FTI CONSULTING INC
Form S-3
October 08, 2002
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As filed with the Securities and Exchange Commission on October 8, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

FTI CONSULTING, INC.

(Exact name of registrant as specified in its charter)

900 Bestgate Road, Suite 100
Annapolis, MD 21401
(410) 224-8770
(Address of principal executive offices)

Maryland	**52-1261113**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

Jack B. Dunn, IV
Chairman of the Board and
Chief Executive Officer
FTI Consulting, Inc.
900 Bestgate Road, Suite 100
Annapolis, MD 21401
(410) 224-8770
(Name, address, including zip code and telephone number, including area code of agent for service)

Copies to:

Richard C. Tilghman, Jr., Esquire	**Kevin P. Kennedy, Esquire**
Piper Rudnick LLP	**Simpson Thacher & Bartlett**
6225 Smith Avenue	**3330 Hillview Avenue**
Baltimore, Maryland 21209	**Palo Alto, California 94304**
(410) 580-3000	**(650) 251-5000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act) check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value $0.01	2,437,389 shares	$ 36.70	$ 89,452,167	$ 8,230

(1) Includes 317,920 shares of common stock which may be purchased by the underwriters to cover over-allotments, if any.
(2) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended, based on the closing price of our common stock of $36.70 on October 7, 2002, as reported on the New York Stock Exchange.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated October , 2002

PROSPECTUS

2,119,469 Shares

FTI Consulting, Inc.

Common Stock

FTI Consulting, Inc. is offering 2,100,000 shares of common stock and the selling stockholders are offering 19,469 shares of common stock by this prospectus. We will not receive any of the proceeds from the shares sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol FCN. The last reported sale price of our common stock on October 7, 2002 was $36.70 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 6.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to FTI Consulting, Inc. (before expenses)	$	$
Proceeds to Selling Stockholders	$	$

Some of the executive officers of FTI Consulting, Inc. have granted the underwriters the right to purchase up to 317,920 additional shares of common stock to cover any over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the common stock on or about , 2002.

LEHMAN BROTHERS

BANC OF AMERICA SECURITIES LLC

ADAMS, HARKNESS & HILL, INC.

JANNEY MONTGOMERY SCOTT LLC

SUNTRUST ROBINSON HUMPHREY

, 2002

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You should rely only on the information contained in this document or in those documents to which we refer you. We and the underwriters have not authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. The information in this document is accurate only as of the date of this document, regardless of the time of its delivery or of any sale of common stock.

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SUMMARY

This summary highlights selected information from this prospectus. It may not contain all the information that is important to you. To understand this offering fully, you should carefully read the entire prospectus, including the risk factors and the financial statements and related notes. Unless the context requires otherwise, in this prospectus, FTI, we, us and our refer to FTI Consulting, Inc. and its subsidiaries, BRS refers to the U.S. Business Recovery Services Division of PricewaterhouseCoopers LLP (excluding the broker-dealer business of that division), which we acquired on August 30, 2002, and PwC refers to U.S. PricewaterhouseCoopers LLP.

The information in this prospectus, unless otherwise indicated, assumes that the underwriters will not exercise their option to purchase additional shares.

Our Business

We are one of the largest U.S. providers of turnaround, restructuring, bankruptcy and related consulting services. Our highly skilled professionals assist distressed companies in improving their financial position or their creditors or other stakeholders in maximizing recovery of their claims. We assist our clients in exploring and implementing the various strategic alternatives available to troubled companies. Our professionals have extensive experience in crisis management, negotiations of complex mergers, acquisitions and capital restructurings, as well as the liquidation of surplus assets.

We also help clients in all phases of the litigation process. We assist our clients in refining issues relating to litigation and venue selection, and provide fraud investigation, securities litigation assistance, trial graphics and technology and electronic evidence services. Furthermore, we provide forensic accounting and economic consulting services. In recent months, we have begun initiatives in the areas of mergers and acquisitions and dispute settlement services.

Through a combination of organic growth and acquisitions, our revenues have grown from $44.2 million in 1997 to $166.4 million in 2001, a compounded annual growth rate of nearly 40%. In 2001, we had $289.6 million in revenues on a pro forma basis, which includes BRS revenues but excludes revenues from our applied sciences practice group, which we have announced our intention to sell. For the first six months of 2002, we had $101.8 million in revenues on an actual basis and $169.1 million in revenues on a pro forma basis.

