SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 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.)

900 Bestgate Road, Suite 100, 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	New York 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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The number of shares of Registrant's Common Stock outstanding on March 18, 2002 was 19,971,497.

The aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the average sales price of the Registrant's Common Stock on March 18, 2002 was $557,060,500*.

*   Excludes 231,578 shares deemed to be held by directors, officers and greater than 10% holders of the Common Stock outstanding at March 18, 2002. Exclusion of Common Stock held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the Company, or that such person is controlled by, or under common control with, the Company.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the Company's fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

FTI CONSULTING, INC.
Annual Report on Form 10-K
Fiscal Year Ended December 31, 2001

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PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

We are a multi-disciplined consulting firm with leading practices in the areas of financial restructuring, litigation consulting and engineering and scientific investigation. Modern companies, as well as those who advise and invest in them, face growing challenges on every front. From a proliferation of "bet-the-company" litigation to increasingly complicated relationships with lenders and investors in an ever-changing global economy, U.S. companies are increasingly turning to outside experts and consultants to deal with these complex issues. We are dedicated to helping companies and their advisors, lawyers, lenders and investors meet these challenges by providing a broad array of the highest quality professional services from a single source.

Our clients retain us when confronted with adverse situations such as loan defaults, bankruptcy, litigation, regulatory investigations or proceedings or insurance claims. We believe that they retain us for several reasons, including:

- our recognized expertise;
- our unique capabilities in several highly specialized areas;
- their need for an impartial expert;
- our disciplined project management approach that allows us to deliver consistently high-quality advice and services, on schedule and on budget;
- our repeated success in satisfying their needs; and
- the trend in business generally to outsource non-core activities, especially in those areas that are complex, unique and incident-driven.

Over the past four years, we have taken several steps to extend our range of services, leverage our reputation for quality and client service and grow our business, including the following:

- completed five acquisitions since 1997 that significantly expanded our size, service offerings and geographic scope, including the acquisition on February 4, 2000 of Policano & Manzo, L.L.C., one of the leading financial consulting firms in the United States;
- expanded into financial consulting services for restructurings and bankruptcy proceedings including crisis management; energy consulting; intellectual property consulting; electronic evidence discovery and other specialties; and
- developed proprietary trial preparation and presentation software and software to facilitate forensic engineering and scientific investigation.

We have organized our business into the following three divisions:

- Our Financial Consulting division serves both financially distressed companies and financial institutions that are regularly involved in litigation or regulatory, bankruptcy or other proceedings. These companies and institutions typically require extensive, highly specialized, long-term advisory services. For companies and institutions in regulated industries, we provide expert testimony, cost benefit analysis, damage assessment, market competition analysis and business valuations. In bankruptcies, restructurings and other financial distress situations, or alleged irregularities or, in the case of professional firms, malpractice, we provide companies or their creditors with business and strategic plan development and forensic accounting services.

- Our Applied Sciences division offers forensic engineering and scientific investigation services. These services include accident reconstruction, fire investigation and product failure analysis. The division also provides quality control services, including assessment of preventive measures relating to product design and evaluations of the causes of product failures.

- Our Litigation Consulting division advises clients in all phases of litigation, including discovery, jury selection, trial preparation and the actual trial. The division also provides visual communications services, such as animation, image enhancement and computer simulation to improve trial presentation.

INDUSTRY OVERVIEW

We serve businesses, lenders, investors, insurers and their legal counsel in adverse circumstances such as class action lawsuits, financial restructurings and bankruptcy proceedings and accident investigations. Clients' reputations, financial condition and very existence are sometimes at stake. Consequently, our clients require objective and professional advice from independent experts. Also, many businesses, lenders, investors, insurers and law firms are increasingly outsourcing functions that have become very specialized or require unique knowledge or technology.

Financial Consulting. We have greatly expanded our capabilities and size in financial restructuring and bankruptcy advice since we entered the business in 1998. We believe that the number of financial restructurings and bankruptcies will continue to grow because of intense competition and rapidly changing markets in many industries, the deregulation of various industries and the recent lengthy economic growth during which many companies expanded aggressively. The bankruptcy market is rapidly expanding as more companies seek Chapter 11 protection.

According to Moody's Investor Service, 253 companies around the world defaulted on $110.2 billion in bonds in 2001, eclipsing the 167 companies that failed to pay the previous record of $49.2 billion in bonds during 2000. Moody's also reports that the default rate on junk paper was 10.2% in 2001. Other financial rating services, including Standard and Poor's, also report similar, although not identical, statistics. We have also expanded our financial consulting to include fraud investigations, electronic evidence discovery, intellectual property financial litigation and energy and utility consulting to meet growing market needs.

Litigation Consulting and Applied Sciences. The market for legal services in the United States exceeds $100 billion annually, according to U.S. Bureau of Census statistics. We expect this market to continue to grow as rising litigation costs and the risks of large monetary judgments continue to focus businesses on better managing risks and the litigation process. Increasingly, businesses, financial institutions and law firms are turning to outside litigation service consultants to complement or assist their internal legal staffs in more efficiently and effectively managing the litigation process.

Demand for specialized litigation and forensic engineering services is also being driven by a greater emphasis on loss and injury prevention by insurance companies and manufacturers and significant advances and declining costs in information technology. Manufacturers are increasingly concerned about product safety and analyzing failures to make products safer as a result of the proliferation of mass tort claims and the high costs of product recalls mandated by government agencies. Insurance companies are also partnering with manufacturers for the same reasons. Continuing advances and the declining costs of information technology have resulted in a much greater use of computer simulations and animations for a wider range of disputes, as well as for product testing and employee training. Further, such advances and declining costs have resulted in the cost-effective use of engineering applications beyond high exposure litigation and high value products.

Traditionally, litigation consulting firms focused on discrete stages of the litigation process from inception of a cause of action, through a jury trial to final resolution. Today, clients are seeking outside consulting services throughout the entire process, including the pre-litigation phase.

BUSINESS STRATEGY

We believe that we are the established leader in consulting to companies and their creditors facing adverse circumstances. Our goal is to expand our lead by continuing to anticipate our clients' needs and provide a range of high-quality consulting services to meet those needs. Success in this marketplace depends on reputation, service capacity, in some cases geographic location and to a lesser degree price. The following are the key elements of our business strategy:

- Leverage Our Reputation for High Quality Consulting Services. We believe that size and reputation are critical elements in the purchasing decisions of businesses, law firms, financial institutions and insurance companies. We provide services to many Fortune 500 companies and major law firms. We regularly handle many complex, high-profile restructuring and litigation matters. We receive a high level of repeat business from our current clients and have been successful in expanding the range of services we provide to them. We believe we can continue to successfully leverage our reputation, experience and client base to obtain new engagements from both existing and new clients.

- Retain and Attract Highly Qualified Professionals. Our professionals are crucial to delivering our services to clients and generating new business. We are committed to retaining our existing professionals and continuing to aggressively recruit additional professionals. We offer our professionals above-average compensation opportunities, competitive benefits and challenging engagements. Existing employees are our greatest recruiting asset and the source of a majority of referrals. We will continue to encourage our employees to refer highly qualified professionals to us and reward them for these referrals.

- Capitalize on Our Nationwide Network of Offices. We have established a nationwide network of 33 offices that enables us to leverage our operations in key geographic markets. We believe that we have a competitive advantage because we can provide services to large, geographically diverse corporations and bid for engagements on a nationwide basis. We also believe that our proximity to our clients provides a significant cost advantage by allowing us to balance resources and centralize a number of labor-intensive activities, including graphics support and document management. We intend to continue to expand the range of services provided by each of our offices. Also, our network of offices allows us to attract highly qualified professionals and to acquire highly respected firms that would like the ability to provide services on a nationwide basis.

- Expand the Range of Our Services. We will continue to anticipate our clients' growing needs for expert services and expand our services to meet their needs. By expanding the range of our capabilities and integrating them with existing services, we can continue to position ourselves to provide more broad-based services to our clients. In recent years, we have significantly expanded our range of services to include such services as restructuring and bankruptcy consulting, forensic engineering, regulatory consulting, intellectual property consulting, visual communications, and electronic evidence.

- Continue to Expand the Use of Technology in Litigation Consulting. We will continue to develop and apply new technology to improve the cost-effectiveness of our services and to maintain our competitive edge. We are also focusing on taking advantage of the efficiencies of the Internet to improve information exchange and reduce costs throughout the entire litigation process. For example, in 2000 we introduced our secure extranet service to provide more solutions to the challenges of the increasing complexity of high stakes, multi-district litigation.

- Selectively Acquire Companies to Obtain New Professionals and Capabilities. We will continue to build on our record of successfully identifying, executing and integrating strategic acquisitions. Over the past four years, we have made five acquisitions that have enhanced our position as the leader in consulting to companies facing adverse circumstances. We will continue to selectively pursue strategic acquisitions that offer complementary businesses that we can leverage with our existing client base, offer increased efficiencies by leveraging our network of 33 locations, add new, highly qualified professional staff, and bring new clients to which we can cross sell our existing capabilities.

FINANCIAL CONSULTING

Our Financial Consulting division provides expertise in financial restructurings and workouts, forensic accounting and statistical and economic analysis. As a result of the recent increases in defaults in speculative-grade debt and bankruptcy filings as well as other financial and structural aspects of modern business, Financial Consulting has become the fastest growing of our three divisions.

As part of our financial restructuring and workout practice, we provide services to financially distressed companies or to the secured and unsecured creditors of these companies. Our financial restructuring professionals advise companies and creditors in some of the largest, most complex bankruptcy proceedings and out-of-court restructurings in the United States. When advising a corporate client, we work with the company's management to assess the client's financial condition and viability, and then structure and implement a business rehabilitation plan to manage the client's cash flow to at least a break-even point. We also identify any non-essential assets that can be sold to generate cash. Typically, we then assist these corporate clients as they negotiate with their lenders to restructure their debt. In the event an out-of-court workout appears unlikely, we assess the impact of a bankruptcy filing on the client's financial condition and operating performance and seek Debtor-in-Possession financing on the client's behalf. If the client voluntarily files bankruptcy or is involuntarily forced into bankruptcy, we will assist in managing the entire bankruptcy process, including structuring, negotiating with creditors and implementing the plan of reorganization. We also render expert testimony in connection with the bankruptcy proceeding on such issues as business unit valuation and economic loss.

