SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2002

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

Class	Outstanding at August 8, 2002
Common Stock, par value $.01 per share	20,984,902

FTI CONSULTING, INC.

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Part I. Financial Information

FTI Consulting, Inc. and Subsidiaries

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

	December 31, 2001	June 30, 2002
	(audited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 12,856	$ 21,236
Accounts receivable, less allowance of $1,508 in 2001 and $1,477 in 2002	20,435	25,213
Unbilled receivables, less allowance of $815 in 2001 and $999 in 2002	12,154	15,875
Income taxes recoverable	1,790	894
Deferred income taxes	1,325	1,325
Prepaid expenses and other current assets	2,361	2,430
Total current assets	50,921	66,973
Property and equipment:		
Furniture, equipment and software	19,535	22,835
Leasehold improvements	4,102	4,565
	23,637	27,400
Accumulated depreciation and amortization	(11,384)	(12,977)
	12,253	14,423
Deferred income taxes	150	150
Goodwill	90,156	93,969
Other assets	873	1,148
Total assets	$ 154,353	$ 176,663

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

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

	December 31, 2001	June 30, 2002
	(audited)	(unaudited)
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,788	$ 3,589
Accrued compensation expense	12,536	11,147
Deferred income taxes	130	130
Current portion of long-term debt	4,333	4,333
Other current liabilities	368	272
Total current liabilities	22,155	19,471
Long-term debt, less current portion	23,833	21,667
Other long-term liabilities	1,481	1,627
Deferred income taxes	1,748	1,748
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 20,540,102 shares issued and outstanding in 2001 and 2002, respectively	196	205
Additional paid-in capital	75,416	88,907
Unearned compensation	(568)	(465)
Retained earnings	31,036	44,328
Accumulated other comprehensive loss	(944)	(825)
Total stockholders' equity	105,136	132,150
Total liabilities and stockholders' equity	$ 154,353	$ 176,663

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

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

	Three Months Ended June 30, 2001	2002
	(unaudited)	(unaudited)
Revenues	$ 42,154	$ 51,075
Direct cost of revenues	21,664	25,928
Selling, general and administrative expenses	10,945	13,304
Amortization of goodwill	1,255	-
	33,864	39,232
Income from operations	8,290	11,843
Other income (expense):		
Interest income	42	54
Interest expense	(1,189)	(656)
	(1,147)	(602)
Income before income taxes	7,143	11,241
Income taxes	2,967	4,553
Net income	$ 4,176	$ 6,688
Earnings per common share, basic	$ 0.24	$ 0.33
Earnings per common share, diluted	$ 0.22	$ 0.31

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

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

	Six Months Ended June 30, 2001	2002
	(unaudited)	(unaudited)
Revenues	$ 83,629	$ 101,755
Direct cost of revenues	43,483	51,386
Selling, general and administrative expenses	21,240	26,690
Amortization of goodwill	2,507	-
	67,230	78,076
Income from operations	16,399	23,679
Other income (expense):		
Interest income	94	82
Interest expense	(2,682)	(1,422)
	(2,588)	(1,340)
Income before income taxes	13,811	22,339
Income taxes	5,801	9,047
Net income	$ 8,010	$ 13,292
Earnings per common share, basic	$ 0.48	$ 0.67
Earnings per common share, diluted	$ 0.43	$ 0.62

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands of dollars)

	Six Months Ended June 30, 2001	2002
	(unaudited)	
Operating activities		
Net income	$ 8,010	$ 13,292
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of goodwill	2,507	-
Depreciation and other amortization	1,854	2,301
Provision for doubtful accounts	(191)	139
Income tax benefit from stock option exercises	2,392	7,027
Non-cash stock compensation expense	-	103
Other	216	295
Changes in operating assets and liabilities:		
Accounts receivable, billed and unbilled	(3,705)	(8,210)
Prepaid expenses and other current assets	(437)	(69)
Accounts payable and accrued expenses	(590)	(1,198)
Accrued compensation expense	(1,132)	(1,389)
Income taxes recoverable/payable	1,043	896
Other current liabilities	30	(205)
Net cash provided by operating activities	9,997	12,982
Investing activities		
Purchase of property and equipment	(1,629)	(4,154)
Contingent payments to former owners of subsidiaries	(197)	(121)
Acquisition of businesses, including acquisition costs	(516)	(3,241)
Change in other assets	202	(383)
Net cash used in investing activities	(2,140)	(7,899)
Financing activities		
Issuance of common stock and exercise of options	6,564	5,462
Payments of long-term debt	(15,167)	(2,166)
Payment of financing fees	(16)	1
Net cash provided by (used in) financing activities	(8,619)	3,297
Net change in cash and cash equivalents	(762)	8,380
Cash and cash equivalents at beginning of period	3,235	12,856
Cash and cash equivalents at end of period	$ 2,473	$ 21,236