Our clients include troubled companies and financial institutions and the law firms that represent them. Our services typically represent non-discretionary engagements for businesses facing decisions that are critical to their survival. We are regularly engaged by the largest banks in the U.S., including Bank of America, N.A., Wachovia, N.A. and JP Morgan Chase Bank. We are currently providing our services in connection with the largest bankruptcy proceedings and out-of-court restructurings in the U.S., including the bankruptcies of Enron Corp., WorldCom, Inc., US Airways, Inc. and Adelphia Communications Corporation.

We believe demand for our services will continue to be strong, driven by a number of current and anticipated trends, including:

- high debt default rates and ongoing bankruptcy filings;
- continuing use of debt for corporate financings;
- escalating competitive and regulatory complexity faced by businesses;
- the current wave of corporate reform legislation that encourages, and in some cases, requires the use of outside financial consultants; and
- the need for objective, independent expertise for critical, business processes.

We believe that our reputation, national scale and large staff of highly qualified professionals position us well to capitalize on the trends that we believe will drive the growth in our industry.

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Business Strategy

We intend to continue to provide high caliber financial consulting services on even the most complex assignments. We also intend to expand the range of consulting services we offer. The following are the key elements of our business strategy:

- maintain high utilization rates among all of our professionals rather than intermittently expanding our staff in anticipation of short-term demand;
- maintain a sufficient staff of highly qualified professionals to enable us to handle a number of large, complex assignments simultaneously;
- successfully leverage our reputation, experience and client base to obtain a greater number of engagements from both existing and new clients;
- diversify our range of service offerings, including further development of new practice areas such as lender and transactional support, dispute settlement, intellectual property consulting and mergers and acquisitions advice, in order to better insulate our business from changing market demands; and
- selectively pursue strategic acquisitions to expand our range of consulting services, expand our staff of expert professionals and add new clients to which we can sell our existing services.

Our Company

We were incorporated in Maryland in 1982 and completed our initial public offering of common stock in May 1996. Our executive offices are located at 900 Bestgate Road, Suite 100, Annapolis, Maryland 21401. Our telephone number is (410) 224-8770. Our website is located at www.fticonsulting.com. Information contained on our website does not constitute part of this prospectus.

Recent Developments

Acquisition of BRS

On August 30, 2002, we acquired BRS for $141.1 million in cash and 3,000,000 shares of our common stock valued at $101.9 million. We incurred expenses of approximately $1.4 million in connection with this acquisition. BRS had revenues of $179.3 million and operating income of $66.8 million for its fiscal year ended June 30, 2002. On a pro forma basis, as adjusted to present BRS as a company separate from PwC, BRS had revenues of $167.2 million and operating income of $51.4 million for the year ended December 31, 2001, and revenues of $91.4 million and operating income of $29.3 million for the six-month period ended June 30, 2002.

Our acquisition of BRS greatly enhances our ability to provide consulting services in the largest and most complex U.S. turnarounds, restructurings and bankruptcies. The BRS professionals have developed a premier practice handling turnarounds, restructurings and bankruptcies of comparable scale and complexity as we have. As a result of the acquisition of BRS, we have added 371 professionals, including the 49 BRS partners that we hired, to our pool of talented, experienced professionals. The BRS acquisition also significantly diversifies our client base. Immediately after the acquisition, we began integrating BRS into our turnaround, restructuring and bankruptcy practice group.

Intended Sale of Our Applied Sciences Practice Group

In connection with the BRS acquisition, we have decided to sell our applied sciences practice group because the practice is no longer a core part of our business. We expect to complete the sale by the end of 2002. We intend to use the proceeds from the sale to reduce our outstanding debt under our credit facility. However, we cannot assure you that we will be able to sell our applied sciences practice group within the stated timeframe or at what price we will be able to sell it. For the six months ended June 30, 2002, our applied sciences practice group accounted for 23.6% of our total revenues and 12.7% of our segment operating income.

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The Offering

Common stock offered by FTI Consulting, Inc.	2,100,000 shares
Common stock offered by the selling stockholders	19,469 shares
Total shares offered	2,119,469 shares
Common stock to be outstanding after this offering	25,813,052 shares
Use of proceeds	We will use all of the net proceeds that we receive from this offering to repay a portion of our outstanding debt. We will not receive any proceeds from the sale of shares by the selling stockholders.
New York Stock Exchange symbol	FCN
Risk factors	You should carefully read and consider the information set forth in Risk Factors beginning on page 6 and all other information set forth in this prospectus before investing in our common stock.

The number of shares of our common stock to be outstanding after this offering is based on 23,713,052 shares outstanding at September 30, 2002. The number of outstanding shares excludes:

1,131,944 shares of our common stock reserved for future option awards or stock grants under our stock option plans;

3,651,714 shares of our common stock reserved for issuance upon exercise of stock options outstanding under our stock option plans with a weighted average exercise price of $18.73 per share at September 30, 2002; and

278,893 shares of our common stock reserved for future grants under our employee stock purchase plan.

