeting and each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Notice is given to a stockholder when it is personally delivered to him, left at his residence or usual place of business, or mailed to him at his address as it appears on the records of the Corporation. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his post office address as it appears on the records of the Corporation, with postage thereon prepaid.

SECTION 5. Quorum. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all votes entitled to be cast at the meeting shall constitute a quorum, but this section shall not affect any requirement under any statute or the Charter for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than one hundred twenty (120) days after the original record date without notice other than announcement at the meeting until such quorum shall be present. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 6. Voting. For directors: Except as set forth in the Charter, each share of stock may be voted for as many individuals as there are directors to be elected. Votes may only be cast "for" the election of a director. Cumulative voting shall not be allowed. At any election of directors or of a single director, as many individuals as there are directors to be elected and receiving the highest number of votes for election to the Board shall be considered duly elected. On other matters: A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or the Charter.

Unless otherwise provided in the Charter, each outstanding share of stock shall be entitled to one vote for or against each matter submitted to a vote at a meeting of stockholders.

SECTION 7. Proxies. A stockholder may vote the shares of stock owned of record by him, either in person or by proxy executed in writing by the stockholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 8. Voting of Shares by Certain Holders. Shares registered in the name of another corporation, if entitled to be voted, may be voted by the president, a vice president or a proxy appointed by the president or a vice president of such other corporation, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the board of directors of such other corporation presents a certified copy of such by-law or resolution, in which case such person may vote such shares. Any fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy.

Shares of its own stock directly or indirectly owned by this Corporation shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may certify, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

SECTION 9. Inspectors. At any meeting of the stockholders, the chairman of the meeting may, or upon the request of any stockholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the stockholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

SECTION 10. Informal Action by Stockholders. Any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting if a

consent in writing, setting forth such action, is signed by each stockholder entitled to vote on the matter, and any other stockholder entitled to notice of a meeting of stockholders (but not to vote thereat) has waived in writing any right to dissent from such action, and such consent and waiver are filed with the minutes of proceedings of the stockholders.

SECTION 11. Voting by Ballot. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

ARTICLE III

DIRECTORS

SECTION 1. General Powers. The business affairs of the Corporation shall be managed under the direction of its Board of Directors.

SECTION 2. Number and Tenure of Directors. The Corporation shall have the number of directors provided in the Charter until changed as herein provided. The Board of Directors shall be divided into three classes. The members of each class will serve three-year terms. The Board will be comprised of two Class I Directors, two Class II Directors and three Class III Directors with each class of directors serving a staggered term of one, two or three years commencing with the initial classification of the Board. At each annual election after such classification, the number of directors for the class whose term expires on the day of such election shall be elected for a term ending on the third annual meeting of stockholders after their election and until their successors are elected and qualified. The vote of a majority of the entire Board of Directors may alter the number of directors of any class set by the Charter to not exceed 15 directors comprising the Board of Directors in total nor less than the minimum number then permitted herein, but the action may not affect the tenure of office of any director.

SECTION 3. Removal of Director. The stockholders may, at any time remove any director for cause, by the affirmative vote of the majority of the shares entitled to vote for the election of directors.

SECTION 4. Annual and Regular Meetings. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Directors without other notice than such resolution.

SECTION 5. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or at the request of the president, the chief executive officer, or by a majority of the Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of

Maryland, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 6. Notice. Notice of any special meeting shall be given by written notice delivered personally, telegraphed, telecopied or mailed to each director at his business or residence address. Personally delivered, telecopied or mailed to each director at his business or residence address. Personally delivered, telecopied or telegram notices shall be given at least twenty-four (24) hours prior to the meeting. Notice by mail shall be given at least five (5) days prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be given when the telegram is delivered to the telegraph company. If notice be given by telecopy, such notice shall be deemed to be given upon confirmation of transmission. Neither the business to be transacted at, nor the purpose of any annual, regular or special meeting of the Board of Directors need be specified in the notice, unless Specifically required by statute or these Bylaws.

SECTION 7. Quorum. A majority of the whole number of directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a quorum of directors is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than by announcement.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

SECTION 8. Voting. The action of the majority of the directors authorized to vote shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or by the charter.

SECTION 9. Telephone Meetings. Members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

SECTION 10. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each director and such written consent is filed in the minutes of proceedings of the Board of Directors.

SECTION 11. Filling Vacancies by Directors. Any vacancy on the Board of Directors, other than a vacancy caused by an expansion in the number of directors, may be filled by vote of a majority of the remaining directors then in office, though less than a quorum, or by a sole remaining director. Regardless of the term remaining for the class of directors in which the vacancy arose, every director elected by the Board of Directors

to fill a vacancy shall serve until the next annual meeting of stockholders and until his successor is elected and qualifies.

SECTION 12. Filling Vacancies by Stockholders. Any vacancy caused by an increase in the number of directors shall be filled by the stockholders at an annual meeting or at a special meeting called for that purpose. The stockholders may also elect a director at any time to fill any vacancy not filled by the directors. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board or the stockholders may elect a successor to take office when the resignation becomes effective.

SECTION 13. Compensation. Directors may receive compensation for their services as directors and may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof; nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

COMMITTEES

SECTION 1. Number, Tenure and Qualifications. The Board of Directors may appoint from among its members an Executive Committee and any other committees, composed of two or more directors, to serve at the pleasure of the Board of Directors.

SECTION 2. Powers. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except such powers prohibited by statute or the Charter to be delegated to a committee. If the Board of Directors has given general authorization for the issuance of stock, a committee of the Board, in accordance with a general formula or method specified by the Board by resolution or by adoption of a stock option or other plan, may fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the Board of Directors.

SECTION 3. Meetings. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of such absent members.

SECTION 4. Telephone Meetings. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

SECTION 5. Informal Action by Committees. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceeding of such committee.

ARTICLE V

OFFICERS

SECTION 1. General Provisions. The officers of the Corporation shall be a chief executive officer, president, one or more vice presidents (if so elected by the Board of Directors), a secretary, and treasurer and such other officers as the Board of Directors from time to time may consider necessary for the proper conduct of the business of the Corporation. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. In its discretion, the Board of Directors may leave unfilled any office except that of president, treasurer and secretary. Election or appointment of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

SECTION 2. Removal. Any officer or agent of the Corporation may be removed by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 3. Vacancies. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

SECTION 4. Chief Executive Officer. The Board of Directors may elect a chief executive officer. The chief executive officer shall have the responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the administration of the business affairs of the Corporation.

SECTION 5. Chairman and Vice Chairman of the Board. The chairman of the board shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present. In the absence of the chairman of the board, the vice chairman of the board shall preside at such meetings at which he shall be present. The chairman of the board and the vice chairman of the board shall, respectively, perform such other duties as may be assigned to him or them by the Board of Directors.

SECTION 6. President. The president shall in general supervise and control all of the business and affairs of the Corporation. Unless the president is not a member of the Board of Directors, in the absence of both the chairman and vice chairman of the board, he shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present.

In the absence of a designation of a chief executive officer by the Board of Directors, the president shall be the chief executive officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Board of Directors. He may execute any deed, mortgage, bond, contract or other instrument which the Board of Directors has authorized to be executed, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed, and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 7. Vice Presidents. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president; and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to him by the president or the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

SECTION 8. Secretary. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the president or by the Board of Directors.

SECTION 9. Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

He shall disburse the funds of the Corporation as may be ordered by the Board of Directors taking proper vouchers for such disbursements, and shall render to the president and Board of Directors, at the regular meetings of the Board or whenever they may

require it, an account of all his transactions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his offices and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office, all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 10. Assistant Secretaries and Assistant Treasurers. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such sureties as shall be satisfactory to the Board of Directors.

SECTION 11. Annual Report. The president or other executive officer of the Corporation shall prepare or cause to be prepared annually a full and correct statement of the affairs of the Corporation, including a balance sheet and a statement of the results of operations for the preceding fiscal year, which shall be submitted at the annual meeting of the stockholders and filed no later than twenty (20) days thereafter at the principal office of the Corporation in the State of Maryland.

SECTION 12. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. Contracts. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

SECTION 2. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors.

SECTION 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII

STOCK

SECTION 1. Certificates of Stock. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of stock held by him in the Corporation. Each certificate shall be signed by the president or a vice president and countersigned by the secretary or an assistant secretary or the treasurer or an assistant treasurer and may be sealed with the corporate seal. The signatures may be either manual or facsimiles. Certificates shall be consecutively numbered and if the Corporation shall, from time to time, issue several classes of stock, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing stock which is restricted as to its transferability or voting powers, which is preferred or limited as to its dividends or as to its share of the assets upon liquidation or which is redeemable at the option of the Corporation, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Corporation may set forth upon the face or back of the certificate a statement that the Corporation will furnish to any stockholder, upon request and without charge, a full statement of such information.

SECTION 2. Transfers of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate of stock duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to, or interest in, such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland or in Article II, Section 8 hereof.

SECTION 3. Lost Certificate. The Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or his legal representative to advertise the same in such manner as it shall require and/or to give bond, with sufficient surety, to the Corporation to

indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

SECTION 4. Fixing of Record Date. Except in the case of special meetings of stockholders, in which event Article II, Section 3, shall control, the Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such record date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days, and in the case of an annual meeting of stockholders not less than ten (10) days, before the date on which the meeting or particular action requiring such determination of stockholders is to be held or taken.

If no record date is fixed (a) the record date for the determination of stockholders entitled to notice of or to vote at an annual meeting of stockholders shall be at the close of business on the day in which the notice of meeting is mailed or the thirtieth (30) day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Board of Directors, declaring the dividend or allotment of rights is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment of rights, is adopted.

SECTION 5. Stock Ledger. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate stock ledger containing the name and address of each stockholder and the number of shares of stock of each class held by such stockholder.

ARTICLE VIII

FISCAL YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX

DIVIDENDS

SECTION 1. Declaration. Dividends upon the shares of stock of the Corporation may be declared by the Board of Directors, subject to the provisions of law and the Charter. Dividends may be paid in cash, property or shares of the Corporation, subject to the provisions of law and the Charter.

SECTION 2. Contingencies. Before payment of any dividends, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

SEAL

SECTION 1. Seal. The corporate seal shall be the word "SEAL" or have inscribed thereon the name of the Corporation, the year of its organization and the word "Maryland." The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

SECTION 2. Affixing Seal. Whenever the Corporation is required to place its corporate seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a corporate seal to place the word (SEAL) adjacent to the signature of the person authorized to execute the document.

ARTICLE XI

INDEMNIFICATION

SECTION 1. Definitions. As used in this Article XI, any word or words that are defined in Section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland (the "Indemnification Section"), as amended from time to time, shall have the same meaning as provided in the Indemnification Section.

SECTION 2. Indemnification of Directors and Officers. The Corporation shall indemnify and advance expenses to a director or officer of the Corporation in connection with a proceeding to the fullest extent permitted by and in accordance with the Indemnification Section.

SECTION 3. Indemnification of Other Agents and Employees. With respect to an employee or agent, other than a director or officer of the Corporation, the Corporation may, as determined by and in the discretion of the Board of Directors of the Corporation, indemnify and advance expenses to such employees or agents in connection with a

proceeding to the extent permitted by and in accordance with the Indemnification Section.

ARTICLE XII
WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter or bylaws of the Corporation or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII
AMENDMENT OF BYLAWS

SECTION 1. By Directors. The Board of Directors shall have the power to adopt, alter or repeal any Bylaws of the Corporation or to make new Bylaws, without the approval or consent of the stockholders, but subject to the limitation that any modification to the Bylaws made by the Directors shall be subject to repeal by the affirmative vote of the holders of a majority of the common stock then entitled to vote.

SECTION 2. By Stockholders. The stockholders shall have the power to adopt, alter or repeal any Bylaws of the Corporation and to make new Bylaws by the affirmative vote of the holders of a majority of the common stock then entitled to vote.

ARTICLE XIV
INTERESTED DIRECTORS AND OFFICERS

SECTION 1. Contracts Valid. No contract or transaction between the Corporation and one or more of its Directors or officers or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the board of committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purposes, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stock holders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholder.

SECTION 2. Determining a Quorum. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE XV

SUNDRY PROVISIONS

SECTION 1. Books and Records. The Corporation shall keep correct and complete books and records of its and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any executive or other committee when exercising any of the powers of the Board of Directors. The books and records of a Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original of a certified copy of the By-Laws shall be kept at the principal office of the Corporation.

SECTION 2. Bonds. The Board of Directors may require any officer, agent or employee of the Corporation to give a bond to the Corporation, conditioned upon the faithful discharge of his duties, with one or more sureties and in such amount as may be satisfactory to the Board of Directors.

SECTION 3. Mail. Any notice or other document which is required by these By-Laws to be mailed shall be deposited in the United States mails, postage prepaid.

SECTION 4. Execution of Documents. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge or verify an instrument required by law to be executed, acknowledged or verified by more than one officer.

AMENDMENT NO. 1 TO BY-LAWS OF
FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION

Article II, Section 2 of The By-Laws of Forensic Technologies International Corporation is hereby amended to read in its entirety as follows:

SECTION 2. Annual Meeting. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on the third Wednesday in May of each year or a date no more than 31 days thereafter and at such time and place as the Board of Directors shall determine. Except as the Charter or statute provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. The failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

This Amendment No. 1 to the By-Laws has been duly adopted by the Board of Directors of the Corporation effective as of the 25th day of March 1997.

AMENDMENT NO. 2 TO BY-LAWS OF

FTI CONSULTING, INC.

Pursuant to Article XIII, Section 1 of the By-Laws of FTI Consulting, Inc. (the "Corporation"), the following sections of the By-Laws have been amended:

1. Article III, Sections 11 and 12 are deleted in their entirety and replaced with the following:

SECTION 11. Vacancy on Board of Directors. Subject to the rights of the holders of any class or series of stock separately entitled to elect one or more directors, the stockholders may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a director. A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, a majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Directors which results from any cause except an increase in the number of directors, and a majority of the entire Board of Directors may fill a vacancy which results from an increase in the number of directors. A director elected by the Board of Directors to fill a vacancy serves until the next annual meeting of stockholders and until his or her successor is elected and qualifies.

2. Article III, Section 13 is hereby redesignated as Article III, Section 12.

AMENDMENT NO. 3 TO BY-LAWS OF

FTI CONSULTING, INC.