When assisting creditors, we seek to maximize amounts owed to them by the debtor in an out-of-court workout or bankruptcy. In a workout engagement, we evaluate and monitor the quality and value of the collateral and any other assets available to the creditor, analyze the debtor's business plan and underlying cash flow projections and assess the adequacy of the debtor's financial reporting systems. Based on our analysis, we then assess the debtor's viability and develop and evaluate restructuring plans. In the event that an out-of-court workout is not feasible, we assist creditors in deciding whether to provide Debtor-in-Possession financing, in working through the bankruptcy process and in structuring and evaluating various reorganization plan alternatives. We have also recently entered into the crisis management aspect of the business in which our teams will perform senior management functions such as a chief executive officer, chief operating officer or chief financial officer within companies facing turnaround, financial restructuring and bankruptcy reorganization challenges.

Our forensic accounting specialists work with companies faced with fraud and financial disclosure issues. Many of these companies are undergoing restructuring or bankruptcy reorganizations. Our financial, statistical, valuation and economic experts use a range of statistical and economic tools to help companies evaluate issues, such as the economic impact of pricing changes or deregulation in a particular industry, the amount of commercial damages suffered by a business as a result of a tort or a breach of contract, the existence of discriminatory employment practices or the value of a business or professional practice. We also work with clients to develop business strategy and tactics on an ongoing basis to address these issues.

APPLIED SCIENCES

Our Applied Sciences division specializes in forensic engineering and scientific investigation. We analyze the causes of accidents and other claims resulting from fires, vehicle design, chemical mishaps, poor product design and other causes. As an extension of our engineering and scientific work, clients also seek expert testimony from our professionals and network of more than 2,000 on-call technical and scientific consultants.

Our Applied Sciences professionals blend state-of-the-art technology with their many years of practical experience. For example, we have developed a proprietary software and full-scale test equipment system for calculating the precise performance characteristics and center of gravity of virtually any vehicle, which may be critical in determining liability in accident cases. We also use this equipment to assist vehicle manufacturers, government agencies and auto racing teams in maximizing safety and vehicle performance.

We believe we are the leader in vehicle accident reconstruction and highway defect litigation. Visually demonstrating accidents has become an accepted and even a necessary trial tool. For example, we have recently provided aircraft accident analysis for several high-profile crashes. We employ our expertise to create computer simulations for our Litigation Consulting division for courtroom presentation. We also created a complete aircraft crash simulation video that a number of airlines have adopted for pilot training.

Our Applied Sciences professionals are well-recognized as experts in the investigation of fires and explosions. Our staff includes origin and cause experts, flammability reconstructionists, fire protection engineers, electrical engineers and mechanical engineers. We have staged actual fires in real buildings for research and training purposes, using these exercises not only to educate our own staff but to also train insurance, legal and government organizations.

We are also engaged by companies at an early stage of potential litigation to evaluate the cause of product failures and relative responsibility for an accident, or to assess product safety or preventative safety measures. The Applied Sciences division also assists companies in assessing preventative measures relating to product design and evaluating the causes of product failures. We are regularly called upon to assess the causes and relative levels of responsibility for an accident, as well as to design preventative measures. Because we are engaged early in the process, we believe our revenues from these services are steadier and less incident-driven than those of our competitors who are focused exclusively on trial preparation and presentation.

LITIGATION CONSULTING

During the past 18 years, we have been a pioneer in developing and delivering professional services and creative solutions to litigation problems. We focus on developing and providing innovative applications in the fields of accounting, science, education, communications and technology to meet our clients' needs. From the first computer animations used in court to the latest in digital graphic presentations, we have been a leader in providing high-quality, cost-effective methods to prepare for and try cases. Our trial technology professionals have supported clients in the courtroom in some of the largest and most complex civil trials. Through the use of information technology and the Internet, we have demonstrated our ability to control litigation costs, speed-up the trial process and provide litigants superior access to data, a key competitive advantage.

We have drawn on the skills and techniques used in 3D computer animation and simulation, and pioneered their use to enhance presentations and expert testimony on complex subjects, such as toxic torts, vehicle accidents, airplane crashes, financial disputes, intellectual property resolutions and physical phenomena. The significant decrease in the cost of technology has made it a cost-effective alternative for most trials. Further, the dramatic increase in the size of trials and volume of information has made the visualization of concepts and themes through animated and static "pictures" a necessity for an effective presentation to a judge or jury.

One of the important trends affecting the growth of litigation consulting is the increasing sophistication of courtroom presentation and document management techniques. Computerized document management in cases involving thousands or even millions of pages of depositions, testimony and exhibits is becoming a necessity in the federal and state court systems. Our document management and exhibit and trial preparation solutions enable our clients to better focus on preparing for and trying cases.

The following is the range of services we have provided in complex litigation matters:

- visual communication consulting services;
- graphic exhibit design and production;
- customized database development and distribution;
- video deposition capture and transcript linking;
- management of designated trial exhibits;
- courtroom survey, design and configuration;
- on-site technical trial support;
- trial specific hardware procurement and tracking; and
- secure extranet storage and distribution of data, documents, transcripts, videos and exhibits.

We have developed a number of technology-based tools to assist our clients in managing complex litigation:

- TrialMax/R/ is our comprehensive trial preparation solution. TrialMax/R/ provides a litigation team with the ability to easily store, annotate and display documents, computer graphics, video clips and digitized depositions in the courtroom. One of the innovative features of TrialMax/R/ is its ability to segment digitized video depositions for presentation in the courtroom.
- eWar Room/R/ is our automated tool for handling trial data regardless of information source or data type. This tool electronically retrieves and displays documents in court in any order selected by the lawyer and also enables document highlights to be presented to the judge or jury. Using our service, trial lawyers can now review an entire exhibit package on screen, make changes in real time and rehearse in any media they select, from graphics, video or PowerPoint to paper documents. With the assistance of our professionals, trial lawyers can develop key themes and concepts, and we help them get their point across in the most effective manner.
- Secure Extranet Services is our Internet application for clients who are parties to multi-district litigation. This service will further our objective of providing better and more cost-effective service to our clients. To maintain our competitive technological edge, we created a strategic alliance with USinternetworking, one of the leading application service providers, to host our secure extranet service.

A decline in our Litigation Consulting revenues began in the third quarter of 2000 as a result of an unusual number of trials that were deferred or cancelled due to settlement or settlement discussions. Our Litigation Consulting division revenues decreased 19.7% to $25.2 million in 2001 from $31.4 million in 2000, continuing the decline 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. Because we do not foresee this trend reversing during 2002, we continue to monitor this business segment closely and have 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, continue to reduce costs by flattening our organizational structure and work on enhancing opportunities through our new electronic evidence and intellectual property consulting businesses.

CLIENTS

We have cultivated long-term relationships with many of the premier financial institutions, law firms and businesses in the U.S. In 2001, we performed work for 2,492 clients on 16,571 matters, including:

- 1,319 law firms, 81 of which were rated among the top 100 law firms (based on 2000 U.S. revenues as measured by American Lawyer magazine);
- 533 industrial clients, 127 of which were among the Fortune 500 in 2001;
- 21 of the 25 largest banks located in the U.S.; and
- 619 insurance companies, 63 of which were among the top 100 property and casualty insurers (as reported by A.M. Best Company in 2000).

In 2001, we believe that we derived approximately 80% of our revenues from existing clients or referrals from existing clients. Our largest client represented less than 2.4% of our 2001 revenues. As of December 31, 2001, we were actively working on 3,436 different matters for 1,006 different clients.

MARKETING AND SALES

Historically, we have relied primarily on our reputation to market our services to new and existing clients since most of our work is repeat work for existing clients or referrals from existing clients. Our professionals develop close, personal relationships with clients and often learn about new business opportunities from their frequent contacts with clients. Consequently, we encourage our professionals to generate new business and reward them with increased compensation and promotions for generating new business.

Our Litigation Consulting division has about ten full-time sales people and our Applied Sciences division has about fourteen full-time sales people who are involved in marketing our services. Our Financial Consulting division primarily relies upon referrals and does not require sales personnel. In marketing our services, we emphasize our experience, the quality of our services and our professionals' particular areas of expertise. While we aggressively seek new business opportunities, we maintain high professional standards and carefully evaluate potential new client relationships and engagements.

We are developing greater brand awareness of "FTI" as a provider of a broad range of high-quality consulting services. We are constantly improving the quality and functionality of our Web sites, where we describe our services and experience and promote our reputation. Although we currently market many of our services under different names, we are in process of building and promoting a single brand.

COMPETITION

The markets in which we operate are highly competitive. We face competition from several national companies, national accounting firms and a number of smaller firms that provide one or more services in local and regional markets. Financial Consulting competes primarily against national accounting firms and private financial consulting firms. Litigation Consulting competes against Trialgraphics, Decision Quest, and, to a limited extent, other litigation consulting services and individual consultants. Applied Sciences competes primarily against Exponent and Engineering Animation and several regional or national concerns, independent experts and research organizations.

Competitive factors for our services include reputation, size, geographic location, performance record, quality of work, range of services provided and relationships with clients. To a lesser extent, we also compete on price, but the critical nature of our services typically reduces price to a secondary consideration.

Some national support service providers are larger than we are and, on any given engagement, may have a competitive advantage over us with respect to one or more competitive factors. In addition, smaller local or regional firms, while not offering the range of services we provide, often are able to provide the lowest price on a specific engagement because of their lower overhead costs and proximity to the engagement. The fragmented nature of our markets may also provide opportunities for large companies that offer complementary services to enter one or more of our markets through acquisition. In the future, these and other competitive pressures could require us to modify our pricing or increase our spending for marketing to attract business.