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Summary Historical Consolidated and Unaudited
Pro Forma Combined Financial and Other Data

The following summary historical consolidated and unaudited pro forma combined financial and other data present our:

- audited historical consolidated statement of income and other data for each of the three years in the period ended December 31, 2001;
- unaudited historical consolidated statement of income and other data for the six-month periods ended June 30, 2001 and 2002;
- unaudited pro forma combined statement of income data for the year ended December 31, 2001 and for the six-month period ended June 30, 2002; and
- unaudited historical consolidated, pro forma combined and pro forma as adjusted balance sheet data at June 30, 2002.

Our unaudited pro forma combined statement of income data for the year ended December 31, 2001 and the six months ended June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition had occurred on January 1, 2001. Our unaudited pro forma combined statement of income data are also adjusted to remove the historical operating results of the applied sciences practice group from our historical continuing operations for the periods presented. In July 2002, we committed to a plan to sell the applied sciences practice group. As a result, the operations for this practice group will be presented as discontinued operations in all financial statements that we prepare after July 31, 2002.

Our unaudited pro forma combined balance sheet data at June 30, 2002 give effect to the acquisition of BRS, including the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002. Our unaudited pro forma as adjusted balance sheet data at June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002, the receipt of the estimated net proceeds from the sale of 2,100,000 shares of our common stock by us in this offering and the application of these proceeds to repay $72.0 million of our debt under our credit facility.

The pro forma adjustments are described in the notes accompanying the unaudited pro forma combined financial statements beginning on page 15 and are based upon available information and various assumptions that management believes are reasonable. These adjustments give effect to events directly attributable to the transactions and do not reflect any restructuring or integration related costs, or any potential cost savings or other synergies that management expects to realize as a result of the transaction. The unaudited pro forma combined financial statements do not purport to represent what our financial position and results of operations would actually have been had these transactions occurred on January 1, 2001 or June 30, 2002.

You should also refer to our historical consolidated financial statements and the historical financial statements of BRS, which we have included elsewhere in this prospectus.

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Statement of Income and Other Data:

	Year ended December 31,				Six months ended June 30,		
	Historical				Historical		
	1999	2000	2001	Pro Forma 2001	2001	2002	Pro Forma 2002
	(in thousands, except percentages and per share data)						
Revenues	$ 84,607	$ 134,764	$ 166,359	$ 289,561	$ 83,629	$ 101,755	$ 169,143
Direct cost of revenues	44,149	68,667	83,449	156,102	43,483	51,386	86,941
Selling, general and administrative expenses	28,829	36,732	45,591	51,951	21,240	26,690	33,137
Amortization expense	2,313	4,723	5,049	6,235	2,507		1,000
Total costs and expenses	75,291	110,122	134,089	214,288	67,230	78,076	121,078
Income from operations	9,316	24,642	32,270	75,273	16,399	23,679	48,065
Interest expense, net	(4,014)	(10,771)	(4,356)	(10,234)	(2,588)	(1,340)	(4,357)
Income before income taxes and extraordinary item	5,302	13,871	27,914	65,039	13,811	22,339	43,708
Income taxes	2,311	5,917	11,445	26,138	5,801	9,047	17,493
Income before extraordinary item	$ 2,991	$ 7,954	$ 16,469	$ 38,901	$ 8,010	$ 13,292	$ 26,215
Net income	$ 2,991	$ 2,561	$ 16,469		$ 8,010	$ 13,292	
Income before extraordinary item per share, diluted	$ 0.39	$ 0.66	$ 0.84	$ 1.72	$ 0.43	$ 0.62	$ 1.07
Earnings per common share, diluted	$ 0.39	$ 0.21	$ 0.84	$ 1.72	$ 0.43	$ 0.62	$ 1.07
Weighted average shares outstanding, diluted	7,543	11,988	19,631	22,631	18,612	21,501	24,501
EBITDA (1)	$ 14,012	$ 32,134	$ 41,185	$ 84,749	$ 20,761	$ 25,980	$ 51,053
EBITDA margin (2)	16.6%	23.8%	24.8%	29.3%	24.8%	25.5%	30.2%

Balance Sheet Data:

	At June 30, 2002		
	Historical FTI	Pro Forma	Pro Forma As Adjusted
Cash and cash equivalents	$ 21,236	$ 4,000	$ 4,000
Working capital	47,502	10,732	10,732
Total assets	176,663	454,998	454,998

Total debt	26,000	155,214	83,190
Total stockholders equity	132,150	234,030	306,054

(1) EBITDA refers to earnings before taxes, net interest expense and depreciation and amortization. Because all companies do not calculate EBITDA or similarly titled financial measures in the same manner, other companies disclosures of EBITDA may not be comparable with EBITDA as we calculate it. EBITDA should not be considered as an alternative to net income or loss (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under generally accepted accounting principles. EBITDA is intended to provide additional information for evaluating the ability of an entity to meet its financial obligations.

