SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _______

Commission file number: 001-14875

FTI CONSULTING, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland	52-1261113
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2021 Research Drive, Annapolis, Maryland	21401
(Address of Principal Executive Offices)	(Zip Code)

(410) 224-8770
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	American Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [_]

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

Class	Outstanding at August 2, 2001
Common Stock, par value $.01 per share	12,309,924

FTI CONSULTING, INC.

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Part I. Financial Information

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands of dollars, except per share and share amounts)

	December 31, 2000 (audited)	June 30, 2001 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 3,235	$ 2,473
Accounts receivable, less allowance of $1,321 in 2000 and $1,104 in 2001	20,380	20,736
Unbilled receivables, less allowance of $797 in 2000 and $823 in 2001	11,952	15,492
Income taxes recoverable	1,317	274
Deferred income taxes	1,029	1,029
Prepaid expenses and other current assets	1,924	2,361
Total current assets	39,837	42,365
Property and equipment:		
Furniture, equipment and software	20,977	20,494
Leasehold improvements	4,560	4,659
	25,537	25,153
Accumulated depreciation and amortization	(12,382)	(12,267)
	13,155	12,886
Goodwill, net of accumulated amortization of $8,196 in 2000 and $10,703 in 2001	91,971	90,178
Other assets	1,168	858
Total assets	$146,131	$146,287

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands of dollars, except per share and share amounts)

	December 31, 2000 (audited)	June 30, 2001 (unaudited)
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,325	$ 3,735
Accrued compensation expense	10,339	9,207
Deferred income taxes	500	500
Current portion of long-term debt	4,333	4,333
Other current liabilities	177	258
Total current liabilities	19,674	18,033
Long-term debt, less current portion	56,167	41,000
Other long-term liabilities	600	1,236
Deferred income taxes	1,066	1,066
Commitments and contingent liabilities	-	-
Stockholders' equity:		
Preferred stock, $.01 par value; 4,000,000 shares authorized in 2000 and 5,000,000 shares authorized in 2001, none outstanding	-	-
Common stock, $.01 par value; 16,000,000 shares authorized in 2000 and 45,000,000 shares authorized in 2001; shares issued and outstanding 10,567,447 in 2000 and 12,190,487 in 2001	106	122
Additional paid-in capital	53,951	62,891
Retained earnings	14,567	22,577
Accumulated other comprehensive income (loss)	-	(638)
Total stockholders' equity	68,624	84,952
Total liabilities and stockholders' equity	$ 146,131	$ 146,287

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

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

	Three Months ended June 30, 2000 (unaudited)	Three Months ended June 30, 2001 (unaudited)
Revenues	$ 34,585	$ 42,154
Direct cost of revenues	17,435	21,664
Selling, general and administrative expenses	9,297	10,945
Amortization of goodwill	1,233	1,255
	27,965	33,864
Income from operations	6,620	8,290
Other income (expense):		
Interest income	52	42
Interest expense	(3,194)	(1,189)
	(3,142)	(1,147)
Income before income taxes	3,478	7,143
Income taxes	1,530	2,967
Net income	$ 1,948	$ 4,176
Earnings per common share, basic	$ 0.30	$ 0.36
Earnings per common share, diluted	$ 0.26	$ 0.33

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

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

	Six months ended June 30, 2000 Actual	2000 Pro Forma/(1)/	2001 Actual
	(unaudited)	(unaudited)	(unaudited)
Revenues	$ 65,599	$ 68,037	$ 83,629
Direct cost of revenues	32,811	33,761	43,483
Selling, general and administrative expenses	18,211	18,317	21,240
Amortization of goodwill	2,249	2,466	2,507
	53,271	54,544	67,230
Income from operations	12,328	13,493	16,399
Other income (expense):			
Interest income	92	92	94
Interest expense	(5,586)	(6,166)	(2,682)
	(5,494)	(6,074)	(2,588)
Income before income taxes and extraordinary item	6,834	7,419	13,811
Income taxes	3,007	3,253	5,801
Income before extraordinary item	3,827	4,166	8,010
Extraordinary loss on early extinguishment of debt, net of income taxes of $660	869	869	-
Net income	$ 2,958	$ 3,297	$ 8,010
Income before extraordinary item per common share, basic	$ 0.62	$ 0.65	$ 0.72
Earnings per common share, basic	$ 0.48	$ 0.51	$ 0.72
Income before extraordinary item per common share, diluted	$ 0.55	$ 0.57	$ 0.65
Earnings per common share, diluted	$ 0.43	$ 0.45	$ 0.65

(1) Pro forma assumes the acquisition of P&M occurred on January 1, 2000.
See Note 6.