See accompanying notes.

FTI Consulting, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 30, 2002
(amounts in tables expressed in thousands, except per share data)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

2. Recent Accounting Pronouncements

As of January 1, 2002, the Company adopted Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangible Assets ("Statement 142"). Under the new rules, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized, but are subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

The amortization expense and net income of the Company for the three and six months ended June 30, 2002 and 2001 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2002	2001	2002
Reported net income	$4,176	$6,688	$8,010	$13,292
Goodwill amortization, net of income taxes	734	-	1,453	-
Adjusted net income	$4,910	$6,688	$9,463	$13,292
Earnings per common share, basic:				
Reported net income	$ 0.24	$ 0.33	$ 0.48	$ 0.67
Goodwill amortization, net of income taxes	0.04	-	0.09	-
Adjusted net income	$ 0.28	$ 0.33	$ 0.57	$ 0.67
Earnings per common share, diluted:				
Reported net income	$ 0.22	$ 0.31	$ 0.43	$ 0.62
Goodwill amortization, net of income taxes	0.04	-	0.08	-
Adjusted net income	$ 0.26	$ 0.31	$ 0.51	$ 0.62

During the second quarter of 2002, the Company completed the transitional impairment test of its recorded goodwill at January 1, 2002. No impairment of goodwill was identified as the result of this test.

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

2. Recent Accounting Pronouncements (continued)

The changes in the carrying amount of goodwill for the six months ended June 30, 2002, are as follows:

	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Balance as of January 1, 2002	$ 82,721	$ 17,116	$ 3,564	$ 103,401
Less - accumulated amortization	(9,777)	(2,693)	(775)	(13,245)
	72,944	14,423	2,789	90,156
Goodwill acquired during the year	3,813	-	-	3,813
Balance as of June 30, 2002	$ 76,757	$ 14,423	$ 2,789	$ 93,969

Also, as of January 1, 2002, the Company adopted Financial Accounting Standards Board Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("Statement 144"). Statement 144 supersedes 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 adoption of Statement 144 did not have any effect on the Company's consolidated financial position or results of operations.

3. Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2002	$196	$75,416	$(568)	$31,036	$ (944)	$105,136
Payment for fractional shares	-	(16)				(16)
Issuance of 111,661 shares of common stock under Employee Stock Purchase Plan	1	1,770				1,771
Issuance of 46,216 shares of common stock as part of purchase price of TFC	-	1,010				1,010
Exercise of stock options to purchase 822,787 shares of common stock, including tax benefit of $7.0 million	8	10,727				10,735
Amortization of unearned compensation expense			103			103
Comprehensive Income:						
Other comprehensive income - change in fair value of interest rate swaps, net of income taxes of $81					119	119
Net income for the six months ended June 30, 2002				13,292		13,292
Total Comprehensive Income				13,292	119	13,411
Balance at June 30, 2002	$205	$88,907	$(465)	$44,328	$(825)	$132,150

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

3. Stockholders' Equity (continued)

Total comprehensive income for the six months ended June 30, 2002 was $13,411,000, representing the change in fair value of interest rate swaps of $119,000 and net income of $13,292,000. Total comprehensive income for the six months ended June 30, 2001 was $7,372,000, composed of the change in the fair value of interest rate swaps of $(290,000), the cumulative effect on prior years of changing to a different method of accounting for interest rate swaps of $(348,000) and net income of $8,010,000.