(2) EBITDA margin equals EBITDA divided by our total revenues for each period presented, in percentage format.

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RISK FACTORS

You should carefully consider each of the following risks and all of the other information in this prospectus and the documents we incorporate by reference before you decide to buy our common stock. Additional risks and uncertainties not currently known to us may also harm our business, financial condition or results of operations. If any of these risks or uncertainties occurs, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.

We have made statements in this prospectus and in documents incorporated by reference into this prospectus that constitute forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. These forward-looking statements generally are accompanied by words such as believe, intend, anticipate, estimate, expect, should, could, may, will or similar expressions. You should understand that these forward-looking statements are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from estimates or projections contained in forward-looking statements include the below described risk factors.

Risks Related to Our Business

If we fail to retain our qualified professionals or hire additional qualified professionals, our future growth and financial performance may suffer.

Our business involves the delivery of professional services. Our continued success depends upon our ability to retain and expand our staff of professionals who have reputations and client relationships critical to maintaining and developing our business. We face intense competition in recruiting and retaining qualified professionals in our fields of practice. We cannot assure you that we will be able to retain our existing professionals or that in the future we will be able to attract and retain enough qualified professionals to maintain or expand our business. Moreover, competition for retaining or hiring qualified professionals could increase our costs of labor, a trend which could harm our margins and results of operations.

Our profitability will suffer if we are not able to maintain our utilization and pricing rates.

We calculate the utilization rate for our professional staff by dividing the number of hours all of our professionals charged our clients during a year by the total available working hours for all of our professionals assuming a 40-hour work week and a 52-week year. The hourly rates we charge our clients for our services and the number of hours our professionals are able to charge our clients for our services are affected by the level of expertise and experience of the professionals working on a particular engagement and, to a lesser extent, the pricing and staffing policies of our competitors. If we fail to maintain an appropriate utilization rate for our professionals and maintain or increase the hourly rates we charge our clients for our services, our profitability will suffer.

We rely heavily on our senior management team and practice group leaders for the success of our business.

We rely heavily upon our senior management team and practice group leaders to manage our business. If one or more members of our senior management team or our practice group leaders leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in managing our business properly, and this could harm our business prospects and results of operations.

We face intense competition in our business. If we fail to compete effectively, we may miss new business opportunities or lose existing clients, and our revenues and profitability may decline.

The market for our consulting services is highly competitive. Our competitors range from large organizations, such as the national accounting firms and the large management consulting companies that offer a broad range of consulting services, to small firms and independent contractors that provide one specialized service. Some of our competitors have significantly more financial resources, larger professional staffs and greater brand recognition than we do. We cannot assure you that we will continue to compete successfully for new business opportunities or retain our existing clients. Although, in connection with our acquisition of BRS, we obtained a limited noncompetition arrangement from PwC, we cannot assure that PwC will not compete with us in the future. For information on our noncompetition arrangement with PwC, see Business Our Acquisition of BRS.

Any claims involving the quality of our services could harm our overall professional reputation, which could harm our ability to compete for new business opportunities or in hiring qualified professionals.

Many of our engagements involve complex analysis and the exercise of professional judgment. Therefore, we are subject to the risk of professional liability. Often, our engagements involve matters that, if resolved unfavorably, may result in a severe impact on the client s business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Since our ability to generate new client engagements depends upon our ability to maintain a high degree of client satisfaction as well as our reputation among industry professionals, any claims against us involving the quality of our services may be more damaging than similar claims against businesses in other industries.

Any claim by a client against us could expose us to professional liability in excess of our insurance limits. We maintain a limited amount of liability insurance. The damages and/or expenses resulting from any successful claims against us in excess of our insurance limits would have to be borne directly by us and could seriously harm our profitability and financial resources.

Our clients may terminate our engagements with little or no notice, which may cause us to experience unexpected declines in our profitability.

Much of our business involves large client engagements that we staff with a substantial number of professionals. If our clients unexpectedly cancel engagements with us or curtail the scope of our engagements, we may be unable to replace the lost revenues from those engagements and may also be unable to quickly eliminate costs associated with those engagements. Any decrease in revenues without a corresponding reduction in our costs will likely harm our profitability.