See accompanying notes.

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

	Six months ended June 30, 2000	2001
	(unaudited)	
Operating activities		
Net income	$ 2,958	$ 8,010
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary loss on early extinguishment of debt, before income taxes	1,529	-
Amortization of goodwill	2,249	2,507
Depreciation and other amortization	1,280	1,854
Provision for doubtful accounts	(378)	(191)
Non-cash interest expense	1,116	124
Other	17	92
Changes in operating assets and liabilities:		
Accounts receivable, billed and unbilled	(6,323)	(3,705)
Prepaid expenses and other current assets	(408)	(437)
Accounts payable and accrued expenses	(1,494)	(590)
Accrued compensation expense	1,887	(1,132)
Income taxes recoverable/payable	(383)	1,043
Other current liabilities	992	30
Net cash provided by operating activities	3,042	7,605
Investing activities		
Purchase of property and equipment	(1,699)	(1,629)
Proceeds from sale of property and equipment	47	-
Contingent payments to LWG	(165)	(197)
Acquisition of P&M, including acquisition costs	(49,404)	(516)
Change in other assets	(232)	202
Net cash used in investing activities	(51,453)	(2,140)
Financing activities		
Issuance of common stock	741	8,956
Payments of long-term debt	(40,820)	(15,167)
Repurchase of detachable stock warrants	(277)	-
Payment of financing fees	(3,782)	(17)
Borrowings under long-term debt arrangements	90,548	-
Changes in other long-term liabilities	(53)	1
Net cash provided by (used) in financing activities	46,357	(6,227)
Net decrease in cash and cash equivalents	(2,054)	(762)
Cash and cash equivalents at beginning of period	5,046	3,235
Cash and cash equivalents at end of period	$ 2,992	$ 2,473

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2001
(amounts in tables expressed in thousands, except per share data)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month and three month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001.

The pro forma information included in the Consolidated Statements of Income for the six months ended June 30, 2000 is presented to give effect to the January 31, 2000 acquisition of Policano & Manzo, L.L.C. and related financing, assuming the transactions occurred on January 1, 2000 (see Note 6). The pro forma information is not necessarily indicative of the operating results that would have been achieved had the transactions actually occurred on January 1, 2000, nor is it necessarily indicative of future operations.

2. Recent Accounting Pronouncements

As of January 1, 2001, the Company adopted Financial Accounting Standards Board Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Upon adoption of the Statement on January 1, 2001, the Company maintained interest rate swap agreements in the notional amounts of $32.5 million related to outstanding term loans. The interest rate swaps effectively fix the rate of interest on a portion of the Company's floating rate term loans, and are settled as the related term notes mature. The adoption of Statement 133 on January 1, 2001 resulted in the cumulative effect of an accounting change of $348,000 charged to other comprehensive loss.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statement is expected to result in an increase in income before taxes of approximately $5 million. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. Currently, management has not yet determined the effect of these tests; however, the impact is not expected to be material to the Company's earnings and financial position.

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

3. Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2001	$106	$53,951	$14,567	$ -	$68,624
Issuance of 54,267 shares of common stock under Employee Stock Purchase Plan	1	473			474
Exercise of options to purchase 906,277 shares of common stock	9	8,473			8,482
Exercise of warrants to purchase 886,388 shares of common stock	8	3,353			3,361
Retirement of 203,892 shares of common stock in connection with warrant exercise	(2)	(3,359)			(3,361)
Comprehensive Income:					
Cumulative effect on prior years of changing to a different method of accounting for interest rate swaps (Note 2)				(348)	(348)
Other comprehensive loss - change in fair value of interest rate swaps				(290)	(290)
Net income for the six months ended June 30, 2001			8,010		8,010
Total comprehensive income					7,372
Balance at June 30, 2001	$122	$62,891	$22,577	$(638)	$84,952