HUMAN RESOURCES

As of December 31, 2001, we had 582 employees. Of that total, 175 are in the Financial Consulting division, 95 are in the Litigation Consulting division, 268 are in the Applied Sciences division and 44 are in corporate management and administrative positions. We also maintain consulting arrangements with about 2,300 independent consultants, about 335 of whom were utilized on our engagements during 2001. About 80% of our professionals have more than ten years of experience in their field of practice, and many are well recognized for their expertise and experience.

Our professionals have varied specialties and specialized backgrounds in such fields as engineering, accounting, mathematics, statistics and psychology. A number of our professionals have Ph.D.s or other advanced degrees, and some have legal training and experience. We strongly believe that our ability to recruit and retain bright, experienced and ambitious professionals is a key factor to our continued success.

BUSINESS RISKS

WE DEPEND UPON OUR PROFESSIONALS AND OUTSIDE CONSULTANTS.

Our business involves the delivery of professional services. Therefore, our continued success depends upon our ability to retain and expand our staff of highly skilled professionals and outside consultants. We face intense competition for highly skilled professionals in our fields of practice. We cannot assure you that we will be able to retain our key professionals or that we will be able to attract, assimilate or retain the necessary number of qualified professionals in the future. We do not have non-competition agreements with most of our professional staff. This means that these professionals could resign with little advance notice to join one of our competitors. If we lose the services of a number of our key professionals or fail to expand our professional staff, we are unlikely to be able to expand our business and may be unable to maintain our business at current levels.

WE RELY HEAVILY ON OUR MANAGEMENT TEAM.

We are highly dependent upon our management team, particularly Messrs. Dunn, Kahn, Baker, Policano, Manzo and Pincus. If we were to lose any of these persons and were unable to replace them quickly, we could have difficulty in properly managing our business. This could have a materially adverse effect on our business prospects and results of operations.

WE FACE SIGNIFICANT COMPETITION FOR NEW BUSINESS OPPORTUNITIES.

The market for our consulting services is highly competitive, and we face competition from many other providers of consulting services. Our competitors range from large organizations, such as the national accounting firms and the large management consulting companies that offer a full range of consulting services, to small firms and independent contractors that provide only one specialized service. Some of our competitors have significantly more financial and marketing resources, larger professional staffs or are more widely recognized. There are few barriers to entry into the consulting business. As the number of our competitors increases, we cannot assure that we will be able to continue to compete successfully for new business opportunities or retain our existing clients.

WE ARE SUBJECT TO THE RISK OF PROFESSIONAL LIABILITY.

Many of our engagements involve complex analysis and the exercise of professional judgment. As a result, we are subject to the risk of professional liability. Often, our engagements involve matters that, if resolved unfavorably, may have a severe impact on the client's business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Therefore, if we fail to perform to the client's satisfaction, the client may threaten or bring a lawsuit against us, claiming we performed negligently or otherwise breached our obligations to the client. Any claim by a client against us could expose us to liability in excess of our insurance limits and could severely injure our reputation.

WE MAY HAVE TROUBLE FINDING SUITABLE ACQUISITION CANDIDATES AND DIFFICULTY FINANCING POTENTIAL ACQUISITIONS.

A number of our competitors also have adopted a strategy of expanding and diversifying through acquisitions of other consulting firms. We experience competition, therefore, in our effort to execute our acquisition strategy, and we expect the level of competition to increase in the future. As a result, we may be unable to continue to make acquisitions or may be forced to pay more for companies we are able to acquire. In such an event, we may be unable to grow our business as quickly as we have in the past, and our profitability may decline.

Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital through the issuance of additional equity or debt. We cannot be sure, however, that we will be able to raise equity or obtain debt financing when we need it or on terms acceptable to us. If we cannot, we may have to curtail our planned growth and not pursue acquisition opportunities.

OUR PROFESSIONAL REPUTATION IS CRITICAL TO OUR BUSINESS.

We depend upon our reputation and the individual reputations of our professionals to obtain new client engagements and attract and retain highly qualified professionals. We obtain a substantial number of new engagements from existing clients or through referrals from existing clients. Therefore, we may have difficulty in competing for new engagements if our existing clients become dissatisfied with our performance. Further, any factor that diminishes our reputation or the reputations of our personnel may make it more difficult for us to compete successfully for either new engagements or qualified professionals.

WE MUST SUCCESSFULLY MANAGE THE GROWTH OF OUR BUSINESS.

We have experienced rapid growth in recent years, including five acquisitions in the past four years. We plan to continue to rapidly expand our business, which may strain our management, human resources and information systems. To successfully manage our growth, we must add managers and employees and periodically update our operating, financial and other systems, procedures and controls. We also must effectively motivate, train and manage a larger professional staff. If we fail to manage our growth effectively, our business, results of operations and financial condition are likely to be adversely affected.

OUR REVENUES, OPERATING INCOME AND CASH FLOW ARE LIKELY TO FLUCTUATE.

We have experienced fluctuating revenues, operating income and cash flow in some prior periods and expect this may occur from time to time in the future. We may experience future fluctuations because of the timing of our client assignments and the type of assignments we are working on at different times. This means our profitability is likely to be lower if we experience an unexpected variation in the number or timing of client assignments. Also, the timing of future acquisitions and the cost of integrating them may cause similar fluctuations in our operating results.

OUR BUSINESS IS SEASONAL.

We experience a reduced level of business during a portion of the third quarter primarily because courts usually recess during these months. Also, many members of our professional staff and key contacts at our clients take vacations during the summer.

WE HAVE OPERATED WITH A SUBSTANTIAL AMOUNT OF DEBT.

Although our total indebtedness as of December 31, 2001 was only $28.2 million, operating with a high amount of leverage could require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, capital expenditures, acquisitions or other purposes, and limit our flexibility in planning for, or reacting to, changes in our business and our industry.

OUR LITIGATION CONSULTING DIVISION IS SUBJECT TO TECHNOLOGICAL CHANGE.

We regularly develop solutions for our clients by using information technology, electronic document management techniques, the Internet and other state-of-the-art technology. Many of these technologies have only recently emerged, will rapidly change and may become obsolete as new technologies appear. Our future success will depend upon the ability of our professionals to remain current with the rapid changes in the technologies we use in our business and to learn quickly to use new technologies as they emerge. If our professionals fail to do this, we could be at a competitive disadvantage. Our competitors may gain exclusive access to improved technology, which also could put us at a competitive disadvantage. There may be changes in our clients' or prospective clients' preferences for technology solutions. If we cannot adapt to these changes, our business, results of operations and financial condition are likely to be adversely effected.

Risks associated with quantitative and qualitative market risks such as fluctuations in interest rates are described under Item 7A. of this Annual Report.

ITEM 2. PROPERTIES

We lease our principal corporate facility in Annapolis, Maryland, which totals approximately 14,000 square feet, under a lease that expires in February 2007. We also lease 32 other offices across the United States, including offices in cities such as New York, Chicago, Houston, Dallas, Los Angeles, Columbus and Washington, D.C. We believe that our leased facilities are adequate for our current needs and that suitable additional space, should it be needed, will be available to accommodate expansion of our operations on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party to any material litigation.

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

No matters were submitted to our stockholders for consideration during the quarter ended December 31, 2001.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(a) During 2001, we did not conduct any sales of our equity securities that were not registered under the Securities Act of 1933, as amended.

(b) From 2000 through August 15, 2001, FTI's common stock traded on the American Stock Exchange under the symbol "FCN". On August 16, 2001, FTI's common stock began trading on the New York Stock Exchange, under the same symbol. The following table sets forth for the periods indicated the high and low sales prices for the common stock, as reported on the New York Stock Exchange or the American Stock Exchange as applicable. These prices have been adjusted to give effect to the 3 for 2 stock split that was paid as a stock dividend to shareholders of record on January 2, 2002:

	High	Low
Fiscal Year Ended December 31, 2000		
First fiscal quarter	$ 5.17	$ 3.17
Second fiscal quarter	$ 7.67	$ 4.42
Third fiscal quarter	$ 7.75	$ 4.88
Fourth fiscal quarter	$ 7.25	$ 3.75
Fiscal Year Ended December 31, 2001		
First fiscal quarter	$ 8.67	$ 5.67
Second fiscal quarter	$ 14.53	$ 8.67
Third fiscal quarter	$ 19.60	$ 12.83
Fourth fiscal quarter	$ 22.73	$ 18.40

As of March 18, 2002, the number of record holders of the Company's common stock was 108 and the Company believes the number of beneficial holders approximates 6,905.

The Company has not declared or paid any cash dividends on the Company's common stock to date and does not anticipate paying any cash dividends on its shares of common stock in the foreseeable future because it intends to retain its earnings, if any, to finance the expansion of its business and for general corporate purposes. Further, the Company's credit facility restricts the Company's ability to pay dividends.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2001, are derived from the Company's consolidated financial statements. The consolidated financial statements for the years ended December 31, 1997, 1998, 1999, 2000 and 2001 were audited by Ernst & Young LLP. The data below should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this report and "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31,				
	2001	2000/(1)/	1999	1998/(2)/	1997/(3)/
	(in thousands, except per share data)				
Statements of Income Data:					
Revenues	$166,359	$134,764	$84,607	$58,615	$44,175
Direct cost of revenues	83,449	68,667	44,149	31,402	23,564
Selling, general and administrative expenses	45,591	36,732	28,829	20,532	15,159
Amortization of goodwill	5,049	4,723	2,313	996	82
Total costs and expenses	134,089	110,122	75,291	52,930	38,805
Income from operations	32,270	24,642	9,316	5,685	5,370
Interest income (expense)	(4,356)	(10,771)	(4,014)	(1,163)	173
Income before income taxes and extraordinary item	27,914	13,871	5,302	4,522	5,543
Income taxes	11,445	5,917	2,311	1,954	2,250
Income before extraordinary item	16,469	7,954	2,991	2,568	3,293
Extraordinary loss on early extinguishment of debt, net of income taxes	-	(5,393)	-	-	-
Net income	$ 16,469	$ 2,561	$ 2,991	$ 2,568	$ 3,293
Income before extraordinary item, per common share, basic	$0.92	$0.75	$0.41	$0.36	$0.49
Earnings per common share, basic	$0.92	$0.24	$0.41	$0.36	$0.49
Income before extraordinary item, per common share, diluted	$0.84	$0.66	$0.39	$0.34	$0.47
Earnings per common share, diluted	$0.84	$0.21	$0.39	$0.34	$0.47
Shares used in computation	19,631	11,988	7,543	7,615	7,047
	2001	2000	1999	1998	1997
Balance Sheet Data:					
Working capital	$28,766	$20,163	$19,233	$9,071	$10,634
Total assets	154,353	146,131	83,857	79,747	28,657
Long-term debt and capital lease obligations	24,277	56,690	41,154	36,016	1,014
Total stockholder's equity	105,136	68,624	30,252	25,594	21,019

/(1)/ Effective January 31, 2000, we acquired Policano & Manzo, L.L.C. in a business combination accounted for as a purchase. See Note 4 to our historical consolidated financial statements for additional information.