Our turnaround, restructuring and bankruptcy practice group has an increased risk of fee nonpayment.

Many of our clients have engaged us because they are experiencing financial distress. We recognize that these clients may not have sufficient funds to continue operations or to pay for our services. Despite requiring clients to pay us retainers before we begin performing services on their behalf, we cannot assure you that these retainers will adequately cover our fees for the services we perform on behalf of these clients. We are not always able to obtain retainers from clients in bankruptcy as the bankruptcy court must approve our retainer for those clients. Even if a bankruptcy court approves our retainer, the court may subsequently require us to return all or a portion of it. Therefore, we face the risk of nonpayment, which can result in write-offs. If we were to experience more write-offs than we expect in any period, our results of operations could be harmed.

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If the number of debt defaults, bankruptcies or other factors affecting demand for our services declines, our revenues and profitability could suffer.

Our turnaround, restructuring and bankruptcy practice group is our largest practice group. It provides various restructuring and restructuring-related services to companies in financial distress or their creditors or other stakeholders. A number of factors affects demand for this practice group s services. These include:

- the level of lending activity and over-leveraging of companies;
- over-expansion by various businesses;
- increases in merger and acquisition activity;
- management problems; and
- the general decline in the economy in the U.S. during the past several years.

If demand for our restructuring services decreases, our turnaround, restructuring and bankruptcy practice group could suffer a decline in revenues, which would lower our overall profitability. Since most of the clients of BRS are financially distressed companies requiring turnaround, restructuring and bankruptcy services, our acquisition of BRS may increase our exposure to the risk of decreased demand for our services.

We may be unable to develop profitable new service offerings, and our overall profitability may suffer.

As a key part of our strategy, we have been developing new service offerings in addition to our practice group areas of restructuring, forensic accounting and trial support consulting. Developing new service offerings involves inherent risks, including:

- our inability to estimate demand for the new service offerings;
- competition from more established market participants;
- a lack of market understanding; and
- unanticipated expenses to recruit and hire qualified professionals and to market our new service offerings.

If we cannot manage these risks effectively, we are unlikely to be successful in our efforts to develop new service offerings profitably. This inability could harm our overall business, financial condition and results of operations.

If we fail to find suitable acquisition candidates, our ability to expand may be curtailed.

While our disciplined approach has allowed us in the past to acquire businesses on attractive terms, we may experience an increased level of competition in our efforts to make acquisitions in the future. As a result, we may be unable to continue to make acquisitions or be forced to pay more for the companies that we are able to acquire. In either case, 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 by selling equity securities or obtaining additional debt financing. We cannot assure you, however, that we will be able to obtain 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.

We may not manage our growth effectively, and our profitability may suffer.

We have experienced rapid growth in recent years. This rapid expansion of our business may strain our management team, human resources and information systems. Despite our recent growth, we plan to continue evaluating opportunities to acquire other businesses and expanding our business rapidly. We cannot assure you, however, that we can successfully manage the integration of any businesses we may acquire or that they will result in the financial, operational and other benefits that we anticipate. To manage our growth successfully, we

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may need to add qualified managers and employees and periodically update our operating, financial and other systems, as well as our internal 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 may be harmed.

We operate with a substantial amount of debt, with variable interest rates.

Our total debt at September 30, 2002, was approximately $138.9 million. We expect to repay $72.0 million of this debt with the proceeds of this offering as described in the section of this prospectus entitled Use of Proceeds. However, we still will owe about $66.9 million following this offering. Operating with a high amount of leverage could require us to redirect a substantial portion of our cash flow from operations to make payments on our debt. This would reduce the funds available for operations, future business opportunities, capital expenditures, acquisitions and other purposes. It will also limit our flexibility in planning for, or reacting to, changes in our business and our industry. The terms of our debt also require us to meet specified financial covenants. If we fail either to meet these financial requirements or our lenders do not waive them, we will be required to pay fees and penalties. Our lenders could also accelerate the maturity of our debt if we fail to meet these covenants, which would force us to seek alternative financing. If this were to happen, we cannot assure you that we would be able to obtain the additional financing we may need or that it would be on terms favorable to us.

Our debt accrues interest at a variable rate. We have historically reduced our exposure to rising interest rates by entering into interest rate swaps. Although a few of these historical hedge arrangements will remain in place on our existing debt, we do not intend to enter into new hedge arrangements for the credit facility we put in place to finance our acquisition of BRS. If interest rates increase, we will need to dedicate more of our cash flow from operations to make payments on our debt. For more information on our liquidity, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Our revenues, operating income and cash flows are likely to fluctuate.