4. Income Taxes

The income tax provisions for interim periods in 2001 and 2000 are based on the estimated effective tax rates applicable for the full years. The Company's income tax provision of $5.8 million for the six-month period ended June 30, 2001 consists of federal and state income taxes. The effective income tax rate in 2001 is expected to be approximately 42.0%. This rate is higher than the statutory federal income tax rate of 34% due principally to state and local taxes and the effects of non-deductible goodwill recorded in connection with certain acquisitions.

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

5. Earnings Per Share

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

	Three months ended June 30 2000	Three months ended June 30 2001
Numerator used in basic and diluted earnings per common share:		
Net income	$ 1,948	$ 4,176
Denominator:		
Denominator for basic earnings per common share -- weighted average shares	6,423	11,485
Effect of dilutive securities:		
Warrants	604	245
Employee stock options	486	1,071
	1,090	1,316
Denominator for diluted earnings per common share -- weighted average shares and effect of dilutive securities	7,513	12,801
Earnings per common share, basic	$ 0.30	$ 0.36
Earnings per common share, diluted	$ 0.26	$ 0.33

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

5. Earnings Per Share (continued)

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

	Pro Forma	Actual	
	Six months ended June 30,	Six months ended June 30,	
	2000	2000	2001
Numerator used in basic and diluted earnings per common share:			
Income before extraordinary item	$ 4,166	$ 3,827	$ 8,010
Extraordinary item, net of taxes	(869)	(869)	-
Net income	$ 3,297	$ 2,958	$ 8,010
Denominator:			
Denominator for basic earnings per common share -- weighted average shares	6,404	6,139	11,056
Effect of dilutive securities:			
Warrants	350	480	417
Employee stock options	533	336	935
	883	816	1,352
Denominator for diluted earnings per common share -- weighted average shares and effect of dilutive securities	7,287	6,955	12,408
Income before extraordinary item per common share, basic	$ 0.65	$ 0.62	$ 0.72
Extraordinary loss per common share, basic	(0.14)	(0.14)	-
Earnings per common share, basic	$ 0.51	$ 0.48	$ 0.72
Income before extraordinary item per common share, diluted	$ 0.57	$ 0.55	$ 0.65
Extraordinary loss per common share, diluted	(0.12)	(0.12)	-
Earnings per common share, diluted	$ 0.45	$ 0.43	$ 0.65

6. Acquisition of Policano & Manzo, L.L.C.

Effective on January 31, 2000, the Company acquired the membership interests of Policano & Manzo, L.L.C. ("P&M"). P&M, based in Saddlebrook, New Jersey, is a leader in providing bankruptcy and turnaround consulting services to large corporations, money center banks and secured lenders throughout the U.S. The initial purchase price totaled approximately $54.9 million, consisting of $48.3 million in cash, 815,000 shares of common stock valued at $5.5 million and acquisition related expenses of $1.1 million. In January 2001, the Company recorded additional purchase price of $516,000 upon the resolution of certain contingencies in the purchase agreement. The acquisition was accounted for using the purchase method of accounting and approximately $52.7 million of goodwill was recorded and is being amortized over its estimated useful life of 20 years. The results of operations of P&M are included in the accompanying consolidated statements of income commencing January 31, 2000 and in the accompanying unaudited pro forma consolidated statement of income as if the acquisition was made on January 1, 2000. The pro forma consolidated results of operations are not necessarily indicative of the results that would have occurred had these transactions been consummated as of the beginning of 2000 or of future operations of the Company.

7. Segment Reporting

The Company is a multi-disciplined consulting firm with leading practices in the areas of financial restructuring, litigation consulting and engineering and scientific investigation, through three distinct operating segments. The Financial Consulting division offers a range of financial consulting services, such as forensic accounting, bankruptcy and restructuring analysis, expert testimony, damage assessment, cost benefit analysis and business valuations. The Litigation Consulting division provides advice and services in connection with all phases of the litigation process. The Applied Sciences division offers engineering and scientific consulting services, accident reconstruction, fire investigation, equipment procurement and expert testimony regarding intellectual property rights.