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

4. Earnings Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2001	2002	2001	2002
Numerator used in basic and diluted earnings per common share:				
Net income	$ 4,176	$ 6,688	$ 8,010	$13,292
Denominator:				
Denominator for basic earnings per common share -- weighted average shares	17,228	20,176	16,584	19,981
Effect of dilutive securities:				
Warrants	367	-	625	-
Employee stock options	1,607	1,471	1,403	1,520
	1,974	1,471	2,028	1,520
Denominator for diluted earnings per common share - weighted average shares and effect of dilutive securities	19,202	21,647	18,612	21,501
Earnings per common share, basic	$ 0.24	$ 0.33	$ 0.48	$ 0.67
Earnings per common share, diluted	$ 0.22	$ 0.31	$ 0.43	$ 0.62

5. Income Taxes

The income tax provisions for interim periods in 2002 and 2001 are based on the estimated effective tax rates applicable for the full years. The Company's income tax provision of $9.0 million for the six month period ended June 30, 2002 consists of federal and state income taxes. The effective income tax rate in 2002 is expected to be approximately 40.5%. This rate is higher than the statutory federal income tax rate of 35% due principally to state and local taxes.

6. Acquisition of Technology & Financial Consulting, Inc.

On January 2, 2002, the Company completed the acquisition of all of the outstanding common stock of Technology & Financial Consulting, Inc. ("TFC"). TFC, based in Houston, Texas, provides intellectual property consulting services. As a result of the acquisition, the Company has added a new practice area to its service offerings. The total purchase price was $4.1 million, including cash payments of $3.1 million and common stock valued at $1.0 million. The value of the 46,216 common shares issued was determined based on the closing market price of the Company's common stock on December 31, 2001, pursuant to the agreement. The acquisition was accounted for using the purchase method of accounting. In connection with the acquisition, assets with a fair market value of $4.3 million including approximately $3.8 million of goodwill were acquired and liabilities of $33,000 were assumed. The results of operations of TFC are included in the accompanying consolidated financial statements commencing January 2, 2002.

7. Segment Reporting

The Company is a multi-disciplined consulting firm with leading practices in the areas of financial restructuring, litigation consulting, and engineering/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/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 and allocates resources based on operating income before depreciation and amortization, corporate general and administrative expenses, and income taxes. The Company does not allocate assets to its reportable segments, as assets generally are not specifically attributable to any particular segment. Accordingly, asset information by reportable segment is not presented. The accounting policies used by the reportable segments are the same as those used by the Company. There are no significant intercompany sales or transfers.

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

7. Segment Reporting (continued)

The Company's reportable segments are business units that offer distinct services. The following table sets forth historical information on the Company's reportable segments for the three months ended June 30, 2001 and 2002:

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

	Three months ended June 30, 2002			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$33,293	$11,285	$6,497	$51,075
Operating expenses	19,496	9,795	5,557	34,848
Segment profit	$13,797	$ 1,490	$ 940	$16,227

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

	Three months ended June 30,	
	2001	2002
Operating Profit:		
Total segment profit	$12,875	$16,227
Corporate general and administrative expenses	(2,391)	(3,168)
Depreciation and amortization	(2,194)	(1,216)
Interest expense, net	(1,147)	(602)
Income before income taxes	$ 7,143	$11,241

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

7. Segment Reporting (continued)

The following table sets forth historical information on the Company's reportable segments for the six months ended June 30, 2001 and 2002:

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

	Six months ended June 30, 2002			
	Financial Consulting	Applied Sciences	Litigation Consulting	Total
Revenues	$64,673	$24,058	$13,024	$101,755
Operating expenses	38,414	19,980	11,228	69,622
Segment profit	$26,259	$ 4,078	$ 1,796	$ 32,133

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

	Six months ended June 30,	
	2001	2002
Operating Profit:		
Total segment profit	$25,266	$32,133
Corporate general and administrative expenses	(4,506)	(6,153)
Depreciation and amortization	(4,361)	(2,301)
Interest expense, net	(2,588)	(1,340)
Income before income taxes	$13,811	$22,339

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.

8. Subsequent Events

On July 24, 2002, the Company reached an agreement to acquire the PricewaterhouseCoopers (PwC) U.S. Business Recovery Services Division (BRS), and announced that it is exploring the sale of its Applied Sciences Division.