We have experienced fluctuating revenues, operating income and cash flow in some prior periods and expect that this may occur from time to time in the future. We may experience future fluctuations in our annual or quarterly revenues and operating income because of the timing of our client assignments, the types of assignments we are working on at different times, hiring trends and decreased productivity because of vacations taken by our professionals. This means our profitability will likely decline if we experience an unexpected variation in the number or timing of client assignments or during the third quarter when substantial numbers of professionals take vacations, which reduces their utilization rates. We may also experience future fluctuations in our cash flows because of the timing of the payment of incentive compensation to our professionals, which we generally pay during the first quarter of each year. Also, the timing of any future acquisitions and the cost of integrating them may cause fluctuations in our operating results.

If our goodwill and other intangible assets become impaired, we will be required to write down their carrying value and incur a charge against income.

At August 31, 2002, our goodwill and other intangible assets, net of accumulated amortization, was approximately $344.0 million. We acquired all of our goodwill and other intangible assets in our acquisitions, including the approximately $250.0 million of goodwill and other intangible assets we have recorded from our purchase of BRS. At least once every year, we review whether these assets have been impaired. If these assets become impaired, we would be required to write down their carrying value and to incur charges against our income equal to the amount of the writedown. In addition, if we sell our applied sciences practice group for less than its carrying value, we would be required to take a charge against our income equal to the difference between the carrying value and the sale price. These charges would decrease our reported net income in the period in which we take them, which could cause the price of our common stock to decline.

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Risks Related to Our Acquisition of BRS

A significant portion of BRS revenues results from relationships with clients and industry professionals maintained by a small number of our key professionals. The loss of one or more of these key professionals could decrease our revenues and our profitability.

The success of our acquisition of BRS will depend upon our retention of key partners from BRS as our senior managing directors. These key senior managing directors have reputations in the financial services industry for highly specialized skills as well as important relationships with existing clients and industry professionals. Their reputations and relationships are critical to gaining new client engagements, particularly large, complex matters. Our employment agreements with the former BRS partners provide them with various financial incentives to work for us during the four-year employment period. However, they are not obligated to remain with us for all four years or for any other length of time. The loss of one or more of these key senior managing directors could harm the success of our acquisition of BRS.

We cannot assure you that we can successfully integrate BRS into our business.

We completed the acquisition of BRS on August 30, 2002. The BRS acquisition was substantial for us in several respects, including its potential contribution to our results of operations and the addition of a significant number of professionals and client relationships. We have not previously undertaken an integration process as large as that required by the BRS acquisition. We cannot assure you that we will realize the potential financial, operating or other benefits that we expect from this acquisition. Integrating BRS into our business will require a significant amount of our resources and management time to coordinate our operations and personnel with those of BRS. The process of integrating BRS into our existing operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and expansion of our existing business. To the extent that we have miscalculated our ability to integrate and properly manage BRS, we may have difficulty in achieving our operating and strategic objectives.

We have a different system of governance and management from PwC, which could cause some of our key personnel to leave us.

When BRS was a division of PwC, we believe BRS shared many of the management practices and policies that PwC developed to manage its multinational network of firms. We believe our management practices and policies differ from PwC s. During the transition period while we integrate BRS into our business, it is possible that these different management practices and policies may lead to workplace dissatisfaction on the part of the BRS professionals with our way of conducting business. This may cause some of our key professionals to leave us. The loss of one or more key professionals may harm our business and results of operations.

The benefits BRS enjoyed when it was part of PwC will no longer be available and this could harm the profitability of BRS.

BRS benefited from the name recognition and reputation of PwC and received referrals from other practices within PwC. Now that BRS is separate from PwC, BRS only has a limited ability to market its services by referring to the PwC name. Existing and potential clients and industry professionals may not recognize the new brand under which the professionals of BRS now provide their services. Consequently, we may need to incur substantial marketing expenses to strengthen and develop our brand, which could lower our profits below the levels BRS was historically able to generate. In addition, PwC has no incentive to refer clients to us, especially since PwC may continue to provide a limited amount of the sort of restructuring services performed by BRS. For information on our noncompetition arrangement with PwC, see Business Our Acquisition of BRS. The loss of client referrals may harm our expected revenue growth and results of operations and cause the actual profitability of the acquired business to differ materially from our expectations and the expectations of the investing public. A failure to meet these expectations could cause the price our stock to decline.

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Conflicts of interest may prevent us from providing services to new and existing clients, which could harm our revenues and results of operations.