The Company evaluates performance and allocates resources based on operating income before depreciation and amortization, corporate general and administrative expenses and income taxes. The Company does not allocate assets to its reportable segments as assets generally are not specifically attributable to any particular segment. Accordingly, asset information by reportable segment is not presented. The accounting policies used by the reportable segments are the same as those used by the Company. There are no significant intercompany sales or transfers.

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

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

7. Segment Reporting (continued)

The following table sets forth historical information on the Company's reportable segments:

	Three months ended June 30, 2000			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$16,332	$ 9,683	$8,570	$34,585
Operating expenses	9,687	8,036	6,351	24,074
Segment profit	$ 6,645	$ 1,647	$2,219	$10,511

	Three months ended June 30, 2001			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$23,873	$10,790	$7,491	$42,154
Operating expenses	14,355	8,935	5,989	29,279
Segment profit	$ 9,518	$ 1,855	$1,502	$12,875

A reconciliation of segment profit for all segments to income before income taxes is as follows:

	Three months ended June 30,	
	2000	2001
Operating Profit:		
Total segment profit	$10,511	$12,875
Corporate general and administrative expenses	(2,010)	(2,391)
Depreciation and amortization	(1,881)	(2,194)
Interest expense, net	(3,142)	(1,147)
Income before income taxes	$ 3,478	$ 7,143

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

7. Segment Reporting (continued)

	Pro forma six months ended June 30, 2000			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
	$31,289	$19,668	$17,080	$68,037
	17,919	16,063	12,706	46,688
Segment profit	$13,370	$ 3,605	$ 4,374	$21,349

The following table sets forth historical information on the Company's reportable segments:

	Actual six months ended June 30, 2000			
	Financial Consulting	Applied Sciences	Litigationation Consulting	Total
Revenues	$28,851	$19,668	$17,080	$65,599
Operating expenses	16,866	16,063	12,706	45,635
Segment profit	$11,985	$ 3,605	$ 4,374	$19,964

	Six months ended June 30, 2001			
	Financial Consulting	Applied Sciences	Litigationation Consulting	Total
Revenues	$48,085	$21,001	$14,543	$83,629
Operating expenses	28,877	17,404	12,082	58,363
Segment profit	$19,208	$ 3,597	$ 2,461	$25,266

A reconciliation of segment profit for all segments to income before income taxes and extraordinary item is as follows:

	Six Months ended June 30,		
	pro forma 2000	Actual 2000	Actual 2001
Operating Profit:			
Total segment profit	$21,349	$19,964	$25,266
Corporate general and administrative expenses	(4,107)	(4,107)	(4,506)
Depreciation and amortization	(3,749)	(3,529)	(4,361)
Interest expense, net	(6,074)	(5,494)	(2,588)
Income before income taxes and extraordinary item	$ 7,419	$ 6,834	$13,811

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

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

Overview

FTI Consulting, Inc. (the "Company" or "FTI") is a multi-disciplined consulting firm with leading practices in the areas of financial restructuring, litigation support and engineering and scientific investigation. Our Financial Consulting division, which accounted for 58% of our revenues for the six months ended June 30, 2001 and was our most profitable division, offers a broad range of financial consulting services, such as forensic accounting, bankruptcy and restructuring analysis, expert testimony, damage assessment, cost benefit analysis and business valuations. Our Litigation Consulting division, which accounted for 17% of our revenues for the six months ended June 30, 2001, provides advice and services in connection with all phases of the litigation process. Our Applied Sciences division, which accounted for 25% of our revenues for the six months ended June 30, 2001, offers forensic engineering and scientific investigation services, accident reconstruction, fire investigation and expert testimony regarding intellectual property rights.

Revenues generated by our business divisions consist primarily of fees for our professional services. We charge our professionals' time at hourly rates, which vary from professional to professional, based on the professional's position, experience and expertise. We also directly bill our clients for services provided by our independent consultants. We recognize revenues for the production of our work product, including static graph boards, color copies and digital video production and fees for use of our equipment and facilities. We also pass through our out-of-pocket expenses, such as our cost of recruiting subjects and participants for research surveys and mock trial activities and our travel. We recognize revenues in the period when the service is provided. Retainers received from clients are excluded from revenue and offset against accounts receivable.