/(2)/ In June 1998, we acquired Klick, Kent & Allen, Inc. In September 1998, we acquired S.E.A., Inc., Kahn Consulting, Inc., and KCI Management Corp. These business combinations were accounted for as purchases.

/(3)/ In September 1997, we acquired L.W.G., Inc. and subsidiary, and Bodaken & Associates in business combinations accounted for as purchases.

ITEM 7. 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. We are organized into three distinct operating segments that contribute to the overall performance of our company.

Our Financial Consulting division, which accounted for 58.4% of our 2001 revenues 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 Applied Sciences division, which accounted for 26.4% of our 2001 revenues, offers forensic engineering and scientific investigation services, accident reconstruction, fire investigation and expert testimony regarding intellectual property rights. Our Litigation Consulting division, which accounted for 15.2% of our 2001 revenues, provides advice and services in connection with all phases of the litigation process.

We evaluate segment performance based on our operating income before depreciation and amortization, corporate general and administrative expenses and income taxes for each division. In 2001, our Financial Consulting division accounted for 78.7% of our operating income, while our Applied Sciences division accounted for 15.1% and our Litigation Consulting division accounted for 6.2%.

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. In 2001 our direct costs were 50.2% of revenues, consistent with our overall long-term 50.0% target and an improvement from 51.0% in 2000.

Selling, general and administrative expenses consist primarily of salaries and benefits paid to office and corporate staff, as well as rent, marketing, corporate overhead expenses and depreciation and amortization of property and equipment. In 2001, selling, general and administrative expenses, including depreciation and amortization, accounted for about 27.4% of our revenues, approximately the same as the 27.3% result in 2000 and consistent with our long-term target of 25.0% excluding depreciation and amortization. Our corporate overhead costs which are included in selling, general and administrative expenses, represented about 6.3% of revenues in 2001 and 5.9% in 2000.

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 on-going 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, the results of which 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 affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We derive most 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 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 our revenue from professional services as our work is performed and expenses are incurred. Because we normally obtain engagement letters and other agreements from our clients prior to performing our services, the revenue that we recognize in any period is generally not subject to the risk that future discounts or allowances will significantly reduce the revenue that we recognized.

Bad Debts

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. We estimate this allowance by reviewing the status of past-due accounts and recording general reserves based on 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. Mitigating this risk is that we often require retainers from our clients prior to performing significant services. At December 31, 2001, these retainers totaled $10.4 million, and are recorded as a reduction of accounts receivable.

Goodwill

We have remaining goodwill of $90.2 million at December 31, 2001 that was recorded in connection with business combinations that we completed principally in the last five years. This goodwill represents about 58% of our total assets at December 31, 2001. We amortize this goodwill over useful lives that range from 20 to 25 years. Beginning in January 2002, when we adopt a new accounting standard issued by the Financial Accounting Standards Board, we will no longer amortize this goodwill, but rather will make annual assessments of impairment. 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 segments 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 fair value.

Effect of Recent Accounting Pronouncements
In connection with our various acquisitions, we recorded goodwill. Goodwill arises when an acquirer pays more for a business than the fair value of the tangible and separately measurable intangible net assets.

On December 31, 2001, we had about $90.2 million of unamortized goodwill, which we had been amortizing over 20 to 25-year periods. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Statement No. 142 eliminates the requirement to amortize goodwill over finite lives. Rather, the asset must be tested for impairment at least annually at the reporting level using an approach defined by the Statement.

We will adopt Statement No. 142 in January 2002 and accordingly amortization of goodwill will no longer be recorded. Goodwill amortization was approximately $5.0 million in 2001. The Statement also provides that 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. We believe that a transitional impairment charge will not be required. We discuss goodwill amortization further in "Amortization of Goodwill" below.

ACQUISITION

On February 4, 2000, we acquired Policano & Manzo, L.L.C. ("P&M") as further described in Note 4 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 purchase price totaled $54.9 million, consisting of $48.3 million in cash, 1,222,000 shares of our common stock valued at $5.5 million and acquisition-related expenses of $1.1 million. We did not make any acquisitions in 2001

RESULTS OF OPERATIONS

Years Ended December 31, 2001, 2000, and 1999

Revenues. Total revenues in 2001 increased 23.4% to $166.4 million from $134.8 million in 2000. Our Financial Consulting division revenues grew by 51.2% to $97.1 million in 2001 from $64.2 million in 2000, primarily as a result our ability to recruit seasoned financial professionals to meet the continued strong demand for our financial consulting services in both restructuring and turnaround activities and the forensic accounting and strategic consulting portions of the business, coupled with increases in professional rates. We believe that the market demand for our services in these areas will continue to be strong throughout 2002, and we have added several new practice areas to the division in early 2002, including crisis management, intellectual property litigation consulting, electronic evidence discovery and utility regulatory and financial consulting.

Our Applied Sciences division experienced 12.2% revenue growth in 2001 to $44.0 million from $39.2 million in 2000. This division grew faster than its historical rate of 6% to 10% due primarily to a significant number of unanticipated assignments. These engagements include restoration assignments near the site of the former World Trade Center that are expected to be completed early in the first quarter of 2002. We see no changes in the long-term trends for this division and anticipate that its growth for 2002 will be within its historical range.

Our Litigation Consulting division revenues decreased 19.7% to $25.2 million in 2001 from $31.4 million in 2000, continuing the decline 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. Because we do not foresee this trend reversing during 2002, we continue to monitor this business segment closely and have 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, continue to reduce costs by flattening our organizational structure and work on enhancing opportunities through our new electronic evidence and intellectual property consulting businesses.

Total revenues in 2000 increased 59.3% over 1999. Our Litigation Consulting revenues increased 7.9% from 1999 to 2000 as a result of an increased volume of cases. Our Applied Sciences division experienced 9.8% growth in 2000 compared to 1999, the high end of its historical growth trend. Our Financial Consulting division's revenues grew by 222.6% in 2000 compared to 1999. On a pro forma basis, including the acquisition in February 2000 of P&M described above, the division grew 61.0%, due in part to the faster than anticipated integration of the acquisition and the strong market demand for our financial consulting services.

Direct Cost of Revenues. Direct cost of revenues was 50.2% of our total revenues in 2001, 50.9% in 2000 and 52.2% in 1999. The improvement in 2001 resulted primarily from the relative growth of the Financial Consulting division which has a higher operating margin than our other divisions, and is in line with our long-term target of 50.0%.

Selling, General and Administrative Expenses. As a percent of our total revenues, these expenses, which include depreciation and amortization of property and equipment, were 27.4% in 2001, 27.3% in 2000 and 34.1% in 1999. The decrease in 2001 and 2000 compared to 1999 was primarily attributed to the growth of our Financial Consulting division that has a lower ratio of selling, general and administrative expenses to revenues than our Litigation Consulting and Applied Sciences divisions. Selling, general and administrative expenses, excluding depreciation and amortization, was 25.1% of revenues in 2001, and is consistent with our long-term target of 25.0%.

Amortization of Goodwill. Annual amortization of goodwill increased from $4.7 million in 2000 to $5.0 million in 2001, primarily as a result of additional contingent consideration related to our acquisitions. Amortization of goodwill increased from $2.3 million in 1999 primarily as a result of the P&M acquisition in February 2000 described above.

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 2001 because we were able to retire our debt with cash flow from operations and because interest rates were lower. 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 the exercise of options and warrants to pay down debt; and experienced declining market interest rates on our revolving credit facility.

Income Taxes. Our effective tax rate decreased to 41.0% in 2001 from 42.7% in 2000 and 43.7% in 1999, principally as a reduced effect of some of the goodwill amortization during those periods not being deductible for income tax purposes. We expect that our effective tax rate will decline to about 40.5% in 2002.

See Note 7 of "Notes to Consolidated Financial Statements" for a reconciliation of the federal statutory rate to our effective tax rates during each of these years, and a summary of the components of our deferred tax assets and liabilities.

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 or early retirement in 2000, we had a $5.4 million loss on early extinguishment of debt, net of taxes in 2000.

LIQUIDITY AND CAPITAL RESOURCES

Our cash flow generated from operations increased from $15.6 million in 2000 to $27.3 million in 2001. This increase of $11.7 million is primarily the result of an increase in our net income before non-cash charges of $7.0 million. We also were able to increase our operating cash flows by reducing our working capital balances, despite significant growth in our revenues. The average collection period for our fees has declined because we continue to increase the use of retainers when we are engaged on major assignments and because we have improved our collection monitoring processes.

During the year ended December 31, 2001, we spent $3.1 million for net additions to property and equipment, primarily for the cost of the expansion of five of our major offices. At December 31, 2001, we had no material commitments for the acquisition of property and equipment. We also paid $3.2 million to former owners of businesses we acquired in previous years to satisfy contingent consideration and other obligations. During 2000, we spent $6.6 million for additions to property and equipment and $49.4 million to acquire P&M.