Under conflict of interests rules, we generally may not represent both a debtor and its creditors on the same engagement. Accordingly, FTI and BRS together may not be able to accept all the engagements we could have previously accepted as separate entities. Although we have identified six client engagements that have created actual conflicts of interests as a result of our acquisition of BRS, only one of these engagements is a significant engagement for BRS. However, future conflicts of interest may require us to decline new client engagements. Our inability to accept new client engagements as a result of conflicts of interests may harm our revenue growth and results of operations.

Risks Related to the Offering and Ownership of Our Common Stock

If we or our stockholders sell substantial amounts of our common stock after the offering, the market price of our common stock may decline.

Sales of substantial amounts of our common stock in the public market following this offering, or the appearance that a large number of shares are available for sale, may adversely affect the market price of our common stock. After this offering, we will have 25,813,052 shares of common stock outstanding. Of these shares, 22,764,105 shares, including all shares sold in this offering, will be freely tradable under the Securities Act, unless acquired by one of our affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining 3,048,947 shares will be subject to the restrictions of Rule 144. 2,510,045 of these remaining shares may be sold under Rule 144 on or after September 1, 2003, subject to volume and other restrictions, and because of contract restrictions, 235,243 of these shares may not be sold before September 1, 2004 and 235,243 of these shares may not be sold before September 1, 2006. Currently, 1,319,367 shares of our common stock are subject to demand and piggyback registration rights. At September 30, 2002, we had reserved for issuance an additional 3,651,714 shares of common stock issuable upon exercise of outstanding stock options (at exercise prices ranging from $2.17 to $42.87 per share). All of the shares of common stock issuable upon the exercise of stock options will be freely tradable upon issuance as such shares are registered under a registration statement filed under the Securities Act. Some of our executive officers and all of our directors have agreed with the underwriters not to sell or otherwise dispose of any of their shares for 90 days after the date of this prospectus without the prior written consent of Lehman Brothers.

We may raise additional capital in the future through equity financings, which will dilute your ownership in us and may cause the market price of our common stock to decline.

We may need to raise funds through additional public or private equity or debt financings in order to:

- fund working capital needs;
- acquire additional businesses;
- expand our business into new regions or countries;
- introduce new service offerings and develop existing service offerings; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity will dilute your percentage ownership in us and may decrease the market price of our common stock. We cannot assure you, however, that we will be able to raise equity or obtain debt financing when we need it, if at all, or on terms acceptable to us. In addition, our agreement with the underwriters of this offering prohibits us generally from offering or selling shares of our common stock, or securities convertible into or exchangeable into our common stock, for 90 days from the date of this prospectus without the prior consent of Lehman Brothers.

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USE OF PROCEEDS

We expect to receive about $72.0 million of net proceeds from the sale of the 2,100,000 shares of our common stock that we are offering by this prospectus, at an assumed public offering price of $36.70 per share (after deducting underwriting discounts and commissions and estimated offering expenses). We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

At September 30, 2002, we owed approximately $138.9 million under our credit facility. We used borrowings from our credit facility, as well as some of our existing cash, to purchase BRS.

Under the provisions of our credit facility, we must apply at least half of the net proceeds that we obtain from a public offering of our equity securities to repay our borrowings under the facility. We intend to use the net proceeds we receive from this offering to repay $72.0 million of our debt under our credit facility. We intend to use half of these net proceeds to repay a portion of the $74.0 million term loan under our credit facility and the remainder to repay a portion or all of the revolving credit loan under our credit facility. Bank of America, N.A. and SunTrust Bank, as lenders under our credit facility, will receive their proportionate share of any repayment of debt from the net proceeds we receive from this offering. Each of these lenders is affiliated with an underwriter of this offering. For more information regarding these affiliations, see Underwriting Other.

Debt under our credit facility bears interest at an annual rate equal to LIBOR plus an applicable margin or an alternative base rate defined as the higher of (1) the lender s announced prime rate or (2) the federal funds rate plus the sum of 50 basis points and an applicable margin. At September 30, 2002, the interest rate under the credit facility was 4.95% per annum. If not prepaid, our $24.9 million term loan under our credit facility will mature on December 1, 2005, and our $74.0 million term loan under our credit facility will mature on August 30, 2006. We will not have any prepayment penalties for early payment of the debt under the credit facility. We discuss the provisions of our credit facility in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock has been listed on the New York Stock Exchange under the symbol FCN since August 16, 2001. Prior to that date, our common stock was listed on the American Stock Exchange under the same symbol. The following table shows the high and low closing prices per share for our common stock for the periods shown, as reported by the New York Stock Exchange or the American Stock Exchange, as applicable. These prices have been adjusted to give effect to the three-for-two stock split we paid as a stock dividend to our stockholders of record on January 2, 2002.