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.

Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, as well as rent, marketing and corporate overhead expenses. For the six months ended June 30, 2001, selling, general and administrative expenses accounted for about 25.4% of revenues. Our corporate overhead costs, which are included in selling, general and administrative expenses, represented about 5.4% of revenues for the six months ended June 30, 2001.

We are organized into three distinct operating segments that contribute to the overall performance of our company. As such, we evaluate segment performance and allocate resources based on the operating income before depreciation and amortization, corporate general and administrative expenses and income taxes for each division. In the first six months of 2001, our Financial Consulting division accounted for 76.0% of our total segment profit, while our Litigation Consulting division accounted for 9.7% and our Applied Sciences division accounted for 14.3%.

On June 30, 2001, we had about $90.2 million of unamortized goodwill, which we are amortizing over 20 to 25 year periods. Annual goodwill amortization is approximately $5.0 million. (See "Future Assessment of Recoverability and Impairment of Goodwill" and "Effect of Recent Accounting Pronouncements" below.) Approximately $14.0 million of our unamortized goodwill is not deductible for tax purposes. Consequently, our effective tax rate for 2001 is anticipated to be 40.5% before amortization of goodwill and 42.0% after amortization of goodwill.

Acquisition

On February 4, 2000, we acquired Policano & Manzo, L.L.C. ("P&M") as further described in Note 6 of ``Notes to Consolidated Financial Statements.'' P&M, based in Saddle Brook, New Jersey, specializes in providing financial restructuring, advisory and forensic accounting services to the workout and bankruptcy community. These services are provided on a nationwide basis to financially distressed businesses, creditors, investors and other interested parties. The initial purchase price totaled $54.9 million, consisting of $48.3 million in cash, 815,000 shares of our common stock valued at $5.5 million and acquisition-related expenses of $1.1 million.

Results of Operations

Three Months Ended June 30, 2001 and June 30, 2000

Revenues. Total revenues for the three months ended June 30, 2001 increased 22.0% to $42.2 million from $34.6 million for the three months ended June 30, 2000. Our Financial Consulting division's revenues grew by 46.6% to $23.9 million from $16.3 million, as a result of the continued strong demand for our financial consulting services. Our Litigation Consulting division's revenues decreased 12.6% to $7.5 million in the second quarter of 2001 from $8.6 million in the second quarter of 2000, continuing the decline, although at a slower rate, that began in the third quarter of 2000 primarily as a result of an unusual number of trials that were deferred or cancelled due to settlement or settlement discussions. Management continues to monitor this business segment closely and has taken significant steps to contain costs, including reorganizing responsibilities along national lines for our two principal practice areas, trial consulting and trial technologies. Our goals are to improve our overall utilization of employees, further standardize practices, install new incentive systems for our sales and marketing efforts, establish new profit incentive programs for these practice areas, and to continue to reduce costs by flatting our organizational structure. Our Applied Sciences division showed 11.3% revenue growth in the second quarter of 2001, to $10.8 million, from $9.7 million in the second quarter of 2000.

Direct Cost of Revenues. Direct cost of revenues was 51.4% of our total revenues in the second quarter of 2001 and 50.2% in the second quarter of 2000. The reduction in gross margin in 2001 resulted primarily from decreased productivity in the Litigation Consulting division.

Selling, General and Administrative Expenses. These expenses were 25.9% of total revenues in the second quarter of 2001 and 27.0% in 2000. The decrease in 2001 was primarily attributable to the growth of the Financial Consulting division, which has a lower ratio of selling, general and administrative expenses to revenues than the Litigation Consulting and Applied Sciences divisions.

Amortization of Goodwill. Amortization of goodwill in the second quarter of 2001 and 2000 remained approximately the same. We discuss goodwill amortization further in "Future Assessment of Recoverability and Impairment of Goodwill" below.