Pursuant to Article XIII, Section 1 of the By-Laws of FTI Consulting, Inc. (the "Corporation"), the following section of the By-Laws has been amended and additional sections added thereto:

1. Article II, Section 3 is deleted in its entirety and replaced with the following:

SECTION 3. Special Meeting. At any time in the interval between annual meetings, a special meeting of the stockholders may be called by the chief executive officer or the president or by a majority of the Board of Directors by vote at a meeting or in writing (addressed to the secretary of the Corporation) with or without a meeting. Subject to the procedures set forth in Sections 12 and 13 and this Section, special meetings of the stockholders shall be called by the secretary at the request of stockholders only on the written request of stockholders entitled to cast at least 50% of all the votes entitled to be cast at the meeting. A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at it. The secretary shall inform the stockholders who make the request of the reasonably estimated costs of preparing and mailing a notice of the meeting and, on payment of these costs to the Corporation, notify each stockholder entitled to notice of the meeting. The Board of Directors shall have sole power to fix the date and time of the special meeting. The Board of Directors, the president, chief executive officer or secretary shall fix a record date for such special meeting of the stockholders, which date shall be at least ten days, but not more than 90 days, before the date of the meeting. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of stockholders held in the preceding 12 months.

2. The following Sections are added to Article II of the By-Laws as Sections 12 and 13, respectively:

SECTION 12. Advance Notice Provisions for Election of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section. A stockholder's notice must be delivered to or mailed and received by the secretary at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than 90 days or more than 120

days prior to the first anniversary of the mailing date of the notice of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the preceding year's annual meeting, notice by the stockholder must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such annual meeting is first made; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public announcement of the date of the special meeting was made, whichever first occurs. A stockholder's notice to the secretary must be in writing and set forth (a) as to each person whom the stockholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in connection with solicitations of proxies for election of directors pursuant to Regulation 14A of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the nomination is made, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and such beneficial owner, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman of the meeting shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded. No adjournment or postponement of a meeting of stockholders shall commence a new period for the giving of notice of a stockholder proposal hereunder.

SECTION 13. Advance Notice Provisions for Business to be Transacted at Annual Meeting. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is stockholder of record on the date of the giving of the notice

provided for in this Section and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section. A stockholder's notice must be delivered to or mailed and received by the secretary at the principal executive offices of the Corporation not less than 90 days or more than 120 days prior to the first anniversary of the mailing date of the notice of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the preceding year's annual meeting, notice by the stockholder must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. A stockholder's notice to the secretary must be in writing and set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and such beneficial owner, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in Section 12 or in this Section, provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in Section 12 nor in this Section shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman of the meeting shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted. No adjournment or postponement of a meeting of stockholders shall commence a new period for the giving of notice of a stockholder proposal hereunder.

This Amendment No. 3 to the By-Laws has been duly adopted by the Board of Directors of the Corporation effective as of March 28, 2001.

AMENDMENT NO. 4 TO BY-LAWS
OF
FTI CONSULTING, INC.

Pursuant to Article XIII, Section 1 of the By-Laws of FTI Consulting, Inc. (the "Corporation"), the By-Laws have been amended as follows:

1. Article V, Section 1 is deleted in its entirety and replaced with the following:

"SECTION 1. General Provisions. The officers of the Corporation shall be a chief executive officer, president, one or more vice presidents, a secretary, and treasurer and such other officer positions as the Board of Directors from time to time may consider necessary or advisable and may authorize for the proper conduct of the business of the Corporation. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. The Board of Directors may grant to the chief executive officer, the president and any other officer it shall designate from time to time the authority to appoint members of a class of officer of the Corporation, subject to such conditions, if any, it shall determine. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more officers except president and vice president may be held by the same person. In its discretion, the Board of Directors may leave unfilled any office except that of chief executive officer, treasurer and secretary. The election or appointment of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent."

2. Article V, Section 2 is deleted in its entirety and replaced with the following:

"SECTION 2. Removal. Any officer or agent of the Corporation may be removed by or pursuant to authority delegated by the Board of Directors if in its judgment the interests of the Corporation would be served thereby. Any officer or agent of the Corporation appointed by another officer of the Corporation may be removed by or pursuant to the authority delegated by an officer having an equivalent rank to the officer that made the appointment. Such removal shall be subject to the contract rights, if any, of the person so removed."

The undersigned, being the Secretary of the Corporation, hereby certifies that this Amendment No. 4 to the By-Laws of the Corporation has been duly adopted by the Board of Directors of the Corporation effective as of April 28, 2004.

/s/ Dianne R. Sagner
Dianne R. Sagner, Secretary

AMENDMENT NO. 5 TO BY-LAWS
OF
FTI CONSULTING, INC.

Pursuant to Article XIII, Section 1 of the By-Laws of FTI Consulting, Inc. (the "Corporation"), the By-Laws have been amended as follows:

1. Article V, Section 1 is deleted in its entirety and replaced with the following:

"SECTION 1. General Provisions. The officers of the Corporation shall be a chief executive officer, chairman of the board of directors, president, one or more vice presidents, a secretary, and treasurer and such other officer positions as the Board of Directors from time to time may consider necessary or advisable and may authorize for the proper conduct of the business of the Corporation. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. The Board of Directors may grant to the chief executive officer, the president and any other officer it shall designate from time to time the authority to appoint members of a class of officer of the Corporation, subject to such conditions, if any, it shall determine. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more officers except president and vice president may be held by the same person. In its discretion, the Board of Directors may leave unfilled any office except that of chief executive officer, treasurer and secretary. The election or appointment of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent."

2. Article V, Section 5 is deleted in its entirety and replaced with the following:

SECTION 5. Chairman and Vice Chairman of the Board of Directors. The chairman of the board of directors shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present. In the absence of the chairman of the board of directors, the vice chairman of the board of directors shall preside at such meetings at which he shall be present. The chairman of the board of directors and the vice chairman of the board of directors shall perform, respectively, such other duties as may be assigned to him or them by the chief executive officer or the Board of Directors.

The undersigned, being the Secretary of the Corporation, hereby certifies that this Amendment No. 5 to the By-Laws of the Corporation has been duly adopted by the Board of Directors of the Corporation effective as of September 17, 2004.

/s/ Joanne F. Catanese
Joanne F. Catanese, Secretary

FTI CONSULTING, INC. 2004 LONG-TERM INCENTIVE PLAN
INCENTIVE STOCK OPTION AGREEMENT

To _____ ("**Optionee**");

FTI Consulting, Inc. (the "**Company**") has granted (the "**Award**") you an option (the "**Option**") under the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as amended from time to time (the "**Plan**"), to purchase _____ shares of the common stock, \$0.01 par value ("**Common Stock**") of the Company (the "**Shares**"), at _____ per share (the "**Exercise Price**"). The effective **Date of Grant** will be _____, 2____, subject to your signing and promptly returning a copy of this Agreement (as defined below) to the Company.

This agreement (the "**Agreement**") evidences the grant of the Option, which is subject in all respects to the applicable provisions of the Plan. This Agreement incorporates the Plan by reference and specifies other applicable terms and conditions of your Option. A copy of the Plan and the Prospectus for the Plan, as amended from time to time (the "**Prospectus**"), is attached. By executing this Agreement, you acknowledge that you have received a copy of the Plan and the Prospectus for the Plan, as amended from time to time (the "**Prospectus**"). You may request additional copies of the Plan or Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401 (Phone: (410) 224-8770). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Prospectus (described more fully at the end of the Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award of the Option for the Shares are made in consideration of your employment with the Company and in fulfillment of applicable terms of your Employment Agreement dated _____, 2____ ("**Employment Agreement**"), if any, between you and the Company or an Affiliate of the Company (the "**Employer**").

All terms not defined by this Agreement have the meanings given in the Plan. The Option is intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), to the fullest extent permitted by that Section. The Company, however, does not warrant any particular tax consequences of the Option. Any portion of the Option that exceeds the statutory limit under Code Section 422 will be treated as a nonstatutory stock option.

In addition to the terms, conditions, and restrictions set forth in the Plan, the following terms, conditions, and restrictions apply to the Option:

- (1) You may not exercise the Option before _____, 2____, except as otherwise provided below.
 - a. Thereafter, except as provided otherwise in this Agreement, you may exercise the Option to purchase Shares as follows:
 - i. Up to One-Third (1/3) of the Shares on or after _____, 2____;

- ii. Up to Two-Thirds (2/3) of the Shares on or after _____, 2___; and
 - iii. All of the Shares on or after _____, 2___, for a total of _____ Shares.
- b. The Option will expire at 5:00 p.m. Eastern Time on _____, 2___.
 - c. The Committee may, in its sole discretion, accelerate the time at which you may exercise part or all of the Option.
 - d. The Option will become exercisable in full immediately before the occurrence of a Change in Control, as defined in the Plan.
 - e. The Option will become exercisable in full upon your death.
 - f. If you terminate employment due to your Total and Permanent Disability (as hereafter defined), your Option will continue to become exercisable as provided above for an additional twelve (12) months following your termination. For purposes of this Agreement, "**Total and Permanent Disability**" has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in your death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Committee may require such proof of Total and Permanent Disability as the Committee in its sole discretion deems appropriate and the Committee's good faith determination as to whether and when you are totally and permanently disabled will be final and binding on all parties concerned.
 - g. You may exercise the Option only in multiples of whole Shares and may not exercise the Option as to fewer than one hundred shares (unless the Option is then exercisable for fewer than one hundred Shares) at any one time. At the time of exercise, the Company will round down any fractional shares but will not make any cash or other payments in settlement of fractional shares eliminated by rounding.
- (2) Subject to this Agreement and the Plan, you may exercise the Option only by notice to the Company, in such form and manner as the Committee may require, on or before the Option's expiration date or earlier forfeiture. Each such notice must:
- a. state the election to exercise the Option and the number of Shares with respect to which it is being exercised;
 - b. contain such representations as the Company may require; and
 - c. be accompanied by full payment of the Exercise Price payable for the Shares or properly executed, irrevocable instructions, in such manner and form as the Committee may require, to effectuate a broker-assisted cashless exercise through a brokerage firm acceptable to the Committee. The Exercise Price may be paid to the Company via cash, check, money order or wire transfer, and subject to such limits as the Committee may

impose from time to time, tender (via actual delivery or attestation) of other shares of the Company's Common Stock previously owned by you.

For all purposes of the Plan, the date of exercise will be the date on which you have delivered the notice and any required payment (or, in the case of a broker-assisted cashless exercise, irrevocable broker instructions acceptable to the Committee) to the Company.

- (3) You agree to give prompt notice to the Company if you dispose of any Shares acquired upon exercise of the Option within one (1) year after you acquire them or within two (2) years after the Date of Grant.
- (4) You will forfeit any unexercised portions of the Option upon either your resignation or the termination of your employment or service relationship with the Company or its Affiliate for any reason *unless* (i) you terminate due to death or Total and Permanent Disability, (ii) the Committee determines otherwise at any time, or (iii) your Employment Agreement in effect at the time at issue, if any, provides otherwise.
 - a. If you terminate due to death, your Option will remain exercisable for twelve (12) months after the date of your death, and any unexercised portions will be forfeited thereafter.
 - b. If you terminate due to your Total and Permanent Disability, your Option will remain exercisable for twelve (12) months after the date of your termination due to Total and Permanent Disability, or five (5) business days after the latest date that your Option becomes exercisable during those twelve (12) months, if later, and any unexercised portions will be forfeited thereafter.
 - c. If you cease to be a "common law employee" of the Company or any of its Affiliates but you continue to provide bona fide services to the Company or any of its Affiliates following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of your employment or service relationship will not be deemed to have occurred for purposes of this Agreement upon such change in capacity. However, the Option will not be treated as an "incentive stock option" within the meaning of Code Section 422 with respect to any exercise that occurs more than three (3) months after such cessation of the common law employee relationship (except as otherwise permitted under Code Section 421 or 422). In the event that your employment or service relationship is with a business, trade or entity that, after the Date of Grant, ceases for any reason to be part of the Company or an Affiliate, your employment or service relationship will be deemed to have terminated for purposes of this Agreement upon such cessation if your employment or service relationship does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.
 - d. The Option will be forfeited immediately upon your commission of any of the following acts, as determined by the Committee, which determination will be conclusive: (i) fraud on or misappropriation of any funds or property of the Company, an Affiliate, customer or client, (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company and its Affiliates, (iii) dishonesty, (iv) willful misconduct in connection with your duties or

responsibilities or otherwise, gross negligence in the performance of your duties or responsibilities, or (v) failure to perform your responsibilities in the best interests of the Company or any of its Affiliates, each as determined in good faith by the Company, which determination is conclusive.

- (5) As soon as practicable after exercise of the Option, the Company will deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker on your behalf, for the Shares issued upon exercise. Any share certificates delivered or Shares delivered electronically will, unless the 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 Shares.
- (6) The Company may postpone the issuance and delivery of any Shares for so long as the Company determines to be necessary or advisable to satisfy the following:
 - a. the completion or amendment of any registration of the Shares or satisfaction of any exemption from registration under any securities law, rule, or regulation;
 - b. compliance with any requests for representations; and
 - c. receipt of proof satisfactory to the Company that a person seeking to exercise the Option after your death is authorized and entitled to exercise the Option.
- (7) You may not exercise the Option if the issuance of the Shares upon such exercise would violate any applicable federal securities laws or other laws or regulations.
- (8) This Agreement does not limit in any manner the right of the Company or its Affiliate to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan, subject to the terms of your Employment Agreement, if applicable.
- (9) This Agreement and the Plan contain the entire agreement between you and the Company with respect to the Option.
- (10) You understand and agree that you will not be deemed for any purpose to be a stockholder of the Company with respect to any of the Shares unless and until they have been issued to you after your exercise of this Option and payment for the Shares.
- (11) This Option cannot be assigned, transferred, pledged, hypothecated, or disposed of in any way and cannot be subject to execution, attachment or similar process; however, the Option is transferable by way of will or the laws of descent and distribution. During your lifetime, only you (or, if you are disabled, a guardian or legal representative) may exercise the Option.
- (12) You understand and agree that the existence of this Option will 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.

- (13) At the time of exercise, the Company or its Affiliates may withhold from your payroll or any other payment due to you, and you agree to make adequate provision for, all taxes required by law to be withheld in connection with the Option. The Company or its Affiliates may require you to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Option or issuance of certificates representing Shares. The Committee may, in its sole discretion, permit you to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Option either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due.
- (14) 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, the Option or the 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.
- (15) The Committee may make various adjustments to your Option, including adjustments to the number and type of securities subject to the Option and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control (as defined in the Plan) of the Company, the Option will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of the Option by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise the Option.
- (16) This Agreement may be amended from time to time by the Committee in its discretion; however, this Agreement may not be modified in a manner that would have a materially adverse affect on the Option or Shares, as determined by the Committee, except as provided in the Plan or in a written document signed by you and the Company.
- (17) Any notice that you are required to give the Company under this Agreement must be delivered to the Secretary of the Company or his or her designee at the principal executive office of the Company. Notice will be deemed to have been duly delivered when received by the Secretary or his or her designee in such form and manner as the Company finds to be acceptable.
- (18) Wherever a conflict, ambiguity or inconsistency may arise between the terms of this Agreement and the terms of the Plan, the terms of the Plan will control.