During the year ended December 31, 2001, options to purchase 2,498,672 shares of common stock were exercised, generating $19.4 million in new capital including related tax benefits. In addition, we sold 174,906 shares of common stock to our employees participating in the Employee Stock Purchase Plan, generating $1.0 million of cash. We used these net proceeds and cash flow from operations to pay-down $32.3 million of debt during the year.

In 2000, we completed a public offering of 6.038 million shares of our 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 addition, we retired warrants for 492,001 shares of our common stock issued in February 2000 in connection with the $30.0 million senior subordinated notes that were repaid.

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 $28.2 million was outstanding at December 31, 2001, and a $47.5 million revolving credit line. At December 31, 2001, we have no outstanding balances on the line of credit The credit facility bears interest at LIBOR plus 2.25%, which would decline based on our leverage ratio. The interest rate declined to LIBOR plus 2.00% at the beginning of August 2001 and declined to 1.75% at the beginning of November 2001. We obtained interest rate protection, through interest rate swaps, on the $32.5 million term loan.

The credit facility is secured by all of our assets. Under the credit 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 were in compliance with all loan covenants throughout 2001 and expect to be in compliance with all loan covenants until the term loan is fully repaid by the end of December 2005. Required principal payments under the term loan are substantially less in each year than our cash flow from operations for 2001. We also believe that our available cash and the revolving credit facility will be sufficient to meet our normal on-going operating requirements until the facility expires and do not envision circumstances that are reasonably likely to affect these sources of liquidity. We do not have any significant capital lease obligations.

A summary of our contractual obligations and commitments including the aforementioned credit facility are as follows:

	Payments Due by Period					
Contractual Obligations	Total	2002	2003	2004	2005	Thereafter
Long-Term Debt	28,166	4,333	6,500	8,667	8,666	-
Operating Leases	35,842	5,470	5,333	4,982	4,650	15,407
Total Obligations	64,008	9,803	11,833	13,649	13,316	15,407

FORWARD-LOOKING STATEMENTS

Some of the statements under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Annual 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 Annual 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 elsewhere in this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk associated with changes in interest rates on our variable rate debt. We have managed this risk by entering into interest rate swaps. These hedges reduce our exposure to rising interest rates, but also reduce the benefits from lower interest rates. We do not anticipate any material changes to our market risk exposures in 2002.

Interest rate swaps with notional principal amounts of $28.2 million at December 31, 2001 were designated as hedges against outstanding debt and were used to convert the interest rate on our variable rate debt to fixed rates for the life of the swap. Our pay rate on our debt was 8.39% at December 31, 2001, compared to our receive rate of 4.02 %. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FTI Consulting, Inc. and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2001, 2000 and 1999

CONTENTS

Report of Independent Auditors

Board of Directors and Stockholders
FTI Consulting, Inc.

We have audited the accompanying consolidated balance sheets of FTI Consulting, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FTI Consulting, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 11, 2002

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2001	December 31, 2000
	(dollars in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 12,856	$ 3,235
Accounts receivable, less allowance of $1,508 in 2001 and $1,321 in 2000	20,435	20,380
Unbilled receivables, less allowance of $815 in 2001 and $797 in 2000	12,154	11,952
Income taxes recoverable	1,790	1,317
Deferred income taxes	1,325	1,029
Prepaid expenses and other current assets	2,361	1,924
Total current assets	50,921	39,837
Property and equipment:		
Furniture, equipment and software	19,535	20,977
Leasehold improvements	4,102	4,560
	23,637	25,537
Accumulated depreciation and amortization	(11,384)	(12,382)
	12,253	13,155
Deferred income taxes	150	-
Goodwill, net of accumulated amortization of $13,245 in 2001 and $8,196 in 2000	90,156	91,971
Other assets	873	1,168
Total assets	$ 154,353	$ 146,131

FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31, 2001	December 31, 2000
	(dollars in thousands)	
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,788	$ 4,325
Accrued compensation expense	12,536	10,339
Deferred income taxes	130	500
Current portion of long-term debt.	4,333	4,333
Other current liabilities	368	177
Total current liabilities	22,155	19,674
Long-term debt, less current portion	23,833	56,167
Other long-term liabilities	1,481	600
Deferred income taxes	1,748	1,066
Commitments and contingent liabilities	-	-
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, none outstanding	-	-
Common stock, $.01 par value; 45,000,000 shares authorized; 19,590,938 and 15,851,168 shares issued and outstanding in 2001 and 2000, respectively	196	159
Additional paid-in capital	75,416	53,898
Unearned compensation	(568)	-
Retained earnings	31,036	14,567
Accumulated other comprehensive income (loss)	(944)	-
Total stockholders' equity	105,136	68,624
Total liabilities and stockholders' equity	$ 154,353	$ 146,131

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Income

	Year ended December 31, 2001	2000	1999
	(dollars in thousands, except per share data)		
Revenues	$ 166,359	$ 134,764	$ 84,607
Direct cost of revenues	83,449	68,667	44,149
Selling, general and administrative expenses	45,591	36,732	28,829
Amortization of goodwill	5,049	4,723	2,313
Total costs and expenses	134,089	110,122	75,291
Income from operations	32,270	24,642	9,316
Other income (expenses):			
Interest income	162	253	136
Interest expense	(4,518)	(11,024)	(4,150)
	(4,356)	(10,771)	(4,014)
Income before income taxes and extraordinary item	27,914	13,871	5,302
Income taxes	11,445	5,917	2,311
Income before extraordinary item	16,469	7,954	2,991
Extraordinary loss on early extinguishment of debt, net of income taxes of $3,078 in 2000	-	5,393	-
Net income	$ 16,469	$ 2,561	$ 2,991
Income before extraordinary item per common share, basic	$ 0.92	$ 0.75	$ 0.41
Earnings per common share, basic	$ 0.92	$ 0.24	$ 0.41
Income before extraordinary item per common share, diluted	$ 0.84	$ 0.66	$ 0.39
Earnings per common share, diluted	$ 0.84	$ 0.21	$ 0.39

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Accumulated Comprehensive Other Income (Loss)	Total
	(dollars in thousands)					
Balance at January 1, 1999	$ 73	$16,506		$ 9,015		$ 25,594
Issuance of 828,808 warrants to purchase common stock		1,291				1,291
Issuance of 198,015 shares of common stock under Employee Stock Purchase Plan	2	374				376
Net income for 1999				2,991		2,991
Balance at December 31, 1999	75	18,171		12,006		30,252
Issuance of warrants to purchase 1,005,606 shares of common stock in connection with debt refinancing	-	3,714				3,714
Issuance of 1,222,500 shares of common stock for the acquisition of Policano & Manzo, L.L.C.	12	5,489				5,501
Issuance of 906,756 shares of common stock in exchange for debt To sellers of acquired businesses	9	2,674				2,683
Retirement of 492,001 warrants to purchase common stock in Connection with debt refinancing	-	(1,272)				(1,272)
Issuance of 171,856 shares of common stock under Employee Stock Purchase Plan	2	485				487
Exercise of options and warrants to purchase 111,700 shares of common stock	1	472				473
Issuance of 6,037,500 shares of common stock for cash, net of offering costs of $2,138	60	24,006				24,066
Issuance of 30,000 shares of restricted stock	-	159				159
Net income for 2000				2,561		2,561
Balance at December 31, 2000	159	53,898	-	14,567	-	68,624
Issuance of 174,906 shares of common stock under Employee Stock Purchase Plan	2	1,014				1,016
Exercise of options to purchase 2,498,672 shares of common stock, including income tax benefit of $8,100	25	19,919				19,944
Exercise of warrants to purchase 1,347,082 shares of common stock	13	3,445				3,458
Retirement of 311,515 shares of common stock in connection with warrant exercise	(3)	(3,455)				(3,458)
Issuance of 32,100 shares of restricted stock	-	595	(595)			-
Amortization of unearned compensation expense			27			27
Comprehensive Income:						
Cumulative effect on prior years of changing to a different method of accounting for interest rate swaps					(348)	(348)
Other comprehensive loss - change in fair value of Interest rate swaps					(596)	(596)
Net income for 2001				16,469		16,469
Balance at December 31, 2001	$196	$75,416	$(568)	$31,036	$(944)	$105,136

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries
Consolidated Statements of Cash Flow

	Year ended December 31,		
	2001	2000	1999
Operating activities			
Net income	$ 16,469	$ 2,561	$ 2,991
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary loss on early extinguishment of debt, before income taxes	-	8,471	-
Depreciation and other amortization	3,867	2,769	2,621
Amortization of goodwill	5,049	4,723	2,313
Provisions for doubtful account	205	(116)	(197)
Other	449	(111)	26
Changes in operating assets and liabilities:			
Accounts receivable, billed and unbilled	(463)	(5,632)	(2,604)
Deferred income taxes	(134)	(254)	(313)
Income taxes recoverable/payable	(473)	(1,253)	730
Prepaid expenses and other current assets	(437)	(458)	(199)
Accounts payable and accrued expenses	463	700	316
Accrued compensation expenses	2,197	4,409	2,608
Other current liabilities	120	(247)	109
Net cash provided by operating activities	27,312	15,562	8,401
Investing activities			
Purchase of property and equipment	(4,366)	(6,640)	(3,093)
Proceeds from landlord reimbursements and sales of property and equipment	1,231	47	592
Contingent payments to former owners of subsidiaries	(3,023)	(907)	(807)
Acquisition of subsidiaries	(211)	(49,404)	-
Change in other assets	67	246	(1,288)
Net cash used in investing activities	(6,302)	(56,658)	(4,596)
Financing activities			
Issuance of common stock and exercise of warrants and options	20,959	25,185	376
Borrowings under long-term debt arrangements	-	151,500	33,000
Retirement of detachable stock warrants	-	(1,272)	-
Repayments of long-term debt arrangements	(32,334)	(130,825)	(35,500)
Payment of financing fees	(17)	(4,894)	-
Changes in other long-term liabilities	3	(409)	142
Net cash provided by (used in) financing activities	(11,389)	39,285	(1,982)
Net increase (decrease) in cash and cash equivalents	9,621	(1,811)	1,823
Cash and cash equivalents at beginning of year	3,235	5,046	3,223
Cash and cash equivalents at end of year	$ 12,856	$ 3,235	$ 5,046

See accompanying notes.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Description of Business

FTI Consulting, Inc. and subsidiaries (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. The Company provides services to major corporations, law firms, banks and insurance companies. These services include visual communications and trial consulting, engineering and scientific services, expert financial services including turnaround and bankruptcy consulting, assessment and expert testimony regarding intellectual property rights and claims management outsourcing services, from assessment to restoration. At December 31, 2001, the Company had 582 employees in 33 locations throughout the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The Company uses estimates to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable and unbilled receivables to their expected net realizable value. The Company estimates the amount of the required allowance by reviewing the status of significant past-due receivables and analyzing historical bad debt trends. Actual collection experience has not varied significantly from estimates, due primarily to credit policies, collection experience, and a lack of concentrations of accounts receivable. Accounts receivable balances are not collateralized.