Other Income and Expenses. Interest expense consisted primarily of interest on debt we incurred to purchase businesses over the past several years. Interest expense decreased substantially in the second quarter of 2001 compared to 2000 through the reduction in debt and interest rates. We used the proceeds of an equity offering in October 2000 to repay $30.0 million of debt; refinanced our remaining debt in late 2000 to achieve lower interest rates; used cash generated from operations and proceeds from exercise of options and warrants to pay down debt; and market interest rates on our revolving credit have declined.

Income Taxes. Our effective tax rate decreased to 41.5% in the second quarter of 2001 from 44.0% in 2000, principally from the reduced effect of non-deductible goodwill amortization. Approximately $14.0 million of our unamortized goodwill is not deductible for tax purposes. Consequently, our effective tax rate for calendar 2001 is anticipated to be 40.5% before amortization of goodwill and 42.0% after amortization of goodwill.

Six Months Ended June 30, 2001 and June 30, 2000

Revenues. Total revenues for the six months ended June 30, 2001 increased 27.4% to $83.6 million from $65.6 million for the six months ended June 30, 2000, or 22.9% based on pro forma revenues of $68.0 million for the first six months of 2000 including the P&M acquisition. Our Financial Consulting division's revenues grew by 66.4% to $48.1 million from $28.9 million, or 53.7% on a pro forma basis from $31.3 million including the P&M acquisition. Our Litigation Consulting division's revenues decreased 15.2% to $14.5 million in the first half of 2001 from $17.1 million in the first half of 2000. Our Applied Sciences division experienced 6.6% revenue growth in the first six months of 2001 to $21.0 million from $19.7 million in the first six months of 2000.

Direct Cost of Revenues. Direct cost of revenues was 52.0% of our total revenues in the first six months of 2001 and 50.0% in the first six months of 2000, or 49.6% based on pro forma revenues and direct costs for the first six months of 2000 including the P&M acquisition. The reduction in gross margin in 2001 resulted primarily from decreased productivity in the Litigation Consulting division.

Selling, General and Administrative Expenses. These expenses were 25.4% of total revenues in the first six months of 2001, 27.8% in 2000 and 26.9% on a pro forma basis in 2000. The decrease in 2001 was primarily attributable to the growth of the Financial Consulting division, which has a lower ratio of selling, general and administrative expenses to revenues than the Litigation Consulting and Applied Sciences divisions.

Amortization of Goodwill. Amortization of goodwill in the first six months of 2001 and 2000 on a pro forma basis remained approximately the same. We discuss goodwill amortization further in "Future Assessment of Recoverability and Impairment of Goodwill" below.

Other Income and Expenses. Interest expense consisted primarily of interest on debt we incurred to purchase businesses over the past several years. Interest expense decreased substantially in the first half of 2001 compared to 2000 through the reduction in debt and interest rates. We used the proceeds of an equity offering in October 2000 to repay $30.0 million of debt; refinanced our remaining debt in late 2000 to achieve lower interest rates; used cash generated from operations and proceeds from exercise of options and warrants to pay down debt; and market interest rates on our revolving credit have declined.

Income Taxes. Our effective tax rate decreased to 42.0% in the first six months of 2001 from pro forma 43.8% in 2000, principally from the reduced effect of non-deductible goodwill amortization. Approximately $14.0 million of our unamortized goodwill is not deductible for tax purposes. Consequently, our effective tax rate for calendar 2001 is anticipated to be 40.5% before amortization of goodwill and 42.0% after amortization of goodwill.

Extraordinary Item, net of Taxes. As a result of the write-off of unamortized debt discount and deferred financing costs associated with the debt that we refinanced on February 4, 2000, we had an $869,000 loss on early extinguishment of debt, net of taxes, in the first six months of 2000.

Future Assessment of Recoverability and Impairment of Goodwill

In connection with our various acquisitions, we recorded goodwill, which we are amortizing on a straight-line basis over periods of 20 to 25 years. These are the periods during which we estimate we will benefit from this goodwill. At June 30, 2001, unamortized goodwill was $90.2 million, or 61.6% of our total assets and 106.2% of our stockholders' equity. Goodwill arises when an acquirer pays more for a business than the fair value of the tangible and separately measurable intangible net assets. For financial reporting purposes, goodwill and all other intangible assets are amortized over the estimated period benefited. We have determined the period for amortizing goodwill based upon several factors, the most significant of which are the relative size, historical financial viability, growth trends of the acquired companies and the relative lengths of time these companies have been in existence.