BRS is the leading provider of bankruptcy, turnaround and business restructuring services to corporations in the United States and has more than 350 people housed in 15 offices across the U.S., with significant practices in New York, Dallas, Los Angeles, Chicago and Atlanta. For the 12 months ended June 30, 2002, BRS had unaudited annual revenues exceeding $150 million and pro forma EBITDA, on a separate company basis, in excess of $45 million, net of estimated costs to integrate BRS into the Company's Financial Consulting division.

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

8. Subsequent Events (continued)

The acquisition of BRS is subject to Hart-Scott-Rodino review and is expected to close late in the third quarter of 2002. The purchase price will include $140 million of cash plus 3.0 million shares of common stock. The cash portion of the purchase price will be financed by the Company from its existing cash and a new senior bank credit facility, which will consist of a term loan of approximately $75 million and a revolving credit line.

The Company has entered into negotiations to sell its Applied Sciences division with a group led by the division's president. The sale of the Applied Sciences division will be subject to final negotiation, the completion of a definitive agreement, as well as financing of the transaction by the acquiring group. The Company does not expect to incur any significant losses in connection with the sale of this division.

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

Overview

FTI Consulting, Inc. (the "Company" or "FTI") is a multi-disciplined consulting firm with leading practices in the areas of financial restructuring, litigation support, and engineering/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 63.6% of our revenues for the six months ended June 30, 2002 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 23.6% of our first half 2002 revenues, offers forensic engineering/scientific investigation services, accident reconstruction, fire investigation, and expert testimony regarding intellectual property rights. Our Litigation Consulting division, which accounted for 12.8% of our first half 2002 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 the first six months of 2002, our Financial Consulting division accounted for 81.7% of our operating income, while our Applied Sciences division accounted for 12.7% and our Litigation Consulting division accounted for 5.6%.

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 the first half of 2002, our direct costs were 50.5% of revenues, consistent with our overall long-term 50.0% target and an improvement from 52.0% in the first half of 2001.

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 the first half of 2002, selling, general and administrative expenses, including depreciation and amortization, accounted for about 26.2% of our revenues, slightly higher than the 25.4% result in the first half of 2001, but 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 6.0% of revenues in 2002 and 5.4% in 2001.

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 June 30, 2002, we had about $94.0 million of unamortized goodwill, which, prior to this year, we had been amortizing over 20 to 25 year periods. On January 1, 2002, 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 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 adopted Statement 142 in January 2002 and accordingly, amortization of goodwill is no longer 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 have completed the impairment tests required by Statement 142, and no impairment charge was identified.

Acquisition

On January 2, 2002, we completed the acquisition of all of the outstanding common stock of Technology & Financial Consulting, Inc. ("TFC"). TFC, based in Houston, Texas, provides intellectual property consulting services. The total purchase price was $4.1 million, including cash payments of $3.1 million and common stock valued at $1.0 million. This acquisition was accounted for using the purchase method of accounting and, at the acquisition date, approximately $3.8 million of goodwill was recorded. The professionals and practices of TFC have been incorporated into our Financial Consulting division in our Houston, Texas office.

Results of Operations

Three Months Ended June 30, 2002 and June 30, 2001

Revenues. Total revenues for the three months ended June 30, 2002 increased 21.1% to $51.1 million from $42.2 million in 2001. Our Financial Consulting division revenues grew by 39.3% to $33.3 million in 2002 from $23.9 million in 2001, 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 (averaging 8% in our financial consulting practices). We believe that the market demand for our services in these areas will continue to be strong throughout 2002. The new practice areas we added recently have contributed to the revenues and operating income of the Financial Consulting division during the second quarter of 2002.

Our Applied Sciences division experienced 4.6% revenue growth during the second three months of 2002 to $11.3 million from $10.8 million in 2001. This growth rate is slightly below the expected 6% - 10% growth rate usually experienced by our Applied Sciences division; however, we do not anticipate any significant changes in the long-term trends for this division and anticipate that its growth for the remainder of 2002 will be within its historical range.