{Signature page follows}

Date: _____

By: _____

OPTIONEE'S ACKNOWLEDGMENT AND SIGNATURE

I acknowledge receipt of a copy of the prospectus for the Plan, attached hereto. I represent that I have read it and am familiar with the Plan's terms. I accept the Option 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 its terms. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Committee concerning any questions arising under the Plan with respect to the Option.

Date: _____

Signature of Optionee

FTI CONSULTING, INC. 2004 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

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. 2004 Long-Term Incentive Plan, as amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. The effective **Grant Date** will be _____, 2____, subject to your promptly signing and returning a copy of this Agreement (as defined below) to the Company and delivering to the Company a stock power, endorsed in blank, with respect to the Award Shares.

This Agreement (the "**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 any terms and conditions relating to Award Shares or this Award contained in the written employment agreement dated _____, ____ (the "**Employment Agreement**"), if any, between you and the Company or an Affiliate of the Company for which you perform services, as applicable (the "**Employer**"), and specifies other applicable terms and conditions of your Award Shares. By executing this Agreement, you acknowledge that you have received a copy of the Plan and the Prospectus for the Plan, as amended from time to time (the "**Prospectus**"). You may request additional copies of the Plan or Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401 (Phone: (410) 224-8770). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Prospectus (described more fully at the end of the Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award of the Award Shares are made in consideration of your employment with the Company and in fulfillment of applicable terms of your Employment Agreement, if any.

1. Terminology; Conflicts. The Glossary at the end of this Agreement includes definitions of capitalized words used in this Agreement that are not defined elsewhere in this Agreement, the Plan or the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of any conflict, ambiguity or inconsistency between or among any defined term in this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority.

2. Employment Agreement. All of the Award Shares are nonvested and forfeitable as of the Grant Date. The Award Shares are granted subject to the forfeiture, vesting and other provisions specifically set forth in the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any term or condition of this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority, except in the case of Section 14 of this Agreement which will control in all cases. Notwithstanding anything to the contrary, the Award and the Award Shares will be subject to and bound by all terms and conditions in this Agreement and the Plan not specifically covered by or contrary to the effective Employment Agreement.

3. Terms and Conditions Not Specifically Set Forth in the Employment Agreement. Absent an employment agreement or terms and conditions to the contrary in your Employment Agreement, the following terms and conditions will apply:

(a) *Vesting*. Your Award Shares shall be subject to the forfeiture and vesting provisions marked with an below:

- i. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, 20% of the Award Shares will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the Award Shares will be vested and nonforfeitable on the fifth anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- ii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, ___% of the Award Shares will vest and become nonforfeitable on the ___ year anniversary of the Grant Date, and the remaining ___% of the Award Shares will vest and become nonforfeitable on the ___ year anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- iii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through _____, ____ (the "**Vesting Date**"), all of your Award Shares will vest and become nonforfeitable on the Vesting Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.

(b) *Acceleration of Vesting*. All outstanding Award Shares will become fully vested 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. termination of your Service by the Company or your Employer without Cause,
- iii. termination of your Service by you with Good Reason,
- iv. your death, or
- v. your Total and Permanent Disability.

(c) *Termination of Service.* If your Service with the Company and its Affiliates ceases due to termination (i) by the Company or your Employer for Cause, or (ii) by you without Good Reason, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited for no consideration. If your Service with the Company and its Affiliates ceases for any other reason, the Award Shares will remain in full effect.

4. 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.

5. 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.

6. Taxation.

(a) *Tax Withholding.* By signing this Agreement, you authorize your Employer and the Company to deduct from any compensation or any other payment of any kind (including withholding the issuance of shares of Common Stock) due you the amount of any federal, state, local or foreign taxes required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part; provided, however, that the value of the shares of Common Stock withheld may not exceed the statutory minimum withholding amount required by law. In lieu of such deduction, your Employer and the

Company may require you to make a cash payment to such Employer or the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Common Stock certificate under this Agreement until arrangements satisfactory to the Committee for such payment have been made.

(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 your Employer or the Company. You may not rely on your Employer, the Company or any of their 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.

7. 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 Award Shares and the number of such Award Shares that are nonvested and forfeitable will, without further action of the Committee, be adjusted to reflect such event. The Committee may make adjustments, in its discretion, to address the treatment of fractional shares with respect to the Award Shares as a result of the stock dividend, stock split or reverse stock split. Adjustments under this Section 7 will be made by the Committee, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional Award Shares will result from any such adjustments.

(b) *Binding Nature of Agreement.* The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute 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, except as otherwise determined by the Committee. 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, 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 securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement alters your at-will or other employment status pursuant to your Employment Agreement, if applicable, or other service relationship with your Employer and the Company. This Agreement is not to be construed as a contract of employment or service relationship between the Company or any of its subsidiaries and you, nor as a contractual right of you to continue in the employ of, or in a service relationship with, the Company or any of its subsidiaries for any period of time. This Agreement does not limit in any manner the right of your Employer or the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan, subject to the terms of your Employment Agreement, if applicable.

9. 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, except that you will not have any right to cash dividends or other distributions declared or paid with respect to nonvested and

forfeitable Award Shares. All cash dividends and any other distributions paid with respect to nonvested Award Shares will be held by the Company in trust for your benefit and paid to you upon vesting of the Award Shares. Upon forfeiture of any Award Shares, any cash dividends and distributions then held in trust with respect to such shares will be forfeited and will be returned to the Company.

10. 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.

11. Entire Agreement. This Agreement, inclusive of the Plan and the terms of the Employment Agreement incorporated into this Agreement, contains the entire agreement between you, your Employer 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.

12. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan will govern.

13. 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 Employment Agreement or in any other written document signed by you and the Company.

14. 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.

15. Headings. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

16. 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 Glossary follows on the next page.}

GLOSSARY

(a) “**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 Committee.

(b) “**Cause**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means (i) fraud on or misappropriation of any funds or property of the Company, an Affiliate, customer or client, (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company and its Affiliates, (iii) dishonesty, or (iv) willful misconduct in connection with your duties or responsibilities or otherwise, gross negligence in the performance of your duties or responsibilities, each as determined in good faith by the Company, which determination is conclusive.

(c) “**Change in Control**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means: (1) the acquisition (other than from the Company) in one or more transactions by any Person 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 outstanding voting securities entitled to vote generally in the election of directors 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.

(d) “**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 and who are “**non-employee directors**” within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act.

(e) “**Company**” means FTI Consulting, Inc., a Maryland corporation

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and any successor thereto.

(g) “**Good Reason**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective employment agreement, means any of the following, if not cured and corrected by your Employer, the Company or its successor within 10 business days after written notice thereof by you to your Employer, the Company or its successor: (i) any substantial reduction in annualized base salary that is not otherwise offset by increased bonus opportunity or equity-based compensation or other incentive compensation opportunity, (other than for “Cause,” a change due to your Total and Permanent Disability or as an accommodation under the Americans With Disabilities Act, or otherwise by agreement of you and your Employer or the Company); or (ii) any requirement that you relocate, by more than 50 miles, the principal location from which you perform services for your Employer or the Company; provided, however, that no reduction in annualized base salary will be deemed to occur solely because you have requested or otherwise agreed to

a change in status, including, but not limited to, less than full-time employment, a leave of absence, job-sharing or a consulting or independent contractor relationship.

(h) **“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 by entities controlled by the Company.

(i) **“Service”** means your employment or other service relationship with the Company or your Employer so long as your Employer is an Affiliate of the Company, except that if you cease to be a “common law employee” of the Company or any of its Affiliates but you continue to provide bona fide services to the Company or any of its Affiliates following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of your employment or service relationship will not be deemed to have occurred for purposes of this Agreement upon such change in capacity. In the event that your employment or service relationship is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part of the Company or an Affiliate, your employment or service relationship will be deemed to have terminated for purposes of this Agreement upon such cessation if your employment or service relationship does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

(j) **“Total and Permanent Disability”** has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in your death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Committee may require such proof of Total and Permanent Disability as the Committee in its sole discretion deems appropriate and the Committee’s good faith determination as to whether and when you are totally and permanently disabled will be final and binding on all parties concerned.

(k) **“You”; “Your”**. You means the recipient of the Award Shares 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 Award Shares 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.

{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: _____

Date: _____

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

Date: _____

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 our transfer agent, and hereby irrevocably constitutes and appoints Jack B. Dunn IV and Theodore I. Pincus, 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: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") is made and entered into as of September 20, 2004, by and between FTI Consulting, Inc., a Maryland corporation with its principal offices in Annapolis, Maryland ("**Company**"), and Dennis J. Shaughnessy ("**Executive**").

WITNESSETH:

WHEREAS, Executive is a member of the Board of Directors of Company; and

WHEREAS, Company desires to retain and ensure the continued availability to Company of Executive's services, and Executive is willing to render such services, all upon and subject to the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, Company and Executive agree as follows:

1. **Employment.** Company employs Executive and Executive accepts such employment upon the terms and conditions set forth in this Agreement.

2. **Term of Employment.**

(a) **Employment Term.** Executive's full-time employment under this Agreement will begin as of October 18, 2004 (the "**Effective Date**") and continue for a term (the "**Employment Term**") of five years (through the day before the fifth anniversary of the Effective Date in 2009) or such earlier date as Executive's employment terminates under Section 9.

(b) **Transition Period.** Upon expiration of the Employment Term or its earlier termination pursuant to Section 9 other than as a result of Executive's death or Disability (as defined in Section 9(d)) or termination of Executive's employment by Company for Cause (as defined in Section 9(b)), Executive shall continue to provide services to Company as described in Section 3(b), but in the capacity of a part-time employee, for a period (the "**Transition Period**") of five years or until such earlier date as Executive's employment terminates under Section 9.

(c) **Contract Term.** The Employment Term, together with the Transition Period, is referred to in this Agreement as the "**Contract Term.**"

3. **Position and Duties.**

(a) **During the Employment Term.** During the Employment Term, Executive will (i) be employed to serve as, and have the title of, Chairman of the Board of Directors and to perform such duties consistent with such position as Executive shall reasonably be directed to perform by Company's Board of Directors ("**Board**") or Chief Executive Officer ("**Chief Executive Officer**") commensurate with Executive's position or as may be specified in Company's By-Laws, if applicable, (ii) have such authority as may be reasonably necessary or

appropriate in order to enable Executive to carry out the duties and responsibilities of Executive's employment under this Agreement, (iii) have Executive's principal office located at Company's offices in Annapolis, Maryland, and (iv) be entitled to office services and support commensurate with Executive's position, duties and responsibilities. During the Employment Term, Executive will devote substantially all of Executive's business time, attention, and energies to the performance of Executive's duties and responsibilities under this Agreement, provided that Executive may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or materially interfere with the ability of Executive to perform said duties and responsibilities; provided, further, that service on the board of directors or other governing body of another for-profit business entity is subject to the consent of the Board.

(b) During the Transition Period. During the Transition Period, Executive will (i) be employed by Company as a part-time employee providing, at the request and direction of the Chief Executive Officer and/or Board, not more than 500 hours of service per 12-month period (at mutually agreed-upon times) at the Company's offices in Annapolis, Maryland, such services to be commensurate with the general nature of services performed by Executive or other executive-level employees of Company during the Employment Term or of a nature that the Chief Executive Officer and/or Board determines is necessary or desirable to transition Executive's position to his successor, and (ii) have such title, or no title, as shall be determined by the Chief Executive Officer and/or Board in his or its discretion.

(c) Service on Board of Directors. Executive shall serve on Company's Board of Directors during the Employment Term, and whenever during the Employment Term Executive's term on Company's Board of Directors is due to expire, Company shall include Executive as a nominee for reelection in Company's Proxy Statement for the annual meeting of stockholders for the year in which such expiration is to occur.

4. Annual Salary and Transition Payment.

(a) During the Employment Term. During the Employment Term, Company will pay or cause to be paid to Executive an annual base salary ("**Base Salary**") equal to \$1,000,000 for each year of the Employment Term, payable in cash on a periodic basis in accordance with Company's normal payroll practices applicable to its executive officers, but not less often than monthly. Executive's Base Salary will be subject to annual review by the Compensation Committee of the Board of Directors of Company (the "**Committee**") and may be adjusted upwards (but not downwards) in such amounts as the Committee may determine in its sole discretion. The term "Base Salary" as used in this Agreement refers to the Base Salary as so increased.

(b) During the Transition Period. During the Transition Period, in lieu of payment of a Base Salary, Company will pay or cause to be paid to Executive in cash, in periodic installments not less frequently than monthly, an amount equal to \$200,000 (the "**Transition Payment**") for each year of the Transition Period; provided, however, that Company's obligation to pay such Transition Payment during the Transition Period shall terminate immediately upon any failure by Executive to perform his duties under Section 3(b) or any breach by Executive of the restrictive covenant provisions of Section 12. Notwithstanding such cessation of payment

upon a breach of the restrictive covenant provisions of Section 12, Company shall retain the right to fully enforce the restrictive covenant provisions. In the event that a Change of Control occurs after the Transition Period has commenced, the aggregate amount of the unpaid Transition Payment payable for the period measured from the date of the Change of Control through the end of the Transition Period will be paid to Executive by Company in a lump sum payment on the date that the Change of Control occurs, but Executive's obligations under Section 3(b) shall remain intact and Company shall retain the right to fully enforce the restrictive covenant provisions of Section 12. In the event that the Transition Period commences on or after a Change of Control (as defined in Section 10(c)) as a result of a termination of employment under the circumstances described in Section 10(c), Executive shall receive the amounts and benefits set forth in Section 10(c) in lieu of the amounts set forth in this Section 4(b), but Executive's obligations under Section 3(b) shall remain intact and Company shall retain the right to fully enforce the restrictive covenant provisions of Section 12.

5. Annual Incentive Bonus. With respect to each fiscal year during the Employment Term, Executive will be entitled to participate in Company's Incentive Compensation Plan (or any successor thereto) and any other bonus plan(s) adopted by the Board of Directors or Committee for one or more of the executive officers of Company and its subsidiaries, other than any such bonus arrangement specific to another individual executive. Executive will be eligible to receive a bonus each year in such amount, if any, as determined by the Committee in accordance with the terms of Company's Incentive Compensation Plan (or any successor thereto).

6. Employee Benefit Programs and Perquisites.

(a) General. During the Employment Term and the Transition Period, Executive will be entitled to participate in such qualified and nonqualified employee pension plans, group health, long-term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites generally maintained or provided by Company from time to time to or for the benefit of its executive employees or employees generally ("**Benefit Plans**"), at a level commensurate with Executive's position. The preceding sentence does not, however, entitle Executive to participate in any plans specific to other individual executives or employees. Executive's participation in any Benefit Plans will be subject to the terms of the applicable plan documents and Company's generally applied policies and procedures. Company in its discretion may from time to time adopt, modify, interpret, or discontinue such plans, policies and procedures in a manner generally applicable to Company's executives or employees. During the Employment Term and the Transition Period, Executive will be entitled to the payment by Company of the cost of life, health and dental benefits and long-term disability insurance for himself and, as applicable, his dependents, at the same percentage level of Company contribution as in effect on the Effective Date and in accordance with Company policies and procedures. During the Employment Term, Executive will be entitled to at least six weeks of paid vacation for each calendar year (pro-rated for partial calendar years), subject to Company's policies and procedures on use and accrual of such vacation in effect from time to time, but with no payment for unused vacation (including upon termination for any reason). During the Employment Term and the Transition Period, Executive will be entitled to lease and use, for business or personal purposes, an automobile of his choice at Company's expense.