Our management periodically reviews the carrying value and recoverability of our unamortized goodwill. If the facts and circumstances suggest that the goodwill may be impaired, we would adjust the carrying value of the goodwill. This would result in an immediate charge against income during the period of the adjustment and/or a shortening of the length of the remaining amortization period, which would result in an increase in the amount of goodwill amortization during the period of adjustment and each period thereafter until fully amortized. If we adjust goodwill, we cannot assure you that we will not have to make further adjustments for impairment and recoverability in future periods. The most significant of the factors we will consider in determining whether goodwill is impaired will be losses from operations; loss of customers; and industry developments such as our inability to maintain market share, the development of competitive products or services or imposition of additional regulatory requirements. (See "Effect of Recent Accounting Pronouncements" below.)

Liquidity and Capital Resources

In the first six months of 2001, we generated $7.6 million of cash flow from our operations, compared to cash generated from operations of $3.0 million in the first six months of 2000. We attribute this increase in cash flow primarily to a $5.1 million increase in net income in 2001.

During the first six months of 2001, we spent $1.6 million for additions to property and equipment. We had no unusual material commitments for the acquisition of property and equipment at June 30, 2001.

During the first six months ended June 30, 2001, options to purchase 906,000 shares of common stock were exercised, generating $8.5 million in new capital. We used these net proceeds and cash flow from operations to pay-down $15.2 million of debt during the first six months of 2001.

In the fourth quarter of 2000, we completed a public offering of 4.025 million shares of common stock. We used the net proceeds and our other financial resources to repay the $30.0 million senior subordinated notes that we issued on February 4, 2000. In December 2000, we refinanced our $61.0 million term loan and the $7.5 million revolving credit facility. Our new credit facility consists of an amortizing term loan of $32.5 million, of which $30.3 million was outstanding at June 30, 2001, and a $47.5 million revolving credit line, of which $15.0 million was outstanding at June 30, 2001. The new credit facility bears interest at LIBOR plus 2.25%, which declines if our leverage ratio improves. The interest rate will decline to LIBOR plus 2.00% at the beginning of August 2001 based on our leverage ratio as of June 30, 2001. We obtained interest rate protection, through interest rate swaps, on the $32.5 million term loan.

The new credit facility is secured by all of our assets. Under this facility, we are required to comply with various specified financial covenants related to our operating performance at the end of each quarter, and the payment of dividends is restricted. We believe we will be in compliance with all loan covenants throughout 2001. The Company expects that available cash and credit facilities will be sufficient to meet its normal operating requirements in the near term.

Effect of Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board approved the issuance of Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 on business combinations changes current practice by requiring the use of the purchase method for all business combinations initiated after June 30, 2001, thereby eliminating the use of the pooling-of-interests method of accounting. Additionally, Statement No. 141 provides new criteria for determining whether acquired intangible assets should be recognized separately from goodwill and continues to ensure that the presentation of pro forma information required under Accounting Principle Board No. 16, Business Combinations, is included in the financial statements.

Statement No. 142, Goodwill and Other Intangible Assets, eliminates the requirement to amortize goodwill over finite lives. Rather, the asset must be tested for impairment at least annually at the reporting unit level using an approach defined by the Statement. Upon adoption of Statement No. 142, goodwill amortization will cease. Any impairment loss recognized as a result of a transitional impairment test of goodwill is recognized as the effect of a change in accounting principle in the period of adoption. Statement No. 142 will be effective for the Company beginning January 1, 2002.

Adopting Statement No. 142, management believes that a transitional impairment charge will not be required. Amortization of goodwill, expected to total approximately $5 million in 2001 will cease in 2002.