Our Litigation Consulting division revenues decreased 13.3% to $6.5 million in 2002 from $7.5 million in 2001, representing the continuation of the decline that began in the third quarter of 2001. Because we do not foresee this trend reversing during the remainder of 2002, we continue to monitor this business segment closely. Our goals are to continue to grow our secure extranet services in support of litigation, improve our overall utilization of employees, cross train employees and contract with skilled individuals to staff peak workloads. We are also working on enhancing opportunities through our new electronic evidence and intellectual property consulting businesses.

Direct Cost of Revenues. Direct cost of revenues was 50.8% of our total revenues in the second quarter of 2002 and 51.4% in the same period of 2001. The improvement in 2002 resulted primarily from the relative growth of the Financial Consulting division, which has a somewhat higher gross 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 26.0% in the second quarter of 2002, and 25.9% in the same period of 2001. Selling, general and administrative expenses, excluding depreciation and amortization, was 23.7% of revenues in the second quarter of 2002, and is consistent with our long-term target of 25.0%.

Amortization of Goodwill. As required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, we no longer amortize our goodwill beginning January 1, 2002. Amortization of goodwill during the second quarter of 2001 was $1.25 million.

Interest Expense. Interest expense consisted primarily of interest on debt we incurred to purchase businesses over the past several years. Interest expense decreased substantially in the second quarter of 2002 compared with 2001, because we were able to retire our debt in accordance with its terms with cash flow from operations and the proceeds from the exercise of options and, because interest rates were lower than in the second quarter of 2001.

Income Taxes. Our effective tax rate decreased to 40.5% in the second quarter of 2002, reduced from 41.0% for fiscal 2001, principally due to the reduced effect of some of the goodwill amortization in 2001 not being deductible for income tax purposes.

Six Months Ended June 30, 2002 and June 30, 2001

Revenues. Total revenues for the six months ended June 30, 2002 increased 21.8% to $101.8 million from $83.6 million in 2001. Our Financial Consulting division revenues grew by 34.5% to $64.7 million in 2002 from $48.1 million in 2001, 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 (averaging approximately 8% in our financial consulting practices). We believe that the market demand for our services in these areas will continue to be strong throughout 2002. The new practice areas we added recently have contributed to the revenues and operating income of the Financial Consulting division during the second quarter of 2002, but did not have a major impact on the six months ended June 30, 2002.

Our Applied Sciences division experienced 14.8% revenue growth during the first six months of 2002 to $24.1 million from $21.0 million in 2001. This division grew faster than its historical rate of 6% to 10% due primarily to a significant number of unanticipated assignments. These engagements included restoration assignments near the site of the World Trade Center that were completed in the first quarter of 2002. We do not anticipate any significant changes in the long-term trends for this division and anticipate that its growth for the remainder of 2002 will be within its historical range.

Our Litigation Consulting division revenues decreased 10.3% to $13.0 million in 2002 from $14.5 million in 2001, representing the continuation of the decline that began in the third quarter of 2001. Because we do not foresee this trend reversing during the remainder of 2002, we continue to monitor this business segment closely. Our goals are to continue to grow our secure extranet services in support of litigation, improve our overall utilization of employees, cross train employees and contract with skilled individuals to staff peak workloads. We are also working on enhancing opportunities through our new electronic evidence and intellectual property consulting businesses.

Direct Cost of Revenues. Direct cost of revenues was 50.5% of our total revenues in the first half of 2002 and 52.0% in the same period of 2001. The improvement in 2002 resulted primarily from the relative growth of the Financial Consulting division, which has a somewhat higher gross 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 26.2% in the first half of 2002, and 25.4% in the same period of 2001. Selling, general and administrative expenses, excluding depreciation and amortization, was 23.9% of revenues in the second quarter of 2002, and is consistent with our long-term target of 25.0%.

Amortization of Goodwill. As required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, we no longer amortize our goodwill beginning January 1, 2002. Amortization of goodwill during the first half of 2001 was $2.5 million.

Interest Expense. Interest expense consisted primarily of interest on debt we incurred to purchase businesses over the past several years. Interest expense decreased substantially in the first half of 2002 compared with 2001, because we were able to retire our debt in accordance with its terms with cash flow from operations and the proceeds from the exercise of options and, because interest rates were lower than in the prior year.

Income Taxes. Our effective tax rate decreased to 40.5% in the first half of 2002, reduced from 41.0% for fiscal 2001, principally due to the reduced effect of some of the goodwill amortization in 2001 not being deductible for income tax purposes.