(b) Stock Options. In connection with this Agreement, Company has granted Executive an option (the "**Option**") to purchase 200,000 shares of Common Stock of Company at fair market value calculated as of the market close on the Effective Date under and subject to the terms of Company's 2004 Long-Term Incentive Plan. The Option vests in three equal installments, beginning on the Effective Date and continuing on the first and second anniversaries of the Effective Date, provided that Executive is employed with Company on each such date, so that the Option will be fully vested on the second anniversary of the Effective Date. The Option and all outstanding past and future stock options and other similar awards granted to Executive will vest in full immediately before the occurrence of a Change of Control (as defined in Section 10(c)) or upon the termination of Executive's employment (i) by Company without Cause (as defined in Section 9(b)), (ii) by Executive with Good Reason (as defined in Section 9(e)), or (iii) due to Executive's death or Disability (as defined in Section 9(d)). Vesting of the Option and other stock options and similar awards will continue through the Transition Period. In addition, any options previously awarded to Executive as a director will remain unchanged by this Agreement and will continue to vest in accordance with the applicable terms and conditions governing such options.

(c) Equity Grant. In connection with this Agreement, Company will grant Executive \$3,000,000 worth of Common Stock of Company, valued as of the Effective Date (the "**Equity Grant**"). The Equity Grant shall vest in ten (10) equal installments, beginning on the first anniversary of the Effective Date and continuing on the following nine anniversaries of the Effective Date, provided that Executive is employed with Company on each such anniversary, such that the Equity Grant will be fully vested on the tenth anniversary of the Effective Date. The Equity Grant and all outstanding past and future equity-based or similar awards granted to Executive will vest in full immediately before the occurrence of a Change of Control (as defined in Section 10(c)) or upon the termination of Executive's employment (i) by Company without Cause (as defined in Section 9(b)), (ii) by Executive with Good Reason (as defined in Section 9(e)), or (iii) due to Executive's death or Disability (as defined in Section 9(d)). Vesting of the Equity Grant and other equity-based or similar awards will continue through the Transition Period.

(d) Reimbursement of Business Expenses. Executive is authorized to incur reasonable business expenses in accordance with Company policy in carrying out his duties and responsibilities under this Agreement, and Company will promptly pay or reimburse Executive for all such expenses that are so incurred upon presentation of appropriate vouchers or receipts, subject to Company's expense reimbursement policies and procedures in effect from time to time with respect to executives of Company.

7. No Other Employment. Executive represents to Company that he is not subject to any agreement, commitment or policy of any third party that would prevent him from entering into or performing the duties of his employment under this Agreement. Executive will not enter into any agreement or commitment or agree to any policy that would prevent or hinder the performance of his duties or obligations under this Agreement.

8. No Payments to Governmental Officials. Executive will not knowingly pay or authorize payment of any remuneration to or on behalf of any governmental official which would constitute a violation of applicable law. Company will neither request nor require Executive to

offer to make or make a payment of any remuneration to or on behalf of any governmental official other than those required or expressly permitted by applicable law.

9. Termination of Employment.

(a) Resignation. Executive may voluntarily resign his employment under this Agreement without Good Reason (as defined in Section 9(e)) at any time upon at least 60 days' prior written notice to Company. Company may waive such notice or authorize a shorter notice period. Upon the effectiveness of any such resignation, Executive's obligations under the Transition Period shall commence pursuant to Section 3(b).

(b) Termination by Company for Cause. Company may terminate Executive's employment at any time during the Contract Period for "**Cause**" if, and only if, Executive:

- (i) commits a material breach of his material obligations or agreements under this Agreement;
- (ii) commits an act of gross negligence or otherwise acts with willful disregard for the best interests of Company and its affiliates;
- (iii) fails or refuses to perform any duties delegated to him that are consistent with the duties of similarly-situated executives or are otherwise required under this Agreement;
- (iv) is convicted of or pleads guilty or no contest to a felony, or violates any federal or state securities laws, or with respect to his employment, commits either a material dishonest act or common law fraud;
- (v) seizes a corporate opportunity for himself instead of offering such opportunity to Company or its affiliates;
- (vi) is absent (and not traveling on business) for a reason other than illness, vacation, or approved leave for more than 30 consecutive days; or
- (vii) commits a material violation of a material Company policy.

For purposes of this Section, no act or failure to act shall be deemed "willful" unless effected by the Executive not in good faith and without a reasonable belief that such action or failure to act was in or not opposed to the Company's best interests.

The Company may not terminate the Executive's employment for Cause under clause (i), (ii), (iii), (v), (vi) or (vii) of such definition set forth above unless: (a) the Company provides the Executive with written notice of its intent to consider termination of the Executive's employment for Cause, including a detailed description of the specific reasons which form the basis for such consideration; (b) within thirty (30) days after the date such notice is provided, the Executive shall have a reasonable opportunity to appear before the Board of Directors, with or without legal representation, at the Executive's election, to present arguments and evidence on his own behalf

to defend such act or acts, or failure to act, and, if such act or failure to act is correctable, the Executive shall be given thirty (30) days after such meeting to correct such act or failure to act; and (c) following presentation to the Board of Directors as provided in clause (b) above or the Executive's failure to appear before the Board of Directors at a date and time specified in the notice and, following expiration of the thirty (30) -day period in which to correct such acts or failures to act that are correctable, the Executive may be terminated for Cause only if (1) the Board of Directors, by an affirmative vote of a majority of its members (excluding the Executive and any other member of the Board of Directors reasonably believed by the Board of Directors to be involved in the events leading the Board of Directors to terminate the Executive for Cause), determines that the acts or failures to act of the Executive specified in the notice occurred and remained uncorrected, and the Executive's employment should accordingly be terminated for Cause; and (2) the Board of Directors provides the Executive with a written determination setting forth in specific detail the basis of such termination of employment which are consistent with the reasons set forth in the notice.

(c) Termination by Company Without Cause. Subject to the provisions hereof, Company may terminate Executive's employment under this Agreement before the end of the Employment Term, without Cause, upon 60 days' prior written notice. Upon the effectiveness of any such termination without Cause, Executive's obligations during the Transition Period shall commence pursuant to Section 3(b).

(d) Termination Due to Disability. If Executive becomes "Disabled" (as defined below), Company may terminate Executive's employment. For purposes of this Agreement, Executive will be deemed to be "**Disabled**" or to have a "**Disability**" if Executive is determined to be totally and permanently disabled under Company's long-term disability insurance plan in which he participates or if Executive is unable to substantially perform the customary duties and responsibilities of Executive's employment for a period of at least 120 days within an 180-day period by reason of a physical or mental incapacity.

(e) Termination by Executive for Good Reason. Executive may resign for "**Good Reason**" if, without Executive's prior written consent, Company:

(i) assigns Executive duties materially and adversely inconsistent with Executive's positions as described in this Agreement, other than as a result of the Company ceasing to be a public company;

(ii) materially reduces Executive's target annual bonus level for any year below the target for the preceding year, other than as a result of a decline in Company's results of operations or other adverse event;

(iii) materially breaches a material provision of this Agreement; or

(iv) changes Executive's principal place of employment to a place more than 50 miles from Executive's principal place of employment on the Effective Date.

Before resigning for Good Reason, Executive must specify in writing to Company the nature of the act or omission that Executive deems to constitute Good Reason and, if the

situation can be cured, give Company at least 30 days after receipt of such notice to correct the situation (and thus prevent Executive's resignation for Good Reason). Upon the effectiveness of any such termination for Good Reason, Executive's obligations during the Transition Period shall commence pursuant to Section 3(b).

(f) Death. If Executive dies during the Contract Term, the Contract Term will end as of the date of Executive's death, and Executive's estate will be entitled to the benefits described in Section 10(d) of this Agreement.

10. Payments on Termination of Employment.

(a) Termination by Company for Cause or Executive's Resignation Without Good Reason. If, during the Employment Term, Company terminates Executive's employment for Cause or Executive resigns without Good Reason, Company will promptly pay to Executive: (i) the unpaid amount, if any, of Executive's Base Salary through the date of termination or resignation, (ii) the unpaid amount, if any, of Executive's previously earned and unpaid incentive bonus for the calendar year preceding the year of termination, (iii) the amount of any substantiated but previously unreimbursed business expenses incurred through the date of termination or resignation, and (iv) the additional vested benefits, if any, to which Executive is entitled under the terms of any Company employee pension or welfare benefit plan in which Executive was a participant, in accordance with the conditions and payment schedules set forth in such plan(s) (the amounts specified in clauses (i) through (iv), collectively, "**Accrued Compensation**"). In addition, if Executive resigns without Good Reason during the Employment Term, Company will pay to Executive the Transition Payment provided for under, and subject to the terms of, Section 4(b).

If, during the Transition Period, Company terminates Executive's employment for Cause or Executive resigns without Good Reason, Company will promptly pay to Executive (i) the unpaid amount, if any, of the Transition Payment accrued through the date of termination or resignation, (ii) the amount of any substantiated but previously unreimbursed business expenses incurred through the date of termination or resignation, and (iii) the additional vested benefits, if any, to which Executive is entitled under the terms of any Company employee pension or welfare benefit plan in which Executive was a participant, in accordance with the conditions and payment schedules set forth in such plan(s).

(b) Termination by Company Without Cause or by Executive for Good Reason. If, during the Employment Term, Company terminates Executive's employment without Cause or Executive resigns for Good Reason, Executive will be entitled to receive the following payments and benefits:

- (i) any Accrued Compensation;
- (ii) continued payment of Base Salary (without giving effect to any reduction in Base Salary that constitutes Good Reason) for the remainder of the Employment Term;
- (iii) payment of the Transition Payment provided for under, and subject to the terms of, Section 4(b);

(iv) a pro rated incentive bonus for the year of termination, determined by multiplying (A) the target annual incentive bonus for the year or, if no target annual incentive bonus was established for the year or the target annual incentive bonus for the year was materially reduced so as to constitute Good Reason, the highest incentive bonus earned within the preceding three years, by (B) a fraction, the numerator of which is the number of days from the beginning of the calendar year through the date of termination, and the denominator of which is 365, which amount shall be paid in a lump sum within ten days of the date of termination;

(v) an additional incentive bonus equal to one-half of the annual incentive bonus paid to Executive on account of the immediately preceding fiscal year, payable at the time Company would otherwise have paid to Executive the annual incentive bonus for the year of his termination;

(vi) full and immediate vesting of the Option, the Equity Grant, and any other outstanding stock options or equity-based awards; and

(vii) continuing group health and group life insurance coverage for Executive and, where applicable, Executive's spouse and eligible dependents, at the same benefit levels in effect from time to time with respect to active senior executives of Company ("**Benefit Continuation Coverage**"), for the lifetimes of Executive and his spouse and, in the case of Executive's eligible dependents, until such dependents' attainment of the maximum age up to which the Company's plan, as then in effect, covers dependents of Company employees; provided that the cost of such coverage during the Transition Period shall be split between Company and Executive in the same ratio as the cost-sharing in effect under the Company's policies and procedures for Company executives at that time, and the cost of such coverage after the expiration of the Transition Period shall be borne 100% by Executive. If and to the extent such Benefit Continuation Coverage is not permitted by the applicable plan or by applicable law, Executive will instead be entitled to cash payments sufficient to reimburse Executive and/or Executive's spouse and eligible dependents, on an after-tax basis, for a proportionate amount of the reasonable cost of comparable individual or other replacement coverage through the end of the Transition Period.

Executive agrees that if he breaches the restrictive covenants set forth in Section 12, Company may cease paying Executive amounts otherwise payable (and may cease providing the benefits otherwise provided for) under this Section 10(b) and will retain its rights to enforce the restrictive covenants and to seek any other remedies available at law.

(c) On or After a Change of Control — Termination by Company Without Cause or by Executive for Good Reason. Executive will be entitled to receive the payments and benefits set forth in this Section 10(c), in lieu of the payments and benefits set forth in Section 10(b), if Executive's employment is terminated during the Employment Term (1) by Executive for any or no reason coincident with or during the 12-month period after a Change of Control occurs, (2) by Executive for Good Reason coincident with or during the 24-month period after a Change of Control occurs, or (3) by Company without Cause coincident with or during the 24-month period after a Change of Control occurs:

(i) any Accrued Compensation;

(ii) a pro rated incentive bonus for the year of termination, determined by multiplying (A) the target annual incentive bonus for the year or, if no target annual incentive bonus was established for the year or the target annual incentive bonus for the year was materially reduced so as to constitute Good Reason, the highest incentive bonus earned within the preceding three years, by (B) a fraction, the numerator of which is the number of days from the beginning of the calendar year through the date of termination, and the denominator of which is 365, which amount shall be paid in a lump sum within ten days of the date of termination;

(iii) a severance payment equal to three times the sum of (A) Executive's annualized Base Salary as in effect immediately before Executive's termination of employment (without giving effect to any reduction in Base Salary that gave rise to Good Reason), plus (B) the greater of the target annual incentive bonus for the year in which termination occurs or the highest annual incentive bonus earned within the immediately prior three years, plus (C) the aggregate amount of any other bonuses, including special bonuses, earned by Executive within the immediately prior year, which severance payment shall be paid in a lump sum within ten days of the date of termination;

(iv) full and immediate vesting of the Option, the Equity Grant, and any other outstanding stock options or equity-based awards; and

(v) Benefit Continuation Coverage for the lifetimes of Executive and his spouse and, in the case of Executive's eligible dependents, until such dependents' attainment of the maximum age up to which the Company's plan, as then in effect, covers dependents of Company employees; provided that the cost of such coverage during the Transition Period shall be split between Company and Executive in the same ratio as the cost-sharing in effect under the Company's policies and procedures for Company executives at that time, and the cost of such coverage after the expiration of the Transition Period shall be borne 100% by Executive. If and to the extent such Benefit Continuation Coverage is not permitted by the applicable plan or by applicable law, Executive will instead be entitled to cash payments sufficient to reimburse Executive and/or Executive's spouse and eligible dependents, on an after-tax basis, for a proportionate amount of the reasonable cost of comparable individual or other replacement coverage through the end of the Transition Period.

Executive agrees that if he breaches the restrictive covenants set forth in Section 12, Company may cease paying Executive amounts otherwise payable (and may cease providing benefits otherwise provided for) under this Section 10(c) and will retain its rights to enforce the restrictive covenants and to seek any other remedies available at law.