Forward-Looking Statements

Some of the statements under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Quarterly 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," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly 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 (1) the loss of any key employees because the Company's business involves the delivery of professional services and is labor-intensive; (2) the availability and terms of additional capital or debt financing to fund future acquisitions and for working capital purposes; (3) significant competition for business opportunities and acquisition candidates; (4) technological changes affecting our Litigation Consulting division; (5) the risks of professional liability; (6) any factor that diminishes our professional reputation; (7) fluctuations of revenue and operating income between quarters or termination of client engagements; (8) the successful management of the growth of our business; (9) the integration of P&M and of future acquisitions; and (10) risks associated with quantitative and qualitative market risks such as fluctuations in interest rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At June 30, 2001, the Company had $45.3 million in long-term debt. As discussed in Note 2 to the Consolidated Financial Statements (unaudited) at June 30, 2001, $30.3 million of long-term debt was hedged with interest rate swaps, effectively fixing the interest rate at 6.63% and 6.65%. This debt bears interest at variable percentages above LIBOR, currently 2.25%, as determined by the credit agreement.

Therefore, at June 30, 2001, the remaining $15.0 million of the Company's long-term debt bears interest at variable rates. The Company's earnings and after-tax cash flow are affected by changes in interest rates. Assuming the current level of borrowings and assuming a hypothetical 200 basis point increase in interest rates under the Company's long-term bank credit facility for one year, the Company's annual interest expense would increase by approximately $300,000 and net income would decrease by approximately $170,000.

In the event of an adverse change in interest rates, management would likely take actions to further mitigate its exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities

The Company recently modified its bylaw provisions regarding stockholder proposals presented to the Company otherwise than in compliance with Rule 14a-8 of Regulation 14A under the Securities Exchange Act of 1934, as amended. Generally, such stockholder proposals must be presented by the stockholder to the Company no earlier than 120 days and no later than 90 days before the mailing date of the proxy materials for the previous year's annual meeting of stockholders. The Company also modified its bylaw provisions to provide that for a stockholder to request a special meeting of the Company's stockholders, in addition to the other requirements set forth in the Company's bylaws, such stockholder must be entitled to cast at least 50% of all votes entitled to be cast at the meeting.

Item 3. Defaults Upon Senior Securities

None.

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

The Company held its 2001 annual meeting of stockholders on May 23, 2001. At the 2001 annual meeting, the stockholders elected Denis J. Callaghan, Dennis J. Shaughnessy and George P. Stamas as directors for a term of three years. The stockholders voted as follows:

	For	Authority Withheld
Denis J. Callaghan	9,709,761	400,101
Dennis J. Shaughnessy	9,709,761	400,101
George P. Stamas	9,709,761	400,101

In addition, the terms of the following directors continued after the 2001 annual meeting: Jack B. Dunn, IV, Stewart J. Kahn, James A. Flick, Jr. and Peter F. O'Malley.

At the 2001 annual meeting, the Company's stockholders also took the following actions:

1. Approved an amendment of the Company's charter to increase its authorized capital stock to 50,000,000 shares, consisting of 45,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. The stockholders voted as follows:

For	Against	Abstain
5,346,339	2,651,259	12,000

2. Approved an amendment of the Company's 1997 Stock Option Plan, as amended, to increase the number of shares of Common Stock authorized under such Plan from 3,150,000 to 4,150,000. The stockholders voted as follows:

For	Against	Abstain
4,881,083	3,115,115	13,400

3. Approved an amendment of the Company's Employee Stock Purchase Plan to increase the number of shares of Common Stock authorized under such Plan from 400,000 to 500,000. The stockholders voted as follows:

For	Against	Abstain
7,974,488	22,710	12,400

4. Approved the Company's performance-based Incentive Compensation Plan for its executive officers. The stockholders voted as follows:

For	Against	Abstain
7,564,897	435,709	8,992

5. Approved a performance-based formula for one of the Company's executive officers. The stockholders voted as follows:

For	Against	Abstain
7,453,158	546,036	10,404

6. Ratified the selection of Ernst & Young LLP as the Company's independent auditors for the year ended December 31, 2001. The stockholders voted as follows:

For	Against	Abstain
10,093,193	15,700	969

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

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: August 2, 2001

By /s/ Theodore I. Pincus

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