Estimates are also required in such areas as the Company's self-insurance reserves for certain employee benefit plans and other ordinary accruals. Such estimates are based upon historical trends, current experience and knowledge of relevant factors.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method. Furniture and equipment is depreciated over estimated useful lives ranging from three to seven years, and leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the lease term.

Goodwill

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in purchase business combinations, and is amortized over periods ranging from 20 to 25 years. (See also Note 1, Impact of Adoption of Recent Accounting Pronouncements.)

Impairment of Long-Lived Assets

Long-lived assets, including goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans, or changes in anticipated future cash flows. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. The discount rate used in any estimate of discounted cash flows would be the rate required for a similar investment of like risk.

Assets to be disposed of are reported at the lower of carrying values or fair values, less estimated costs of disposal.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company derives most of its revenues from professional service activities. The vast majority of these activities are provided under "time-and-materials" billing arrangements, and revenues, consisting of billed fees and pass-through expenses, are recorded as work is performed and expenses are incurred. Revenues recognized but not yet billed to clients, have been recorded as unbilled receivables in the accompanying consolidated balance sheets. The Company obtains retainers from many of its clients in advance of providing professional service. At December 31, 2001 and 2000, retainers of $10.4 million and $7.3 million, respectively, were excluded from revenue and offset against accounts receivable.

Direct Cost of Revenues

Direct cost of revenues consists primarily of billable employee compensation and related payroll benefits, the cost of consultants assigned to revenue-generating activities and direct expenses billable to clients. Direct cost of revenues does not include an allocation of overhead costs.

Stock Options and Stock Granted to Employees

The Company records compensation expense for all stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25"). Under APB No. 25, compensation expense is recorded over the vesting period to the extent that the fair value of the underlying stock on the date of grant exceeds the exercise or acquisition price of the stock or stock-based award. Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation ("Statement 123") encourages companies to recognize expense for stock-based awards based on their estimated value on the date of grant. Statement 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 Company has supplementally disclosed in Note 7 the required pro forma information as if the fair value method had been adopted.

The Company also periodically issues 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.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Accounting Change and Interest Rate Swaps

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and that changes in a derivative's fair value be recognized currently in earnings unless specified hedge criteria are met. Under Statement 133, if an interest rate swap is designated a cash flow hedge, the effective portions of the changes in the fair value of the swap are recorded in other comprehensive income. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

As part of managing the exposure to changes in the market interest rates on its variable rate debt, the Company has entered into various interest rate swap transactions with financial institutions acting as the counterparty. To ensure both appropriate use as a hedge and hedge accounting treatment, all swaps entered into are designated according to the hedge objective against a specific debt issue. The notional amounts, rates and maturities of the Company's interest rate swaps are closely matched to the related terms of hedged debt obligations. None of the Company's interest rate swaps would result in a significant loss to the Company if a counterparty failed to perform according to the terms of the agreement.

The Company recorded a cumulative effect adjustment of $348,000, net of tax, in 2001 in accordance with the transition provisions of Statement 133.

Impact of Adoption of Recent Accounting Pronouncements

In June 2001, the FASB issued Statement of Accounting Standards No. 142, Goodwill and Other Intangible Assets ("Statement 142"). Statement 142 requires that goodwill and intangible assets with indefinite lives arising from a business combination will no longer be amortized to earnings, but instead reviewed annually for impairment. The Company has adopted Statement 142 effective January 1, 2002. Upon adoption of Statement 142 on January 1, 2002, the Company is required to perform a transitional impairment test for all recorded goodwill within six months and, if necessary, determine the amount of an impairment loss by December 31, 2002. The Company does not expect that a transitional impairment charge will be required. The annual amortization expense for goodwill was $5.0 million in 2001.

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Adoption of Recent Accounting Pronouncements (continued)

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("Statement 144"). Statement 144 supercedes and serves to clarify and further define the provisions of Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and provides a single accounting model for long-lived assets to be disposed of.

Statement 144 does not apply to goodwill and other intangible assets that are not amortized, and retains the Company's current policy to recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted future cash flows and to measure the impairment loss as the difference between the carrying amount and the fair value of the asset. The Company will apply the new rules on accounting for the impairment or disposal of long-lived assets on January 1, 2002. The effect of adoption is not expected to have a material effect on the Company's consolidated financial position or results of operations.

FTI Consulting, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. EARNINGS PER SHARE

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

	Year ended December 31, 2001	2000	1999
Numerator used in basic and diluted earnings per common share			
Income before extraordinary item	$16,469	$ 7,954	$2,991
Extraordinary item, net of taxes	-	(5,393)	-
Net income	$16,469	$ 2,561	$2,991
Denominator			
Denominator for basic earnings per common share - weighted average shares outstanding	17,841	10,612	7,308
Effect of dilutive securities:			
Warrants	319	789	173
Employee stock options	1,471	587	62
	1,790	1,376	235
Denominator for diluted earnings per common share - weighted average shares outstanding and assumed conversions	19,631	11,988	7,543
Income before extraordinary item per common share, basic	$ 0.92	$ 0.75	$ 0.41
Extraordinary loss per common share, basic	-	(0.51)	-
Earnings per common share, basic	$ 0.92	$0.24	$ 0.41
Income before extraordinary item per common share, diluted	$ 0.84	$ 0.66	$ 0.39
Extraordinary loss per common share, diluted	-	(0.45)	-
Earnings per common share, diluted	$ 0.84	$ 0.21	$ 0.39

3. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

In 2000, the Company purchased the membership interests of Policano & Manzo, L.L.C. for total consideration of $54.9 million. In connection with this acquisition, assets with a fair market value of $58.1 million were acquired and liabilities of approximately $3.2 million were assumed. The Company did not make any acquisitions during 2001 or 1999.

The Company paid interest of $4.6 million, $10.8 million and $4.1 million, and income taxes of $6.0 million, $4.3 million and $2.0 million during fiscal years 2001, 2000 and 1999, respectively.

4. ACQUISITIONS

Policano & Manzo, L.L.C.

Effective January 31, 2000, the Company acquired the membership interests of Policano & Manzo, L.L.C. ("P&M"). P&M, based in Saddle Brook, 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 purchase price totaled approximately $54.9 million, consisting of $48.3 million in cash, 1,222,000 shares of common stock valued at $5.5 million and acquisition related expenses of $1.1 million. The acquisition was accounted for using the purchase method of accounting and approximately $52.2 million of goodwill was recorded and was 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.

Contingent Payments to Previous Owners

In 2001, the Company paid contingent consideration of approximately $3.0 million to the former shareholders of Klick, Kent & Allen, Inc., a company acquired in 1998 and the former shareholder of LWG, Inc., a company acquired in 1997. The contingent payments were attributed to the achievement of specified pre-tax earnings. Additionally, the Company paid the working capital adjustment balance of $211,000 to the former shareholders of P&M, which was acquired in 2000. There are no future contingent payments due on any of the previous acquisitions of the Company.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2001	December 31, 2000
Amounts due under an $80.0 million long-term credit facility, consisting of an amortizing term loan of $32.5 million and a $47.5 million revolving credit line, (of which zero was drawn at December 31, 2001), bearing interest at LIBOR plus variable percentages (4.02% at December 31, 2001). This facility is secured by substantially all the assets of the Company, and the unpaid principal matures in varying amounts through December 31, 2005.	$28,166	$60,500
Less current portion	(4,333)	(4,333)
Total long-term debt	$23,833	$56,167

The Company has entered into interest rate swap transactions on the $28.2 million of outstanding amortizing term loans. The swap transactions resulted in exchanging floating LIBOR rates for a fixed rate of 6.64%, and expire in 2004. The cost is included as a component of interest expense in the accompanying statements of income. The changes in the fair value of the swaps are recognized in the consolidated financial statements as changes in accumulated other comprehensive income (loss).

The Company is required to comply with certain financial and non financial covenants contained in the revolving credit and term loan agreements. For the year ended December 31, 2001, the Company was in compliance with all covenants as stipulated in the agreements.

Aggregate maturities of debt at December 31, 2001, are as follows:

2002	$ 4,333
2003	6,500
2004	8,667
2005	8,666
Total	$ 28,166

The terms of the credit facility prohibit the payment of dividends without the consent of the lender.

The fair value of long-term debt at December 31, 2001 approximates its carrying value.

6. STOCK OPTION PLANS

Prior to 1997, the Company granted options to key employees under the 1992 Stock Option Plan. This plan was terminated in 1997 upon the adoption of the 1997 Stock Option Plan. The 1997 Plan, provides for the granting to employees and non-employee directors of qualified and non-qualified options to purchase an aggregate of up to 6,225,000 shares of common stock. Options to purchase common stock may be granted at prices not less than 50% of the fair market value of the common stock at the date of grant, for a term of no more than ten years. Vesting provisions for individual awards are at the discretion of the Board of Directors.