For purposes of this Section 10(c), "**Change of Control**" means: (i) the acquisition, in one or more transactions, by any Person of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 50% or more of (A) all shares of capital stock of the Company to be outstanding immediately following such acquisition, or (B) the combined voting power of all shares of capital stock of the Company to be outstanding immediately following such acquisition that are entitled to vote generally in the election of directors (the shares described in clauses (A) and (B), collectively "**Company Voting Stock**"); (ii) the closing of a sale or other conveyance of all or substantially all of the assets of Company; or (iii) the effective time of any merger, share exchange, consolidation, or other

business combination involving Company if immediately after such transaction, persons who hold a majority of the outstanding voting securities entitled to vote generally in the election of directors of the surviving entity (or the entity owning 100% of such surviving entity) are not persons who, immediately prior to such transaction, held Company Voting Stock. For purposes of this Section 10(c), a "**Person**" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than an entity controlled by Company.

(d) Termination Due to Death or Disability. In the event of the termination of Executive's employment due to death or Disability during the Employment Term or Transition Period, Executive (or Executive's estate or other legally-designated beneficiary) will be entitled to receive the following payments and benefits:

(i) any Accrued Compensation;

(ii) only if such death or Disability occurs during the Employment Term, a pro rated incentive bonus for the year of termination, determined by multiplying (A) the target annual incentive bonus for the year, or if no target annual incentive bonus was established for the year, the highest incentive bonus earned within the preceding three years, by (B) a fraction, the numerator of which is the number of days from the beginning of the calendar year through the date of termination, and the denominator of which is 365, which amount shall be paid in a lump sum within ten days of the date of termination;

(iii) full and immediate vesting of the Option, the Equity Grant, and any other outstanding stock options or equity-based awards; and

(iv) Benefit Continuation Coverage, where applicable, for Executive and/or Executive's spouse for their lifetimes and, in the case of Executive's eligible dependents, until such dependents' attainment of the maximum age up to which the Company's plan, as then in effect, covers dependents of Company employees; provided that the cost of such coverage during the then remaining balance of the Contract Term shall be split between Company and Executive, or as applicable his spouse and/or dependents, in the same ratio as the cost-sharing in effect under the Company's policies and procedures for Company executives at that time, and the cost of such coverage after the expiration of the Contract Term shall be borne 100% by Executive, or as applicable his spouse and/or dependents. If and to the extent such Benefit Continuation Coverage is not permitted by the applicable plan or by applicable law, Executive, or as applicable his spouse and/or dependents, will instead be entitled to cash payments sufficient to reimburse Executive and/or Executive's spouse and eligible dependents, on an after-tax basis, for a proportionate amount of the reasonable cost of comparable individual or other replacement coverage through the end of the Contract Term.

Executive agrees that if he breaches the restrictive covenants set forth in Section 12, Company may cease paying Executive amounts otherwise payable (and may cease providing benefits otherwise provided for) under this Section 10(d) and will retain its rights to enforce the restrictive covenants and to seek any other remedies available at law.

Company shall have the right at its own cost and expense to apply for and to secure in its own name and for its own benefit, or otherwise, life insurance covering Executive, and Executive agrees to submit to the usual and customary medical examination, at the expense of Company, in connection with the procurement of any such insurance.

(e) Termination Due to Expiration of the Employment Term. In the event of the termination of Executive's employment due to expiration of the Employment Term, Executive will be entitled to receive the following payments and benefits:

(i) any Accrued Compensation;

(ii) payment of the Transition Payment provided for under, and subject to the terms of, Section 4(b);

(iii) a pro rated incentive bonus for the year of termination, determined by multiplying (A) the target annual incentive bonus for the year, or if no target annual incentive bonus was established for the year, the highest incentive bonus earned within the preceding three years, by (B) a fraction, the numerator of which is the number of days from the beginning of the calendar year through the date of termination, and the denominator of which is 365, which amount shall be paid in a lump sum at the same time as such bonus would otherwise have been paid for such year; and

(iv) Benefit Continuation Coverage for Executive and/or Executive's spouse for their lifetimes and, in the case of Executive's eligible dependents, until such dependents' attainment of the maximum age up to which the Company's plan, as then in effect, covers dependents of Company employees; provided that the cost of such coverage during the Transition Period shall be split between Company and Executive in the same ratio as the cost-sharing in effect under the Company's policies and procedures for Company executives at that time, and the cost of such coverage after the expiration of the Transition Period shall be borne 100% by Executive. If and to the extent such Benefit Continuation Coverage is not permitted by the applicable plan or by applicable law, Executive will instead be entitled to cash payments sufficient to reimburse Executive and/or Executive's spouse and eligible dependents, on an after-tax basis, for a proportionate amount of the reasonable cost of comparable individual or other replacement coverage through the end of the Transition Period.

Executive agrees that if he breaches the restrictive covenants set forth in Section 12, Company may cease paying Executive amounts otherwise payable (and may cease providing benefits otherwise provided for) under this Section 10(e) and will retain its rights to enforce the restrictive covenants and to seek any other remedies available at law.

(f) Termination Due to Expiration of the Transition Period. Upon the expiration of the Transition Period, Executive will be entitled to receive:

(i) the amount of any substantiated but previously unreimbursed business expenses incurred;

(ii) any additional vested benefits to which Executive is entitled under the terms of any Company employee pension or welfare benefit plan in which Executive was a participant; and

(iii) Benefit Continuation Coverage for Executive and/or Executive's spouse for their lifetimes and, in the case of Executive's eligible dependents, until such dependents' attainment of the maximum age up to which the Company's plan, as then in effect, covers dependents of Company employees; provided that the cost of such coverage shall be borne 100% by Executive.

11. Certain Additional Payments.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Company or its affiliate to or for the benefit of Executive, whether paid, payable, distributed or distributable pursuant to this Agreement or otherwise (a "**Payment**") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "**Code**") (or any successor provision) or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to in this Agreement as the "**Excise Tax**"), then Executive shall be entitled to receive an additional payment (a "**Gross-Up Payment**") in an amount such that after the payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 11(c), all determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Company's then independent auditors (the "**Accounting Firm**"), which shall provide detailed supporting calculations to both Company and Executive within 15 business days of receipt of written notice from Executive that there has been a Payment giving rise to a Gross-Up Payment, or such earlier time as is requested by Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by Company to Executive within five days of receipt of the Accounting Firm's determination. All fees and expenses of the Accounting Firm shall be borne solely by Company. Any determination by the Accounting Firm shall be binding upon Company and Executive. As a result of the possible uncertainty in application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments will not have been made by Company that should have been made ("**Underpayment**"), consistent with the calculations required to be made hereunder. In the event that Company exhausts its remedies pursuant to Section 11(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by Company to or for the benefit of Executive.

(c) Executive shall notify Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business

days after Executive is informed in writing of such claim and shall apprise Company of the nature of such claim and the date on which such claim is to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which Executive gives such notice to Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) give Company any information reasonably requested by Company relating to such claim,

(ii) take such action in connection with contesting such claim as Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by Company and reasonably acceptable to Executive,

(iii) cooperate with Company in good faith in order effectively to contest such claim, and

(iv) permit Company to participate in any proceedings relating to such claim; provided, however, that Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section, Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company shall determine; provided, however, that if Company directs Executive to pay such claim and sue for a refund, Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Executive shall be entitled in his sole discretion to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after receipt by Executive of an amount advanced by Company pursuant to Section 11(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to Company's complying with the requirements of such Section) promptly pay to Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after receipt by Executive of an amount advanced by

Company pursuant to Section 11(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid, and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

12. Restrictive Covenants; Inventions.

(a) Restrictive Covenants.

(i) Non-Competition. In consideration for Executive's employment and continued employment by Company, the salary and benefits under this Agreement, including the promise of post-termination compensation under certain circumstances, and other good and valuable consideration provided herein, Executive acknowledges and agrees that, while Company employs Executive and through the end of the Restricted Period (as defined below), Executive will not, directly or indirectly, singly or jointly, on Executive's own behalf or on behalf of any third party, establish, create, be employed by, serve as an officer, director, advisor or consultant to, lend money to, invest in, provide advice to, or engage or otherwise participate in any way in any Competitive Business (as defined below) within any Market Areas (as defined below). Executive may own up to 5% of any class of stock that is registered under the Securities Exchange Act of 1934 and listed or traded on a national securities exchange or the Nasdaq National Market without violating this covenant. The parties further agree that the foregoing shall not prevent Executive from working for or performing services on behalf of any individual or entity that is engaged in a Competitive Business if such individual or entity is also engaged in other lines of business and if Executive's employment or services are restricted to such other lines of business, and Executive will not be providing support, advice, instruction, direction or other guidance to lines of business that constitute the Competitive Business.

(1) For purposes of this Agreement, the term "**Competitive Business**" shall mean any consulting practice in the areas of financial restructuring, litigation consulting and engineering and scientific investigation or any other line of business that competes with Company or its successors, assigns, predecessors, affiliates or subsidiaries (collectively, the "**Company Group**"), but only to the extent that the Company Group either engaged in such areas or lines of business during the Contract Term or Executive had knowledge before termination of his employment with the Company Group that the Company Group intended to or contemplated entering such areas or lines of business.

(2) For purposes of this Agreement, the term "**Market Area**" shall be defined as each location in which any member of the Company Group has an office, manufactures products, sells products or services, or provides services to customers or clients during the Restricted Period (as defined below). If the location where one or more of the relevant companies has or is engaged in business is within a "metropolitan area" as defined by the United States Office of Management and Budget from time to time, the term "**Market Area**" means that metropolitan area. In all other cases, the term "**Market Area**" shall encompass an area within a thirty-five (35) mile radius of the location where any member of the Company

Group has or had an office, manufactures or manufactured products, sells or sold products or services, or provides or provided services to customers or clients.

(3) For purposes of this Agreement, the term “**Restricted Period**” shall mean the time period running from the Effective Date through the third anniversary of the date that Executive’s employment (including during the Transition Period, if applicable) with the Company Group terminates for any reason.

(ii) Non-Interference with Clients or Vendors. During the Restricted Period, Executive agrees that he will not, directly or indirectly, whether for himself or for any other individual or entity (other than the Company Group), engage in the following acts or assist others to do so:

(1) seek to reduce the amount of business performed or engaged in by Company or any member of the Company Group with any person or entity who is or has been, within the Restricted Period, a customer, client, supplier or vendor of any member of the Company Group;

(2) solicit any person or entity who is or has been, within the Restricted Period, a customer, client, supplier or vendor of Company or any member of the Company Group, to terminate their relationship with any member of the Company Group or to do business with a Competitive Business.

(iii) Non-Solicitation of Company Group Employees or Contractors. During the Restricted Period, Executive agrees that he will not, directly or indirectly, whether for himself or for any other individual or entity (other than any entity belonging to the Company Group), hire, solicit, or endeavor to hire away or solicit away from the Company Group, or otherwise induce to terminate their relationship with the Company Group, any person whom the Company Group employs or otherwise engages to perform services, or has employed or engaged for services within the 12-month period immediately prior to the date Executive’s termination of employment became effective, including, but not limited to, any independent consultant, engineer, sales representative, contractor, subcontractor, supplier or vendor. Executive further agrees that he will not otherwise interfere with or disrupt the Company Group’s relationship with any of its employees, contractors, subcontractors, suppliers or vendors.

(b) Confidentiality.

(i) Confidentiality Obligation. In connection with Executive’s employment with the Company Group, Executive has been and will continue to be given access to confidential and proprietary information and trade secrets concerning the business, plans, operations and prospects of the Company Group and other information not generally known outside of the Company Group that may be of value to the Company Group. Furthermore, in connection with Executive’s employment with the Company Group, Executive has been and will in the future be given confidential and proprietary information and trade secrets that have been given to Company or the Company Group in confidence by third parties (the confidential and proprietary information and trade secrets of the Company Group and third parties, as further defined below, shall be referred to herein as “**Confidential Information**”). Executive

understands that employment by the Company creates a relationship of confidence and trust with respect to any such Confidential Information that has been or may be disclosed to Executive and that Company has a protectable business interest in its Confidential Information. Executive acknowledges and agrees that using, disclosing or publishing any Confidential Information in an unauthorized or improper manner could cause Company or Company Group substantial loss and damages that could not be readily calculated and for which no remedy at law would be adequate. Accordingly, Executive acknowledges and agrees that Executive shall not at any time, except in performing Executive's employment duties to the Company Group under this Agreement (except with the prior written consent of Company's Board of Directors), directly or indirectly, use, disclose or publish any Confidential Information that Executive may learn or become aware of, or have learned or become aware of because of Executive's prior or continuing employment, ownership or association with the Company Group or any of their predecessors, or use any such information in a manner detrimental to the interests of Company or the Company Group. Executive understands and agrees that the rights and obligations set forth in this Section will continue indefinitely and will survive termination of this Agreement and Executive's employment with the Company Group.

(ii) Confidential Information. "**Confidential Information**" includes, without limitation, information not previously disclosed to the public or to the trade by Company or the Company Group with respect to the Company's or any member of the Company Group's present or future business, operations, services, products, research, inventions, discoveries, drawings, designs, plans, processes, models, technical information, facilities, methods, trade secrets, copyrights, software, source code, systems, patents, procedures, manuals, specifications, any other intellectual property, confidential reports, price lists, pricing formulas, customer lists, financial information (including the revenues, costs, or profits associated with any of Company's or the Company Group's products or services), business plans, lease structure, projections, prospects, or opportunities or strategies, acquisitions or mergers, advertising or promotions, personnel matters, legal matters, any other confidential and proprietary information and any other information not generally known outside Company or the Company Group that may be of value to Company or the Company Group, but excludes any information already properly in the public domain. "**Confidential Information**" also includes confidential and proprietary information and trade secrets that third parties entrust to Company or the Company Group in confidence.

Confidential Information shall not include any information that (i) has been properly published in a form generally available to the public prior to the date Executive proposes to disclose or use such information or otherwise is or becomes public knowledge through legal means without fault by Executive, (ii) is already public knowledge prior to the signing of this Agreement, (iii) was available to Executive on a non-confidential basis prior to its disclosure by the Company, (iv) was disclosed by Executive in the proper performance of Executive's duties hereunder, or (v) must be disclosed pursuant to applicable law or court order. Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(iii) Preserving Third Party's Confidences. Executive agrees not to use in working for the Company Group and not to disclose to the Company Group any Confidential

Information Executive does not have the right to use or disclose and that the Company Group is not free to use without liability of any kind. Executive agrees to promptly inform Company in writing of any patents, copyrights, trademarks or other proprietary rights known to Executive that Company or the Company Group might violate because of information Executive provides.