Liquidity and Capital Resources

During the six months ended June 30, 2002, net cash provided by operations was about $13.0 million, including the $7.0 million income tax benefit we realized from stock option exercises. Our revenues for the first six months of 2002 were $18.2 million more than in the same period of 2001 and our billed and unbilled accounts receivables grew by $5.0 million when compared to the prior year.

During the six months ended June 30, 2002, we spent $4.2 million for net additions to property and equipment, primarily for the cost of the expansion of one of our major offices and the investment in technology and equipment for our new practice areas. For the year ended December 31, 2002, we expect to spend approximately $6.0 million for property and equipment additions. During the first half of 2002, we also paid $3.1 million in cash to acquire TFC.

Also, during the six months ended June 30, 2002, stock options to purchase 822,787 shares of our common stock were exercised and 111,661 shares of our common stock were issued under our Employees Stock Purchase Plan, generating $12.5 million in cash (including the $7.0 million income tax benefit from the stock option exercises). At the end of March 2002 and June 2002, we made the scheduled installment payments of $1.1 million, on our long-term debt.

At June 30, 2002, we had $21.2 million in cash plus availability under our revolving credit agreement to borrow $46.6 million. We have not drawn upon this credit facility during the first half of 2002. We expect that available cash and credit facilities will be sufficient to meet our normal operating requirements in the near term.

In July 2002, the Company reached an agreement to acquire the PricewaterhouseCoopers (PwC) U.S. Business Recovery Services division (BRS), and announced that it is exploring the sale of its Applied Sciences division. The purchase price will include $140 million of cash plus 3.0 million shares of common stock. The cash portion of the purchase price will be financed by the Company from its existing cash and a new senior bank credit facility, which will consist of an additional term loan of $74 million and a revolving credit line of $100 million. Upon closing, the Company anticipates using approximately $21 million of its cash, drawing down the $74 million additional term loan and approximately $50 million on the revolving credit line. This acquisition is expected to generate immediate positive cash flows from operations.

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	$ 26,000	$ 2,167	$ 6,500	$ 8,667	$ 8,666	$ -
Operating Leases	35,630	2,810	5,603	5,311	4,953	16,953
Total Obligations	$ 61,630	$ 4,977	$12,103	$13,978	$13,619	$16,953

Forward-Looking Statements

Some of the statements under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by such forward-looking statements not to be fully achieved. These forward-looking statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "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 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk associated with changes in interest rates on our variable rate debt. 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 $26.0 million at June 30, 2002, 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 June 30, 2002, compared to our receive rate of 3.63%. 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.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Company held its 2002 annual meeting of stockholders on May 22, 2002. The Company adjourned the annual meeting and reconvened on June 5, 2002. At the 2002 annual meeting, the stockholders elected Jack B. Dunn, IV and Stewart J. Kahn as directors for a term of three years. The stockholders voted as follows:

	For	Authority Withheld
Jack B. Dunn, IV	18,346,840	473,937
Stewart J. Kahn	18,346,840	473,937

In addition, the terms of the following directors continued after the 2002 annual meeting: Denis J. Callaghan, James A. Flick, Jr., Peter F. O'Malley, Dennis J. Shaughnessy and George P. Stamas.

At the 2002 annual meeting, the Company's stockholders also took the following actions:

1. Approved an amendment of the Company's 1997 Stock Option Plan, as amended, to increase the number of shares of Common Stock authorized under such Plan from 6,225,000 to 7,725,000. The stockholders voted as follows:

For	Against	Abstain
8,521,314	7,735,451	33,095

2. Approved an amendment of the Company's Employee Stock Purchase Plan to increase the number of shares of Common Stock authorized under such Plan from 750,000 to 950,000. The stockholders voted as follows:

For	Against	Abstain
15,547,319	515,887	23,037

3. Ratified the selection of Ernst & Young LLP as the Company's independent auditors for the year ended December 31, 2002. The stockholders voted as follows:

For	Against	Abstain
18,622,076	194,602	4,098

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

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

FTI CONSULTING, INC.

Date: August 13, 2002

By /s/ Theodore I. Pincus

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