The following table summarizes the option activity under the plans for the three-year period ended December 31, 2001:

	2001	2001 Weighted Avg. Exercise Price	2000	2000 Weighted Avg. Exercise Price	1999	1999 Weighted Avg. Exercise Price
Options outstanding at January 1	4,896,193	$ 4.74	3,027,044	$ 4.74	2,731,244	$ 5.24
Options granted	847,500	17.11	2,013,300	4.65	596,250	2.83
Options exercised	(2,492,841)	4.69	(96,701)	3.71	-	-
Options forfeited	(79,000)	3.65	(47,450)	4.69	(300,450)	5.50
Options outstanding at December 31	3,171,852	$ 8.09	4,896,193	$ 4.74	3,027,044	$ 4.74
Options exercisable at December 31	1,024,352	$ 5.25	2,655,200	$ 4.99	1,796,387	$ 5.25

All options granted have an exercise price equal to or greater than the fair value of the Company's common stock on the date of grant. Exercise prices for options outstanding as of December 31, 2001, ranged from $1.92 to $21.20 as follows:

Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price of Options Outstanding	Weighted Average Remaining Contractual Life of Options Outstanding	Options Exercisable	Weighted Average Exercise Price of Options Exercisable
$1.92 - $4.42	1,738,488	$ 4.15	7.89 years	613,488	$4.15
$4.46 - $9.00	617,693	$ 6.40	7.52 years	352,693	$6.11
$10.72-$21.20	815,671	$17.76	9.49 years	58,171	$11.72
	3,171,852			1,024,352	

Pro Forma Disclosures Required by Statement 123

For the years ended December 31, 2001, 2000 and 1999, pro forma net income and earnings per share information required by Statement 123 has been determined as if the Company had accounted for its stock options using the fair value method rather than the intrinsic value method followed by the Company. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

6. STOCK OPTION PLANS (CONTINUED)

	Year ended December 31, 2001	2000	1999
Risk free interest rate	4.5%	5.5%	5.5%
Expected dividend yield	0%	0%	0%
Expected option life	3.38 years	4 years	4 years
Expected stock price volatility	0.758 - 0.782	0.779 - 0.790	0.788 - 0.808
Weighted average fair value of granted options	$9.40	$2.09	$1.77

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 highly subjective assumptions, including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

The following table summarizes pro forma income (loss) and earnings (loss) per share:

	Year ended December 31, 2001	2000	1999
Income before extraordinary item, as reported	$ 16,469	$ 7,954	$ 2,991
Pro forma income before extraordinary item	$ 14,100	$ 5,196	$ 1,820
Net income, as reported	$ 16,469	$ 2,561	$ 2,991
Pro forma net income (loss)	$ 14,100	$ (197)	$ 1,820
Income before extraordinary item per common share, basic, as reported	$ 0.92	$ 0.75	$ 0.41
Pro forma income before extraordinary item per common share, basic	$ 0.79	$ 0.49	$ 0.25
Income before extraordinary item per common share, diluted, as reported	$ 0.84	$ 0.66	$ 0.39
Pro forma income before extraordinary item per common share, diluted	$ 0.72	$ 0.45	$ 0.24
Earnings per common share, basic, as reported	$ 0.92	$ 0.24	$ 0.41
Pro forma earnings (loss) per common share, basic	$ 0.79	$ (0.02)	$ 0.25
Earnings per common share, diluted, as reported	$ 0.84	$ 0.21	$ 0.39
Pro forma earnings (loss) per common share, diluted	$ 0.72	$ (0.02)	$ 0.24

FTI Consulting, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2001	2000
Deferred tax assets:		
Allowance for doubtful accounts	$ 953	$ 529
Accrued vacation and bonus	372	500
Other	150	-
Total deferred tax assets	1,475	1,029
Deferred tax liabilities:		
Use of cash basis for income tax purposes by subsidiary	-	350
Goodwill	1,407	610
Capitalized software	341	447
Other	130	159
Total deferred tax liabilities	1,878	1,566
Net deferred tax liability	$ (403)	$ (537)

Income tax expense (benefit), before extraordinary item consisted of the following:

	Year ended December 31 2001	2000	1999
Current:			
Federal	$ 9,192	$ 4,766	$ 1,937
State	2,388	1,405	687
	11,580	6,171	2,624
Deferred (benefit):			
Federal	(49)	(145)	(190)
State	(86)	(109)	(123)
	(135)	(254)	(313)
	$ 11,445	$ 5,917	$ 2,311

The Company's provision for income taxes resulted in effective tax rates that varied from the statutory federal income tax rate as follows:

	Year Ended December 31, 2001	2000	1999
Expected federal income tax provision at 34%	$ 9,491	$ 4,716	$ 1,803
Expenses not deductible for tax purposes	359	557	302
State income taxes, net of federal benefit	1,474	732	286
Other	121	(88)	(80)
	$ 11,445	$ 5,917	$ 2,311

8. OPERATING LEASES

The Company leases office space under non-cancelable operating leases that expire in various years through 2010. The leases for certain office space contain provisions whereby the future rental payments may be adjusted for increases in maintenance and insurance above specified amounts. The Company also leases certain furniture and equipment in its operations under operating leases having initial terms of less than one year.

Future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following at December 31, 2001:

2002	$ 5,470
2003	5,333
2004	4,982
2005	4,650
2006	3,479
Thereafter	11,928
Total minimum lease payments	$ 35,842

Rental expense consists of the following:

	Year ended December 31, 2001	2000	1999
Furniture and equipment	$ 409	$ 324	$ 392
Office and storage	5,171	3,556	2,859
	$ 5,580	$ 3,880	$ 3,251

9. EMPLOYEE BENEFIT PLANS

The Company maintains a qualified defined contribution 401(k) plan which covers substantially all employees. Under the plan, participants are entitled to make both pre-tax and after-tax contributions. The Company matches a certain percentage of participant contributions pursuant to the terms of the plan, which are limited to a percent of the participant's eligible compensation. The percentage match is at the discretion of the Board of Directors. The Company made contributions of $1.1 million, $685,000 and $344,000 during 2001, 2000 and 1999, respectively, related to these plans.

The Company also maintains an Employee Stock Purchase Plan which covers substantially all employees. Under the plan, participants are eligible to purchase shares of the Company's common stock at a price that is equal to 85% of the lesser of the fair market value of the stock on the first or the last trading day of the offering period. Offering periods commence the first day of each January and July in any particular year. There are 750,000 shares of the Company's common stock issuable under the Plan, of which 608,350 shares have been issued or subscribed for as of December 31, 2001.

10. EXTRAORDINARY LOSS

In connection with the acquisition of P&M, the Company refinanced its debt during the first quarter of 2000 and retired all long-term debt outstanding at February 4, 2000. In connection with this early extinguishment of debt, the Company wrote off unamortized debt discount and financing fees, incurring an extraordinary loss of $869,000 (net of a $660,000 income tax benefit).

During the fourth quarter of 2000, the Company successfully completed a secondary offering of 6,038 million shares of common stock. The $24.0 million proceeds, net of offering costs, together with internal cash resources, were used to repay the $30.0 million of subordinated notes issued in connection with the acquisition of P&M. Concurrent with the repayment of the subordinated notes, the Company refinanced its long-term debt to obtain more attractive terms and to reduce interest expense. In connection with the fourth quarter early extinguishment of debt, the Company wrote-off unamortized debt discount and financing fees and pre-payment penalties, resulting in an extraordinary loss of $4.5 million (net of a $2.4 million income tax benefit).

11. 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 Applied Sciences division offers engineering and scientific consulting services, accident reconstruction, fire investigation, equipment procurement and expert testimony regarding intellectual property rights. The Litigation Consulting division provides advice and services in connection with all phases of the litigation process.

The Company evaluates performance 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 is the same as those used by the Company and described in Note 1 to the consolidated financial statements. There are no significant inter-company sales or transfers.

The Company's reportable segments are business units that offer distinct services. The following tables set forth historical information on the Company's reportable segments:

	Year ended December 31, 2001			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$ 97,107	$ 44,042	$ 25,210	$ 166,359
Operating expenses	56,408	36,255	21,959	114,622
Segment profit	$ 40,699	$ 7,787	$ 3,251	$ 51,737

	Year ended December 31, 2000			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$ 64,175	$ 39,232	$ 31,357	$ 134,764
Operating expenses	38,286	31,963	24,489	94,738
Segment profit	$ 25,889	$ 7,269	$ 6,868	$ 40,026

	Year ended December 31, 1999			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$ 19,851	$ 35,693	$ 29,063	$ 84,607
Operating expenses	14,489	30,276	20,579	65,344
Segment profit	$ 5,362	$ 5,417	$ 8,484	$ 19,263

11. SEGMENT REPORTING (CONTINUED)

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

	Year ended December 31, 2001	2000	1999
Operating Profit:			
Total segment profit	$ 51,737	$40,026	$19,263
Corporate general and administrative expenses	(10,551)	(7,892)	(5,251)
Depreciation and amortization	(8,916)	(7,492)	(4,696)
Interest expense, net	(4,356)	(10,771)	(4,014)
Income before income taxes and extraordinary item	$27,914	$13,871	$ 5,302

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.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001
Revenues	$41,475	$42,154	$40,555	$42,175
Operating expenses	33,365	33,864	33,548	33,312
Operating income	8,110	8,290	7,007	8,863
Interest, net	(1,443)	(1,147)	(970)	(796)
Income before income taxes	6,667	7,143	6,037	8,067
Income taxes	2,834	2,967	2,414	3,230
Net income	$3,833	$4,176	$3,623	$4,837
Net income per common share, basic	$0.24	$0.24	$0.19	$0.25
Net income per common share, diluted	$0.21	$0.22	$0.18	$0.23
Weighted average shares outstanding:				
Basic	15,933	17,228	18,760	19,397
Diluted	18,051	19,202	20,340	20,827

12. QUARTERLY FINANCIAL DATA (UNAUDITED) - CONTINUED

	Quarter Ended			
	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Revenues	$31,013	$34,585	$33,395	$35,771
Operating expenses	25,305	27,965	27,630	29,222
Operating income	5,708	6,620	5,765	6,549
Interest, net	(2,352)	(3,142)	(3,143)	(2,134)
Income before income taxes and extraordinary item	3,356	3,478	2,622	4,415
Income taxes	1,476	1,530	1,154	1,757
Income before extraordinary item	1,880	1,948	1,468	2,658
Extraordinary loss on early extinguishment of debt, net of taxes	869	-	-	4,524
Net income (loss)	$ 1,011	$ 1,948	$ 1,468	$(1,866)
Income before extraordinary item per common share, basic	$ 0.21	$ 0.20	$ 0.15	$ 0.28
Net income (loss) per common share, basic	$ 0.11	$ 0.20	$ 0.15	$ (0.20)
Income before extraordinary item per common share, diluted	$ 0.19	$ 0.17	$ 0.13	$ 0.17
Net income (loss) per common share, diluted	$ 0.11	$ 0.17	$ 0.13	$ (0.12)
Weighted average shares outstanding:				
Basic	8,781	9,635	9,804	14,238
Diluted	9,600	11,270	11,604	15,411

13. CONTINGENCIES

The Company is subject to legal actions arising in the ordinary course of its business. In management's opinion, the Company has adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions and does not believe any settlement would materially affect the Company's financial position.