(c) Exclusive Property. Executive confirms that all Confidential Information is and must remain the exclusive property of the relevant member of the Company Group. All business records, business papers and business documents Executive keeps or makes in the course of Executive's employment by Company must be and remain the property of the relevant member of the Company Group. Upon the termination of this Agreement with Company or upon Company's or the Company Group's request at any time, Executive shall promptly deliver to the Company or relevant member of the Company Group any Confidential Information or other materials (written or otherwise) not available to the public or made available to the public in a manner Executive knows or should reasonably recognize Company or the Company Group did not authorize, and any copies, excerpts, summaries, compilations, records and documents Executive made or that came into Executive's possession during Executive's employment. Executive agrees that Executive will not, without Company's consent, retain copies, excerpts, summaries or compilations of the foregoing information and materials. Executive understands and agrees that the rights and obligations set forth in this Section will continue indefinitely and will survive termination of this Agreement and Executive's employment with the Company Group.

(d) Intellectual Property. Executive agrees that all intellectual property in whatever media, records, documents, papers, inventions, notebooks, drawings, designs, technical information, source or object code, processes, methods, ideas, discoveries, improvements or other copyrightable or otherwise protectable works, whether patentable or not, in any media, Executive conceives, creates, invents or discovers, that relates to or results from any work Executive performs or performed for Company or any member of the Company Group or that arises from the use of the facilities, materials, personnel, time or Confidential Information of Company or any member of the Company Group in the course of Executive's employment (whether or not during working hours), whether conceived, created, discovered, or invented individually or jointly with others ("**Company Inventions**"), will, together with all worldwide patent, copyright, trademark, trade secret, mask works or other intellectual property rights in such works, including reissues thereof, as well as the right to prosecute or sue for infringements or other violations of these intellectual property rights (collectively "**Intellectual Property Rights**"), be and remain absolutely the property of Company and/or the relevant member of the Company Group. Executive irrevocably and unconditionally waives all rights, including moral rights, that may vest in Executive (whether before, on, or after the date of this Agreement) in connection with Executive's authorship of any copyrightable works in the course of Executive's employment with Company and/or the Company Group, wherever in the world enforceable. Executive recognizes any such works are "works for hire" of which Company is the author. If, for any reason, any such Company Inventions shall not legally be a "work-for-hire" or there are rights which do not accrue to Company under the preceding provisions, then Executive hereby irrevocably assigns to the Company and agrees to quitclaim any and all of Executive's right, title and interest thereto, including, without limitation, all Intellectual Property Rights or other rights of whatsoever nature therein, whether now or hereafter known, existing, contemplated, recognized or developed, and Company shall have the right to use the same in perpetuity

throughout the universe in any manner Company determines, all without any further payment to Executive. Without limitation, Executive waives the right to be identified as the author of any such works and the right not to have any such works subjected to derogatory treatment, and irrevocably transfers and assigns to Company any and all moral rights that Executive may have in any Company Invention and authorizes Company to make any desired changes to any part of any Company Invention and combine it with other materials in any manner desired.

Executive will promptly disclose, and hereby grants and assigns ownership to Company and/or the relevant member of the Company Group for its sole use and benefit, any and all Company Inventions that Executive develops, acquires, conceives or reduces to practice while Company and/or the Company Group employs Executive and will take all steps necessary to assist Company in obtaining and/or protecting its ownership rights therein. Executive will promptly disclose and hereby grants and assigns ownership to Company of all Company Inventions, Intellectual Property Rights and any foreign equivalents thereof that may at any time be filed or granted for or upon any such Company Invention.

(e) Maximum Limits. If any provision of this Section 12 is ever deemed to exceed the time, geographic area or activity limitations the law permits, the limitations shall be reduced to the maximum permissible limitation, and Executive and Company authorize a court or arbitrator having jurisdiction to reform each such provision to the maximum time, geographic area and activity limitations the law permits, provided, however, that such reductions shall apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made.

(f) Injunctive Relief. Without limiting the remedies available to Company and/or the Company Group, Executive acknowledges that a breach of any of the covenants regarding non-competition, non-interference, non-solicitation, confidentiality or intellectual property rights contained in this Agreement may result in material irreparable injury to the Company Group for which there is no adequate remedy at law and that it will not be possible to accurately measure damages for such injuries. Executive agrees that, if there is a breach or threatened breach of this Agreement, Company and/or the Company Group will be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Executive from engaging in activities prohibited by any provision of Section 12 of this Agreement, or such other relief as may be required to specifically enforce any of the covenants contained in Section 12 of this Agreement. Executive agrees that all remedies expressly provided for in this Agreement are cumulative of any and all other remedies now existing at law or in equity. Resort to any remedy provided for in this Section or provided for by law will not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies, or preclude Company or the Company Group's recovery of monetary damages and compensation. Executive also agrees that the Restricted Period or such longer period during which the covenants hereunder by their terms survive will extend for any and all periods for which a court or arbitrator finds that Executive violated the covenants contained herein.

13. Assignment and Successors. This Agreement is personal to Executive and shall not be assignable by Executive, except that Executive's rights to receive any compensation or benefits under this Agreement may be transferred or disposed of pursuant to testamentary disposition or intestate succession. This Agreement shall inure to the benefit of and be

enforceable by the Executive's heirs, beneficiaries and/or legal representatives. This Agreement shall inure to the benefit of and be binding upon Company and its successors and assigns. Company shall require any successor to all or substantially all of the business and/or assets of Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as Company would be required to perform if no such succession had taken place.

14. Severability. If the final determination of an arbitrator or a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision of this Agreement is invalid or unenforceable, the remaining terms and provisions will be unimpaired, and the invalid or unenforceable term or provision will be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Any prohibition or finding of unenforceability as to any provision of this Agreement in any one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15. Amendment; Waiver. Neither Executive nor Company may modify, amend, or waive the terms of this Agreement other than by a written instrument signed by Executive and Company. Either party's waiver of the other party's compliance with any provision of this Agreement shall not be deemed a waiver of any other provision of this Agreement or of any subsequent breach by such party of a provision of this Agreement. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

16. Withholding. Company will reduce its compensatory payments to Executive hereunder for withholding and FICA and Medicare taxes and any other withholdings, deductions and contributions required by law or otherwise authorized by Executive.

17. Governing Law. The laws of the State of Maryland (other than its conflict of laws provisions) govern this Agreement.

18. Notices. Notices may be given in writing by personal delivery, by certified mail, return receipt requested, by telecopy or by overnight delivery. Executive should send or deliver notices to the office of the Secretary of Company at 909 Commerce Road, Annapolis, Maryland 21401, fax number: (410) 224-2809. Company will send or deliver any notice given to Executive at Executive's address as reflected on Company's personnel records. Executive and Company may change their addresses for notice by like notice to the other. Executive and Company agree that notice is deemed received on the date it is personally delivered, the date it is received by certified mail, the date of guaranteed delivery by overnight service, or the date the fax machine confirms receipt.

19. Superseding Effect. This agreement supersedes all prior or contemporaneous negotiations, commitments, agreements and writings between Executive and Company or any of its affiliates with respect to the subject matter. All such other negotiations, commitments, agreements and writings will have no further force or effect, and the parties to any such other

negotiation, commitment, agreement or writing will have no further rights or obligations thereunder.

20. **Arbitration.** Except as expressly set forth in this Section and in Section 12(f), all disputes between Executive and Company ("**Arbitrable Disputes**"), irrespective of whether this Agreement or Executive's employment or other relationship with Company has terminated, are to be resolved exclusively through final and binding arbitration. This arbitration agreement applies to, among other things, disputes concerning Executive's employment with and/or termination from Company; the validity, interpretation, enforceability or effect of this Agreement or alleged violations of it; claims of discrimination under federal or state law; or other statutory or common law claims.

(a) **The Arbitration.** The arbitration shall take place under the auspices of the American Arbitration Association ("**AAA**") in the metropolitan area in which Executive is then (or was last) employed and conducted in accordance with the AAA's National Rules for the Resolution of Employment Disputes then in effect before an experienced employment law arbitrator licensed to practice law in that jurisdiction who has been selected in accordance with such rules. The arbitrator may not modify or change this Agreement in any way except as expressly set forth herein. The arbitration shall be governed by the substantive law of the State of Maryland (excluding where it mandates the use of another jurisdiction's laws).

(b) **Fees and Expenses.** Each party shall pay the fees of their attorneys, the expenses of its witnesses, and any other costs and expenses that the party incurs in connection with the arbitration, but all other costs of the arbitration, including the fees of the arbitrator, the cost of any record or transcript of the arbitration, administrative fees and other fees and costs shall be paid one half by the Company and one half by the Executive. Notwithstanding the foregoing, the arbitrator may, in his or her discretion, award reasonable attorneys' fees (in addition to any other damages, expenses or relief awarded) to the prevailing party.

(c) **Exclusive Remedy.** The arbitration in this manner shall be the exclusive remedy for any Arbitrable Dispute. Should Executive or Company attempt to resolve an Arbitrable Dispute by any method other than arbitration pursuant to this Section, the responding party will be entitled to recover from the initiating party all damages, expenses and attorneys' fees incurred as a result of that breach.

(d) **Judicial Enforcement.** Nothing in this Section shall preclude any party to this agreement from seeking judicial enforcement of an arbitrator's award. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(e) **Section 12(f) Remedies.** Notwithstanding the foregoing, each party shall be entitled to seek injunctive or other equitable relief, as contemplated by Section 12(f), above, from any court of competent jurisdiction, without the need to resort to arbitration.

21. Indemnification and Liability Insurance. Company shall indemnify Executive to the fullest extent permitted by applicable law and Company's by-laws with regard to Executive's actions (or inactions) on behalf of Company in his capacity as an officer and/or director, with advancement of legal fees and other expenses on a current basis to the fullest extent permitted by law. Company shall cover Executive under professional and other appropriate liability insurance policies both during and, while any potential liability exists, after the Contract Term; provided that the amount and extent of such coverage shall be at least as great and extensive as such coverage on Company's other senior executives and directors.

IN WITNESS WHEREOF, the undersigned have signed this Agreement on the date first above written.

FTI CONSULTING, INC.

By: /s/ JACK B. DUNN, IV

Name: Jack B. Dunn, IV

Title: Chairman of the Board, President and Chief
Executive Officer

EXECUTIVE

/s/ DENNIS J. SHAUGHNESSY

FTI CONSULTING, INC. 2004 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

To Dennis J. Shaughnessy:

FTI Consulting, Inc., a Maryland corporation (the "**Company**"), has granted you an award (the "**Award**") of 152,517 restricted shares (the "**Award Shares**") of the Company's common stock, \$0.01 par value (the "**Common Stock**"), under the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. The effective **Grant Date** will be October 18, 2004, subject to your promptly signing and returning a copy of this Agreement (as defined below) to the Company and delivering to the Company a stock power, endorsed in blank, with respect to the Award Shares.

This Agreement (the "**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 any terms and conditions relating to Award Shares or this Award contained in the written employment agreement dated as of September 20, 2004 (the "**Employment Agreement**"), if any, between you and the Company or an Affiliate of the Company for which you perform services, as applicable (the "**Employer**"), and specifies other applicable terms and conditions of your Award Shares. By executing this Agreement, you acknowledge that you have received a copy of the Plan and the Prospectus for the Plan (as amended from time to time, the "**Prospectus**"). You may request additional copies of the Plan or Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401 (Phone: (410) 224-8770). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Prospectus (described more fully at the end of the Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award of the Award Shares are made in consideration of your employment with the Company and in fulfillment of applicable terms of your Employment Agreement, if any.

1. Terminology; Conflicts. The Glossary at the end of this Agreement includes definitions of capitalized words used in this Agreement that are not defined elsewhere in this Agreement, the Plan or the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of any conflict, ambiguity or inconsistency between or among any defined term in this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority.

2. Employment Agreement. All of the Award Shares are nonvested and forfeitable as of the Grant Date. The Award Shares are granted subject to the forfeiture, vesting and other

provisions specifically set forth in the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any term or condition of this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority, except in the case of Section 14 of this Agreement which will control in all cases. Notwithstanding anything to the contrary, the Award and the Award Shares will be subject to and bound by all terms and conditions in this Agreement and the Plan not specifically covered by or contrary to the effective Employment Agreement.

3. Terms and Conditions Not Specifically Set Forth in the Employment Agreement. Absent an employment agreement or terms and conditions to the contrary in your Employment Agreement, the following terms and conditions will apply:

(a) *Vesting*. Your Award Shares shall be subject to the forfeiture and vesting provisions marked with an below:

- i. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, 20% of the Award Shares will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the Award Shares will be vested and nonforfeitable on the fifth anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- ii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, __% of the Award Shares will vest and become nonforfeitable on the __ year anniversary of the Grant Date, and the remaining __% of the Award Shares will vest and become nonforfeitable on the __ year anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- iii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through _____, _____ (the "**Vesting Date**"), all of your Award Shares will vest and become nonforfeitable on the Vesting Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.

(b) *Acceleration of Vesting.* All outstanding Award Shares will become fully vested 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. termination of your Service by the Company or your Employer without Cause,
- iii. termination of your Service by you with Good Reason,
- iv. your death, or
- v. your Total and Permanent Disability.

(c) *Termination of Service.* If your Service with the Company and its Affiliates ceases due to termination (i) by the Company or your Employer for Cause, or (ii) by you without Good Reason, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited for no consideration. If your Service with the Company and its Affiliates ceases for any other reason, the Award Shares will remain in full effect.

4. 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.

5. 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.

6. Taxation.

(a) *Tax Withholding.* By signing this Agreement, you authorize your Employer and the Company, except as provided below, to deduct from any compensation or any other payment of any kind due you the amount of any federal, state, local or foreign taxes required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part. The Company agrees that it will, upon your request, permit you to satisfy, in whole or in part, the Company's minimum statutory withholding tax obligation (based on minimum rates for federal and state law purposes, including payroll taxes) which may arise in connection with the Award either by electing to have the Company withhold the issuance of, or redeem, shares of Common Stock or by electing to deliver to the Company already-owned shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due. If you do not make provision for the payment of such taxes when requested, the Company may refuse to issue any Common Stock certificate under this Agreement until arrangements satisfactory to the Committee have been made.

(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 your Employer or the Company. You may not rely on your Employer, the Company or any of their 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.

7. 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 Award Shares and the number of such Award Shares that are nonvested and forfeitable will, without further action of the Committee, be adjusted to reflect such event. The Committee may make adjustments, in its discretion, to address the treatment of fractional shares with respect to

the Award Shares as a result of the stock dividend, stock split or reverse stock split. Adjustments under this Section 7 will be made by the Committee, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional Award Shares will result from any such adjustments.

(b) *Binding Nature of Agreement.* The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute 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, except as otherwise determined by the Committee. 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, 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 securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement alters your at-will or other employment status pursuant to your Employment Agreement, if applicable, or other service relationship with your Employer and the Company. This Agreement is not to be construed as a contract of employment or service relationship between the Company or any of its subsidiaries and you, nor as a contractual right of you to continue in the employ of, or in a service relationship with, the Company or any of its subsidiaries for any period of time. This Agreement does not limit in any manner the right of your Employer or the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan, subject to the terms of your Employment Agreement, if applicable.

9. 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, except that you will not have any right to cash dividends or other distributions declared or paid with respect to nonvested and forfeitable Award Shares. All cash dividends and any other distributions paid with respect to nonvested Award Shares will be held by the Company in trust for your benefit and paid to you upon vesting of the Award Shares. Upon forfeiture of any Award Shares, any cash dividends and distributions then held in trust with respect to such shares will be forfeited and will be returned to the Company.

10. 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.

11. Entire Agreement. This Agreement, inclusive of the Plan and the terms of the Employment Agreement incorporated into this Agreement, contains the entire agreement between you, your Employer 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.

12. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan will govern.

13. 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 Employment Agreement or in any other written document signed by you and the Company.

14. 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.

15. Headings. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

16. 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 Glossary follows on the next page.}

GLOSSARY

(a) “**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 Committee.

(b) “**Cause**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means (i) fraud on or misappropriation of any funds or property of the Company, an Affiliate, customer or client, (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company and its Affiliates, (iii) dishonesty, or (iv) willful misconduct in connection with your duties or responsibilities or otherwise, gross negligence in the performance of your duties or responsibilities, each as determined in good faith by the Company, which determination is conclusive.

(c) “**Change in Control**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means: (1) the acquisition (other than from the Company) in one or more transactions by any Person 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 outstanding voting securities entitled to vote generally in the election of directors 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.

(d) “**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 and who are “**non-employee directors**” within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act.

(e) “**Company**” means FTI Consulting, Inc., a Maryland corporation

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and any successor thereto.

(g) “**Good Reason**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective employment agreement, means any of the following, if not cured and corrected by your Employer, the Company or its successor within 10 business days after written notice thereof by

you to your Employer, the Company or its successor: (i) any substantial reduction in annualized base salary that is not otherwise offset by increased bonus opportunity or equity-based compensation or other incentive compensation opportunity, (other than for "Cause," a change due to your Total and Permanent Disability or as an accommodation under the Americans With Disabilities Act, or otherwise by agreement of you and your Employer or the Company); or (ii) any requirement that you relocate, by more than 50 miles, the principal location from which you perform services for your Employer or the Company; provided, however, that no reduction in annualized base salary will be deemed to occur solely because you have requested or otherwise agreed to a change in status, including, but not limited to, less than full-time employment, a leave of absence, job-sharing or a consulting or independent contractor relationship.

(h) "**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 by entities controlled by the Company.

(i) "**Service**" means your employment or other service relationship with the Company or your Employer so long as your Employer is an Affiliate of the Company, except that if you cease to be a "common law employee" of the Company or any of its Affiliates but you continue to provide bona fide services to the Company or any of its Affiliates following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of your employment or service relationship will not be deemed to have occurred for purposes of this Agreement upon such change in capacity. In the event that your employment or service relationship is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part of the Company or an Affiliate, your employment or service relationship will be deemed to have terminated for purposes of this Agreement upon such cessation if your employment or service relationship does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

(j) "**Total and Permanent Disability**" has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in your death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Committee may require such proof of Total and Permanent Disability as the Committee in its sole discretion deems appropriate and the Committee's good faith determination as to whether and when you are totally and permanently disabled will be final and binding on all parties concerned.

(k) "**You**"; "**Your**". You means the recipient of the Award Shares 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 Award Shares 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.

{The signature page follows.}

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of this 18th day of October, 2004.

FTI CONSULTING, INC.

By: /S/ THEODORE I. PINCUS

Date: October 18, 2004

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

/S/ CHERYL J. MEEKS

/S/ DENNIS J. SHAUGHNESSY

Date: October 18, 2004

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, represented by Certificate No. __, or as otherwise documented in the stock ledger for the Company, and hereby irrevocably constitutes and appoints Jack B. Dunn IV and Theodore I. Pincus, 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:

/s/ Cheryl J. Meeks _____

/s/ Dennis J. Shaughnessy _____

Dated: October 18, 2004

FTI CONSULTING, INC. 2004 LONG-TERM INCENTIVE PLAN
INCENTIVE STOCK OPTION AGREEMENT

To Dennis J. Shaughnessy ("**Optionee**"):

FTI Consulting, Inc. (the "**Company**") has granted (the "**Award**") you an option (the "**Option**") under the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as amended from time to time (the "**Plan**"), to purchase 200,000 shares of the common stock, \$0.01 par value ("**Common Stock**") of the Company (the "**Shares**"), at 19.67 (Nineteen Dollars and 67 Cents) per share (the "**Exercise Price**"). The effective **Date of Grant** will be October 18, 2004, subject to your signing and promptly returning a copy of this Agreement (as defined below) to the Company.

This agreement (the "**Agreement**") evidences the grant of the Option. The Award is subject in all respects to and incorporates by reference the terms and conditions of the Plan and any terms and conditions relating to the Option or this Award contained in the written employment agreement dated as of September 20, 2004 (the "**Employment Agreement**"), between you and the Company, and specifies other applicable terms and conditions of your Option. A copy of the Plan and the Prospectus for the Plan, as amended from time to time (the "**Prospectus**"), is attached. By executing this Agreement, you acknowledge that you have received a copy of the Plan and the Prospectus for the Plan, as amended from time to time (the "**Prospectus**"). You may request additional copies of the Plan or Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401 (Phone: (410) 224-8770). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Prospectus (described more fully at the end of the Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award of the Option for the Shares are made in consideration of your employment with the Company and in fulfillment of applicable terms of your Employment Agreement.

All terms not defined by this Agreement have the meanings given in the Plan. The Option is intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), to the fullest extent permitted by that Section. The Company, however, does not warrant any particular tax consequences of the Option. Any portion of the Option that exceeds the statutory limit under Code Section 422 will be treated as a nonstatutory stock option.

In addition to the terms, conditions, and restrictions set forth in the Plan, the following terms, conditions, and restrictions apply to the Option:

- (1) You may not exercise the Option before October 18, 2004, except as otherwise provided below.
 - a. Thereafter, except as provided otherwise in this Agreement, you may exercise the Option to purchase Shares as follows:
 - i. Up to One-Third (1/3) of the Shares on or after October 18, 2004;

- ii. Up to Two-Thirds (2/3) of the Shares on or after October 18, 2005; and
 - iii. All of the Shares on or after October 18, 2006, for a total of 200,000 Shares.
- b. The Option will expire at 5:00 p.m. Eastern Time on October 18, 2014.
 - c. The Committee may, in its sole discretion, accelerate the time at which you may exercise part or all of the Option.
 - d. The Option will become exercisable in full immediately before the occurrence of a Change in Control, as defined in the Plan.
 - e. The Option will become exercisable in full upon your death.
 - f. If you terminate employment due to your Total and Permanent Disability (as hereafter defined), your Option will continue to become exercisable as provided above for an additional twelve (12) months following your termination. For purposes of this Agreement, “**Total and Permanent Disability**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in your death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Committee may require such proof of Total and Permanent Disability as the Committee in its sole discretion deems appropriate and the Committee’s good faith determination as to whether and when you are totally and permanently disabled will be final and binding on all parties concerned.
 - g. You may exercise the Option only in multiples of whole Shares and may not exercise the Option as to fewer than one hundred shares (unless the Option is then exercisable for fewer than one hundred Shares) at any one time. At the time of exercise, the Company will round down any fractional shares but will not make any cash or other payments in settlement of fractional shares eliminated by rounding.
- (2) Subject to this Agreement and the Plan, you may exercise the Option only by notice to the Company, in such form and manner as the Committee may require, on or before the Option’s expiration date or earlier forfeiture. Each such notice must:
- a. state the election to exercise the Option and the number of Shares with respect to which it is being exercised;

- b. contain such representations as the Company may require; and
- c. be accompanied by full payment of the Exercise Price payable for the Shares or properly executed, irrevocable instructions, in such manner and form as the Committee may require, to effectuate a broker-assisted cashless exercise through a brokerage firm acceptable to the Committee. The Exercise Price may be paid to the Company via cash, check, money order or wire transfer, and subject to such limits as the Committee may impose from time to time, tender (via actual delivery or attestation) of other shares of the Company's Common Stock previously owned by you.

For all purposes of the Plan, the date of exercise will be the date on which you have delivered the notice and any required payment (or, in the case of a broker-assisted cashless exercise, irrevocable broker instructions acceptable to the Committee) to the Company.

- (3) You agree to give prompt notice to the Company if you dispose of any Shares acquired upon exercise of the Option within one (1) year after you acquire them or within two (2) years after the Date of Grant.
- (4) You will forfeit any unexercised portions of the Option upon either your resignation or the termination of your employment or service relationship with the Company or its Affiliate for any reason *unless* (i) you terminate due to death or Total and Permanent Disability, (ii) the Committee determines otherwise at any time, or (iii) your Employment Agreement in effect at the time at issue, if any, provides otherwise.
 - a. If you terminate due to death, your Option will remain exercisable for twelve (12) months after the date of your death, and any unexercised portions will be forfeited thereafter.
 - b. If you terminate due to your Total and Permanent Disability, your Option will remain exercisable for twelve (12) months after the date of your termination due to Total and Permanent Disability, or five (5) business days after the latest date that your Option becomes exercisable during those twelve (12) months, if later, and any unexercised portions will be forfeited thereafter.
 - c. If you cease to be a "common law employee" of the Company or any of its Affiliates but you continue to provide bona fide services to the Company or any of its Affiliates following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of your employment or service relationship will not be deemed to have occurred for purposes of this Agreement upon such change in capacity. However, the Option will not be treated as an "incentive stock option" within the meaning of Code Section 422 with respect to any exercise that occurs more than three (3) months after such cessation of the common law employee relationship (except as otherwise permitted under Code

Section 421 or 422). In the event that your employment or service relationship is with a business, trade or entity that, after the Date of Grant, ceases for any reason to be part of the Company or an Affiliate, your employment or service relationship will be deemed to have terminated for purposes of this Agreement upon such cessation if your employment or service relationship does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

- d. The Option will be forfeited immediately upon your termination for Cause as defined, and in accordance with the procedures set forth, in your Employment Agreement.
- (5) As soon as practicable after exercise of the Option, the Company will deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker on your behalf, for the Shares issued upon exercise. Any share certificates delivered or Shares delivered electronically will, unless the 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 Shares.
- (6) The Company may postpone the issuance and delivery of any Shares for so long as the Company determines to be necessary or advisable to satisfy the following:
 - a. the completion or amendment of any registration of the Shares or satisfaction of any exemption from registration under any securities law, rule, or regulation;
 - b. compliance with any requests for representations; and
 - c. receipt of proof satisfactory to the Company that a person seeking to exercise the Option after your death is authorized and entitled to exercise the Option.
- (7) You may not exercise the Option if the issuance of the Shares upon such exercise would violate any applicable federal securities laws or other laws or regulations.
- (8) This Agreement does not limit in any manner the right of the Company or its Affiliate to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan, subject to the terms of your Employment Agreement, if applicable.
- (9) This Agreement, including the Employment Agreement and the Plan incorporated herein by reference, contains the entire agreement between you and the Company with respect to the Option.
- (10) You understand and agree that you will not be deemed for any purpose to be a stockholder of the Company with respect to any of the Shares unless and until they have been issued to you after your exercise of this Option and payment for the Shares.

- (11) This Option cannot be assigned, transferred, pledged, hypothecated, or disposed of in any way and cannot be subject to execution, attachment or similar process; however, the Option is transferable by way of will or the laws of descent and distribution. During your lifetime, only you (or, if you are disabled, a guardian or legal representative) may exercise the Option.
- (12) You understand and agree that the existence of this Option will 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.
- (13) At the time of exercise, except as provided below, the Company or its Affiliates may withhold from your payroll or any other payment due to you, and you agree to make adequate provision for, all taxes required by law to be withheld in connection with the Option. The Company agrees that it will, upon your request, permit you to satisfy, in whole or in part, the Company's minimum statutory withholding tax obligation (based on minimum rates for federal and state law purposes, including payroll taxes) which may arise in connection with the Option either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due.
- (14) 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, the Option or the 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.
- (15) The Committee may make various adjustments to your Option, including adjustments to the number and type of securities subject to the Option and the Exercise Price, in accordance with the terms of the Plan. In the event of any transaction resulting in a Change in Control (as defined in the Plan) of the Company, the Option will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of the Option by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, you will be permitted, immediately before the Change in Control, to exercise the Option.

- (16) This Agreement may be amended from time to time by the Committee in its discretion; however, this Agreement may not be modified in a manner that would have a materially adverse affect on the Option or Shares, as determined by the Committee, except as provided in the Plan or in a written document signed by you and the Company.
- (17) Any notice that you are required to give the Company under this Agreement must be delivered to the Secretary of the Company or his or her designee at the principal executive office of the Company. Notice will be deemed to have been duly delivered when received by the Secretary or his or her designee in such form and manner as the Company finds to be acceptable.
- (18) The Option is granted subject to the forfeiture, vesting and other provisions specifically set forth in the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any term or condition of this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority, except in the case of Section 14 of this Agreement which will control in all cases. Notwithstanding anything to the contrary, the Award and the Option will be subject to and bound by all terms and conditions in this Agreement and the Plan not specifically covered by or contrary to the effective Employment Agreement.

{Signature page follows}

Date: October 18, 2004

FTI CONSULTING, INC.

By: /S/ THEODORE I. PINCUS

Theodore I. Pincus

Executive Vice President & Chief Financial Officer

OPTIONEE'S ACKNOWLEDGMENT AND SIGNATURE

I acknowledge receipt of a copy of the prospectus for the Plan, attached hereto. I represent that I have read it and am familiar with the Plan's terms. I accept the Option 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 its terms. I agree to accept as binding, conclusive, and final all decisions or interpretations of the Committee concerning any questions arising under the Plan with respect to the Option.

Date: October 18, 2004

/S/ DENNIS J. SHAUGHNESSY

Signature of Optionee

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (the "**Amendment**") is made and entered into as of September 23, 2004 by and between FTI Consulting, Inc., a Maryland corporation with its principal offices in Annapolis, Maryland ("**Company**"), and Jack B. Dunn, IV ("**Executive**").

WITNESSETH:

WHEREAS, Company and Executive entered into an Employment Agreement (the "**Agreement**"), dated as of November 5, 2002; and

WHEREAS, the parties wish to amend certain terms of the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Amendment and in the Agreement, Company and Executive agree as follows:

1. Extension of Employment Term. Section 2(a) of the Agreement is hereby re-written as follows:

Employment Term. Executive's full-time employment under this Agreement will begin as of November 5, 2002 (the "**Effective Date**") and, unless otherwise terminated as provided in Section 9, will continue for an initial term (the "**Initial Term**") of three years through the day before the third anniversary of the Effective Date in 2005. Effective at the close of business on the day before the first, second, third, fourth and fifth anniversaries of the Effective Date in 2003, 2004, 2005, 2006 and 2007, the term of Executive's employment under this Agreement, if not otherwise terminated as provided in Section 9, will be extended for an additional one-year period unless either party has, before the close of business on the day on which the additional one-year extension would otherwise become effective, given notice to the other of his or its intention not to further extend the term. The Initial Term, together with each additional one-year extension that becomes effective pursuant to the preceding sentence, is referred to in this Agreement as the "**Employment Term**."