14. SUBSEQUENT EVENTS

The Company's board of directors authorized a 3 for 2 stock split in the form of a stock dividend to be distributed to shareholders of record on January 2, 2002. All share and per share date included in the consolidated financial statements have been restated to reflect the stock split.

Effective January 2, 2002, the Company acquired all of the outstanding common stock of Technology and Financial Consulting, Inc. ("TFC"). TFC, based in Houston, Texas, provides intellectual property consulting services. The total purchase price of $4.1 million includes cash payments of $3.1 million and common stock valued at $1.0 million. The acquisition was accounted for using the purchase method of accounting. At the acquisition date, approximately $3.7 million of goodwill was recorded.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Certain information required in Part III is omitted from this Report, but is incorporated herein by reference from the Company's Definitive Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed within 120 days after the end of the Company's fiscal year ended December 31, 2001 (the "Proxy Statement"), pursuant to Regulation 14A with the Securities and Exchange Commission.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information contained in the Proxy Statement under the caption "The Board of Directors" and "Executive Officers and Compensation" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Proxy Statement under the caption "Executive Officers and Compensation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Proxy Statement under the caption "Stock Ownership" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Proxy Statement under the caption "Executive Officers and Compensation -- Certain Relationships and Related Transactions" is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS, EXHIBITS AND SCHEDULES

1. FINANCIAL STATEMENTS (See Item 8 hereof.)

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 2001 and December 31, 2000

Consolidated Statements of Income for the fiscal years ended December 31, 2001, December 31, 2000 and December 31, 1999

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 31, 2001, December 31, 2000 and December 31, 1999

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2001, December 31, 2000 and December 31, 1999

Notes to Consolidated Financial Statements

2. FINANCIAL STATEMENT SCHEDULES

Schedule II -- Valuation and Qualifying Accounts

All schedules, other than those outlined below, are omitted as the information is not required or is otherwise furnished.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FTI Consulting, Inc. and Subsidiaries

(in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
YEAR ENDED DECEMBER 31, 2001:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts	2,118	2,383		2,178 /(1)/	2,323
YEAR ENDED DECEMBER 31, 2000:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts	2,225	1,740	9 /(2)/	1,856 /(1)/	2,118
YEAR ENDED DECEMBER 31, 1999:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts	902	527	1,048 /(2)/	55 /(1)/	2,422

/(1)/ Uncollectible accounts written off, net of recoveries.

/(2)/ Allowance recorded for acquisitions.

3. EXHIBITS

NUMBER	DESCRIPTION
*3.1	Amended and Restated Articles of Incorporation of FTI Consulting, Inc.
+++++3.2	Bylaws of FTI Consulting, Inc., as amended and restated.
**3.3	Amendment to Articles of Incorporation
***4.2	Specimen Common Stock Certificate
*10.1	1992 Stock Option Plan, as amended
****10.2	1997 Stock Option Plan, as amended
*10.3	Employment Agreement dated as of January 1, 1996, between Forensic Technologies International Corporation and Jack B. Dunn, IV
*10.4	Employment Agreement dated as of January 1, 1996, between Forensic Technologies International Corporation and Joseph R. Reynolds, Jr.
*****10.5	Employee Stock Purchase Plan
+10.6	Stock Purchase Agreement dated as of June 30, 1998, by and among FTI Consulting, Inc., Klick, Kent & Allen, Inc., and the stockholders named therein
++10.7	Stock Purchase Agreement dated as of September 25, 1998, by and among FTI Consulting, Inc., Glenn R. Baker and Dennis A. Guenther
+++10.8	Stock Purchase Agreement dated as of September 17, 1998, by and among FTI Consulting, Inc., Kahn Consulting, Inc., KCI Management Corp., and the stockholders named therein
++++10.9	LLC Membership Interests Purchase Agreement dated as of January 31, 2000, by and among FTI Consulting, Inc., and Michael Policano and Robert Manzo (schedules and exhibits omitted)

++++10.10	Credit Agreement dated as of February 4, 2000, by and among FTI Consulting, Inc., and its subsidiaries named therein, Newcourt Commercial Finance Corporation, an affiliate of The CIT Group, Inc., and the other agents and lenders named therein (schedules and exhibits omitted)
++++10.11	Investment and Loan Agreement dated as of February 4, 2000, by and among FTI Consulting, Inc., and its subsidiaries named therein, Jack B. Dunn, IV, Stewart J. Kahn, Allied Capital Corporation, and the other lenders named therein (schedules and exhibits omitted)
++++10.12	Form of Series A Stock Purchase Warrant dated as of February 4, 2000, by and between FTI Consulting, Inc., and each of the lenders named in the above-referenced Investment and Loan Agreement (schedules and exhibits omitted)
+++++10.13	Credit Agreement dated as of December 22, 2000, among FTI Consulting, Inc. and the lenders and agents named therein (schedules omitted).
+++++10.14	First Amendment to Credit Agreement dated as of February 23, 2001, among FTI Consulting, Inc. and the lenders agents named therein.
11.0	Computation of Earnings Per Share (included in Note 2 to the Consolidated Financial Statements included in Item 8 herein)
21.0	Schedule of Subsidiaries
23.0	Consent of Ernst & Young, LLP

* Filed as an exhibit to the Company's Registration Statement on Form SB-1, as amended (File No. 333-2002) and incorporated herein by reference.

** Filed as an exhibit to the Company's Registration Statement on Form 8-A (File No. 001-14875) and incorporated herein by reference.

*** Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.

**** Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-32160) and incorporated herein by reference.

***** Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-30357) and incorporated herein by reference.

\+ Filed as an exhibit to the Company's Current Report on Form 8-K filed July 15, 1998, and incorporated herein by reference.

++ Filed as an exhibit to the Company's Current Report on Form 8-K filed October 13, 1998, and incorporated herein by reference.

+++ Filed as an exhibit to the Company's Current Report on Form 8-K filed October 2, 1998, and incorporated herein by reference.

++++ Filed as an exhibit to the Company's Current Report on Form 8-K filed February 15, 2000, and incorporated herein by reference.

+++++ Filed as an exhibit to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2000, and incorporated herein by reference.

(b) None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized this 27th day of March, 2002.

FTI CONSULTING, INC.

By: /s/ Jack B. Dunn, IV

Name: Jack B. Dunn, IV
Title: Chief Executive Officer and Chairman of the Board

SIGNATURE	CAPACITY IN WHICH SIGNED	DATE
/s/ JACK B. DUNN, IV Jack B. Dunn, IV	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 27, 2002
/s/ STEWART J. KAHN Stewart J. Kahn	President, Chief Operating Officer and Director	March 27, 2002
/s/ THEODORE I. PINCUS Theodore I. Pincus	Executive Vice President, Chief Financial Officer and Secretary (principal financial accounting officer)	March 27, 2002
/s/ DENIS J. CALLAGHAN Denis J. Callaghan	Director	March 27, 2002
/s/ JAMES A. FLICK, JR. James A. Flick, Jr.	Director	March 27, 2002
/s/ PETER F. O'MALLEY Peter F. O'Malley	Director	March 27, 2002
/s/ DENNIS J. SHAUGHNESSY Dennis J. Shaughnessy	Director	March 27, 2002
/s/ GEORGE P. STAMAS George P. Stamas	Director	March 27, 2002

Exhibit 21.0

SCHEDULE OF SUBSIDIARIES

Name	Jurisdiction of Incorporation or Formation
FTI Applied Sciences (Annapolis), L.L.C.	Maryland
FTI Litigation Consulting, L.L.C.	Maryland
Kahn Consulting, Inc.	New York
KCI Management, Inc.	New York
Klick, Kent & Allen, Inc.	Virginia
L.W.G., Inc.	Illinois
Policano & Manzo, L.L.C.	New Jersey
RestorTek, Inc.	Illinois
S.E.A., Inc.	Ohio
Teklicon, Inc.	California

Exhibit 23.0

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of our report dated February 11, 2002, with respect to the consolidated financial statements and schedule of FTI Consulting, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

Registration Statements on Form S-8:

Name	Registration Number	Date Filed
1992 Stock Option Plan, as Amended	333-19251	January 3, 1997
Employee Stock Purchase Plan	333-30173	June 27, 1997
1997 Stock Option Plan	333-30357	June 30, 1997
1997 Stock Option Plan, as Amended	333-32160	March 10, 2000
1997 Stock Option Plan, as Amended and Employee Stock Purchase Plan, as Amended	333-64050	June 28, 2001

/s/ Ernst & Young LLP

Baltimore, Maryland
March 25, 2002