2. Extension of Transition Period. Section 2(b) of the Agreement is hereby re-written as follows:

Transition Period. Upon expiration of the Employment Term or its earlier termination pursuant to Section 9 other than as a result of Executive's death or disability (as defined in Section 9(d)) or termination of Executive's employment by the Company for Cause (as defined in Section 9(b)), Executive shall continue to provide services to Company as described in Section 3(b), but in the

capacity of a part-time employee, for a period of five years (the “**Transition Period**”).

3. **Change in Title.** As of October 18, 2004, and for the remainder of the Employment Term, Executive will (i) be employed to serve as, and have the title of, Chief Executive Officer and President, to perform such duties consistent with such positions as Executive shall reasonably be directed to perform by the Board of Directors of Company commensurate with Executive’s positions or as may be specified in Company’s By-Laws, if applicable, (ii) have such authority as may be reasonably necessary or appropriate in order to enable Executive to carry out the duties and responsibilities of Executive’s employment under the Agreement, as amended, (iii) have Executive’s principal office located at Company’s offices in Annapolis, Maryland, and (iv) be entitled to office services and support commensurate with Executive’s position, duties and responsibilities.

4. **Good Reason Resignation Rights.** In exchange for the promises made and consideration exchanged herein, Executive hereby waives any right he might have otherwise had under Section 9(e) of the Agreement to resign for “Good Reason” based on the change in title and responsibilities described in Section 3 of this Amendment. This waiver in no way affects Executive’s right or entitlement to exercise “Good Reason” resignation rights under Section 9(e) of the Agreement based on other or future circumstances, including but not limited to additional changes to his title and/or responsibilities beyond those contemplated by Section 3 of this Amendment.

5. **Equity Grant.** In connection with and in consideration for this Amendment, Company will grant Executive \$1,000,000 worth of Common Stock of Company, valued as of the date of this Amendment (the “**Equity Grant**”), pursuant to the Company’s 2004 Long-Term Incentive Plan. The Equity Grant shall vest in five (5) equal installments, beginning on the first anniversary of the date of this Amendment and continuing on the following four anniversaries of the date of this Amendment, provided (except as otherwise specified herein or in the Agreement) that Executive is employed with Company on each such anniversary, such that the Equity Grant will be fully vested on the fifth anniversary of the date of this Amendment. The Equity Grant and all outstanding past and future equity-based or similar awards granted to Executive will vest in full immediately before the occurrence of a Change of Control (as defined in Section 10(c) of the Agreement) or upon the termination of Executive’s employment (i) by Company without Cause (as defined in Section 9(b) of the Agreement), (ii) by Executive with Good Reason (as defined in Section 9(e) of the Agreement), or (iii) due to Executive’s death or Disability (as defined in Section 9(d) of the Agreement). Vesting of the Equity Grant and other equity-based or similar awards will continue through the Transition Period.

6. **Affirmation.** This Amendment is to be read and construed with the Agreement as constituting one and the same agreement. Except as specifically modified by this Amendment, all remaining provisions, terms and conditions of the Agreement shall remain in full force and effect.

7. **Defined Terms.** All terms not herein defined shall have the meanings ascribed to them in the Agreement.

8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have signed this Amendment on the date first above written.

FTI CONSULTING, INC.

Date: September 23, 2004

By: /s/ THEODORE I. PINCUS
Name: Theodore I. Pincus
Title: Executive Vice President and Chief
Financial Officer

EXECUTIVE

Date: September 23, 2004

By: /s/ JACK B. DUNN, IV
Jack B. Dunn, IV

FTI CONSULTING, INC. 2004 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

To Jack B. Dunn, IV:

FTI Consulting, Inc., a Maryland corporation (the "**Company**"), has granted you an award (the "**Award**") of 53,106 restricted shares (the "**Award Shares**") of the Company's common stock, \$0.01 par value (the "**Common Stock**"), under the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as amended from time to time (the "**Plan**"), conditioned upon your agreement to the terms and conditions described below. The effective **Grant Date** will be September 23, 2004, subject to your promptly signing and returning a copy of this Agreement (as defined below) to the Company and delivering to the Company a stock power, endorsed in blank, with respect to the Award Shares.

This Agreement (the "**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 any terms and conditions relating to Award Shares or this Award contained in the written Employment Agreement, dated November 5, 2002, as amended by the Amendment to Employment Agreement, dated September 23, 2004 (together, the "**Employment Agreement**") between you and the Company or an Affiliate of the Company for which you perform services, as applicable (the "**Employer**"), and specifies other applicable terms and conditions of your Award Shares. By executing this Agreement, you acknowledge that you have received a copy of the Plan and the Prospectus for the Plan (as amended from time to time, the "**Prospectus**"). You may request additional copies of the Plan or Prospectus by contacting the Secretary of the Company at FTI Consulting, Inc., 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401 (Phone: (410) 224-8770). You also may request from the Secretary of the Company copies of the other documents that make up a part of the Prospectus (described more fully at the end of the Prospectus), as well as all reports, proxy statements and other communications distributed to the Company's security holders generally. This Agreement and the Award of the Award Shares are made in consideration of your employment with the Company and in fulfillment of applicable terms of your Employment Agreement, if any.

1. **Terminology; Conflicts.** The Glossary at the end of this Agreement includes definitions of capitalized words used in this Agreement that are not defined elsewhere in this Agreement, the Plan or the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of any conflict, ambiguity or inconsistency between or among any defined term in this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority.

2. Employment Agreement. All of the Award Shares are nonvested and forfeitable as of the Grant Date. The Award Shares are granted subject to the forfeiture, vesting and other provisions specifically set forth in the Employment Agreement. Unless otherwise specifically provided in this Agreement, in the event of a conflict, inconsistency or ambiguity between or among any term or condition of this Agreement, the Plan or your Employment Agreement, the provisions of, first, the Plan, second, the Employment Agreement, and lastly, this Agreement, will control in that order of priority, except in the case of Section 14 of this Agreement which will control in all cases. Notwithstanding anything to the contrary, the Award and the Award Shares will be subject to and bound by all terms and conditions in this Agreement and the Plan not specifically covered by or contrary to the effective Employment Agreement.

3. Terms and Conditions Not Specifically Set Forth in the Employment Agreement. Absent an employment agreement or terms and conditions to the contrary in your Employment Agreement, the following terms and conditions will apply:

(a) *Vesting*. Your Award Shares shall be subject to the forfeiture and vesting provisions marked with an below:

- i. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, 20% of the Award Shares will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the Award Shares will be vested and nonforfeitable on the fifth anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- ii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through the applicable date upon which vesting is scheduled to occur, ___% of the Award Shares will vest and become nonforfeitable on the __ year anniversary of the Grant Date, and the remaining ___% of the Award Shares will vest and become nonforfeitable on the __ year anniversary of the Grant Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.
- iii. All of the Award Shares are nonvested and forfeitable as of the Grant Date. So long as your Service with the Company or an Affiliate of the Company continues through _____, _____ (the "***Vesting Date***"), all of your Award Shares will vest and become nonforfeitable on the Vesting Date. None of the Award Shares will become vested and nonforfeitable after your Service with the Company and its Affiliates ceases unless this Agreement provides to the contrary.

(b) *Acceleration of Vesting*. All outstanding Award Shares will become fully vested 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. termination of your Service by the Company or your Employer without Cause,
- iii. termination of your Service by you with Good Reason,
- iv. your death, or
- v. your Total and Permanent Disability.

(c) *Termination of Service*. If your Service with the Company and its Affiliates ceases due to termination (i) by the Company or your Employer for Cause, or (ii) by you without Good Reason, all Award Shares that are not then vested and nonforfeitable will be immediately forfeited for no consideration. If your Service with the Company and its Affiliates ceases for any other reason, the Award Shares will remain in full effect.

4. 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.

5. 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.

6. Taxation.

(a) *Tax Withholding.* By signing this Agreement, you authorize your Employer and the Company, except as provided below, to deduct from any compensation or any other payment of any kind due you the amount of any federal, state, local or foreign taxes required by law to be withheld as a result of the grant or vesting of the Award Shares in whole or in part. The Company agrees that it will, upon your request, permit you to satisfy, in whole or in part, the Company's minimum statutory withholding tax obligation (based on minimum rates for federal and state law purposes, including payroll taxes) which may arise in connection with the Award either by electing to have the Company withhold the issuance of, or redeem, shares of Common Stock or by electing to deliver to the Company already-owned shares of Common Stock of the Company, in either case having a Fair Market Value equal to the amount necessary to satisfy the statutory minimum withholding amount due. If you do not make provision for the payment of such taxes when requested, the Company may refuse to issue any Common Stock certificate under this Agreement until arrangements satisfactory to the Committee have been made.

(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 your Employer or the Company. You may not rely on your Employer, the Company or any of their 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.

7. 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 Award Shares and the number of such Award Shares that are nonvested and forfeitable will, without further action of the Committee, be adjusted to reflect such event. The Committee may make adjustments, in its discretion, to address the treatment of fractional shares with respect to

the Award Shares as a result of the stock dividend, stock split or reverse stock split. Adjustments under this Section 7 will be made by the Committee, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional Award Shares will result from any such adjustments.

(b) *Binding Nature of Agreement.* The terms and conditions of this Agreement will apply with equal force to any additional and/or substitute 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, except as otherwise determined by the Committee. 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, 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 securities or other property received upon such conversion, exchange or distribution in the same manner and to the same extent as the Award Shares.

8. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement alters your at-will or other employment status pursuant to your Employment Agreement, if applicable, or other service relationship with your Employer and the Company. This Agreement is not to be construed as a contract of employment or service relationship between the Company or any of its subsidiaries and you, nor as a contractual right of you to continue in the employ of, or in a service relationship with, the Company or any of its subsidiaries for any period of time. This Agreement does not limit in any manner the right of your Employer or the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan, subject to the terms of your Employment Agreement, if applicable.

9. 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, except that you will not have any right to cash dividends or other distributions declared or paid with respect to nonvested and forfeitable Award Shares. All cash dividends and any other distributions paid with respect to nonvested Award Shares will be held by the Company in trust for your benefit and paid to you upon vesting of the Award Shares. Upon forfeiture of any Award Shares, any cash dividends and distributions then held in trust with respect to such shares will be forfeited and will be returned to the Company.

10. 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.

11. Entire Agreement. This Agreement, inclusive of the Plan and the terms of the Employment Agreement incorporated into this Agreement, contains the entire agreement between you, your Employer 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.

12. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan will govern.

13. 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 Employment Agreement or in any other written document signed by you and the Company.

14. 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.

15. Headings. Section headings are used in this Agreement for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

16. 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 Glossary follows on the next page.}

GLOSSARY

(a) “**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 Committee.

(b) “**Cause**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means (i) fraud on or misappropriation of any funds or property of the Company, an Affiliate, customer or client, (ii) your breach of any provision of any employment, non-disclosure, non-competition, non-solicitation, assignment of inventions, or other similar agreement executed by you for the benefit of the Company and its Affiliates, (iii) dishonesty, or (iv) willful misconduct in connection with your duties or responsibilities or otherwise, gross negligence in the performance of your duties or responsibilities, each as determined in good faith by the Company, which determination is conclusive.

(c) “**Change in Control**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means: (1) the acquisition (other than from the Company) in one or more transactions by any Person 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 outstanding voting securities entitled to vote generally in the election of directors 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.

(d) “**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 and who are “**non-employee directors**” within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act.

(e) “**Company**” means FTI Consulting, Inc., a Maryland corporation

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and any successor thereto.

(g) “**Good Reason**” has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective employment agreement, means any of the following, if not cured and corrected by your Employer, the Company or its successor within 10 business days after written notice thereof by

you to your Employer, the Company or its successor: (i) any substantial reduction in annualized base salary that is not otherwise offset by increased bonus opportunity or equity-based compensation or other incentive compensation opportunity, (other than for "Cause," a change due to your Total and Permanent Disability or as an accommodation under the Americans With Disabilities Act, or otherwise by agreement of you and your Employer or the Company); or (ii) any requirement that you relocate, by more than 50 miles, the principal location from which you perform services for your Employer or the Company; provided, however, that no reduction in annualized base salary will be deemed to occur solely because you have requested or otherwise agreed to a change in status, including, but not limited to, less than full-time employment, a leave of absence, job-sharing or a consulting or independent contractor relationship.

(h) "**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 by entities controlled by the Company.

(i) "**Service**" means your employment or other service relationship with the Company or your Employer so long as your Employer is an Affiliate of the Company, except that if you cease to be a "common law employee" of the Company or any of its Affiliates but you continue to provide bona fide services to the Company or any of its Affiliates following such cessation in a different capacity, including without limitation as a director, consultant or independent contractor, then a termination of your employment or service relationship will not be deemed to have occurred for purposes of this Agreement upon such change in capacity. In the event that your employment or service relationship is with a business, trade or entity that, after the Grant Date, ceases for any reason to be part of the Company or an Affiliate, your employment or service relationship will be deemed to have terminated for purposes of this Agreement upon such cessation if your employment or service relationship does not continue uninterrupted immediately thereafter with the Company or an Affiliate of the Company.

(j) "**Total and Permanent Disability**" has the meaning ascribed to such term or words of similar import in your Employment Agreement, if applicable, and, in the absence of an effective Employment Agreement, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in your death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The Committee may require such proof of Total and Permanent Disability as the Committee in its sole discretion deems appropriate and the Committee's good faith determination as to whether and when you are totally and permanently disabled will be final and binding on all parties concerned.

(k) "**You**"; "**Your**". You means the recipient of the Award Shares 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 Award Shares 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.

{The signature page follows.}

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer as of the 23rd day of September, 2004.

FTI CONSULTING, INC.

By: /s/ THEODORE I. PINCUS

Date: September 23, 2004

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

/s/ CYNTHIA THOMPSON

/S/ JACK B. DUNN, IV

Date: September 23, 2004

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, represented by Certificate No. __, or as otherwise documented in the stock ledger for the Company, and hereby irrevocably constitutes and appoints Theodore I. Pincus, 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:

/s/ CYNTHIA THOMPSON

/s/ JACK B. DUNN, IV

Dated: September 23, 2004

**Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Jack B. Dunn, IV, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTI Consulting, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

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

**Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Theodore I. Pincus, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FTI Consulting, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2004

By: /s/ THEODORE I. PINCUS
Theodore I. Pincus
Executive Vice President and Chief Financial Officer
(principal financial officer)

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

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to 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 September 30, 2004, 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: November 9, 2004

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 September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Theodore I. Pincus, 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: November 9, 2004

By: /s/ THEODORE I. PINCUS

Theodore I. Pincus

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.