	High	Low
2000		
First Quarter	$ 5.00	$ 3.42
Second Quarter	7.33	4.58
Third Quarter	7.75	5.13
Fourth Quarter	6.83	4.17
2001		
First Quarter	8.67	5.67
Second Quarter	14.53	8.67
Third Quarter	19.60	12.83
Fourth Quarter	22.73	18.40
2002		
First Quarter	32.26	21.47
Second Quarter	36.30	29.90
Third Quarter	41.95	29.01
Fourth Quarter (through October 7, 2002)	40.83	36.70

At September 30, 2002, there were about 147 holders of record of our common stock.

We have never paid cash dividends on our common stock, and we do not intend to pay dividends in the foreseeable future. Our existing credit facility limits our ability to pay cash dividends. We expect to retain any future profits to repay existing debt and finance our operations for the foreseeable future.

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CAPITALIZATION

The following table shows our cash and cash equivalents and capitalization at June 30, 2002:

- on an actual basis;
- on a pro forma basis to give effect to the acquisition of BRS, including the debt financing transactions related to the acquisition; and
- on a pro forma as adjusted basis to give effect to the:
  - acquisition of BRS, including the debt financing transactions related to the acquisition;
  - receipt of the estimated net proceeds from the sale of 2,100,000 shares of our common stock by us in this offering, after deducting estimated underwriting commissions and offering expenses; and
  - retirement of $72.0 million of our debt under our credit facility with the proceeds from this offering.

You should also refer to our historical consolidated financial statements and our unaudited pro forma combined financial statements, which we have included elsewhere in this prospectus.

	At June 30, 2002		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share amounts)		
Cash and cash equivalents	$ 21,236	$ 4,000	$ 4,000
Total debt	26,000	155,214	83,190
Less current portion	4,333	12,167	12,167
Total long-term debt	21,667	143,047	71,023
Stockholders equity:			
Preferred stock, $0.01 par value, 5,000,000 shares authorized, no shares issued or outstanding, actual, pro forma and pro forma as adjusted			
Common stock, $0.01 par value, 45,000,000 shares authorized, 20,540,102 shares issued and outstanding, actual, 23,540,102 shares issued and outstanding, pro forma, and 25,640,102 shares issued and outstanding, pro forma as adjusted	205	235	256
Additional paid-in capital	88,907	190,757	262,760
Unearned compensation	(465)	(465)	(465)
Retained earnings	44,328	44,328	44,328
Accumulated other comprehensive loss	(825)	(825)	(825)
Total stockholders equity	132,150	234,030	306,054
Total capitalization	$ 158,150	$ 389,244	$ 389,244

The table above excludes 3,165,064 shares of our common stock issuable upon the exercise of stock options outstanding under our stock option plans at June 30, 2002.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On August 30, 2002, we acquired BRS for $141.1 million in cash and 3,000,000 shares of our common stock, valued at $101.9 million. We also incurred acquisition-related expenses of approximately $1.4 million. In addition, we borrowed $119.0 million on August 30, 2002 to pay part of the cash consideration for the BRS acquisition.

In addition, in July 2002, we committed to a plan to sell our applied sciences practice group. Our historical financial statements beginning in the third quarter of 2002 will present the operations of the applied sciences practice group as discontinued operations.

The accompanying unaudited pro forma combined statements of income for the year ended December 31, 2001 and the six months ended June 30, 2002 give effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition had occurred on January 1, 2001. BRS operated under a fiscal year ending June 30. The accompanying pro forma combined statements of income for both the annual and six-month period presented have been prepared after adjusting BRS accounting period to conform to our year end of December 31. Our unaudited pro forma combined statements of income also are adjusted to remove the historical operating results of the applied sciences practice group from our historical continuing operations for the periods presented.

The accompanying unaudited pro forma combined balance sheet at June 30, 2002 gives effect to the acquisition of BRS, including the assumed effects of the debt financing transactions related to the acquisition, as if the acquisition occurred on June 30, 2002. We will allocate the cost of the acquisition of BRS to identifiable assets and liabilities based on their estimated relative fair values. We have not completed our allocation process, and therefore the allocation of the purchase price for BRS included in the accompanying pro forma combined financial statements is preliminary. We are performing a valuation of the intangible assets that we acquired from BRS. The estimated valuation of these intangible assets for purposes of preparing the accompanying unaudited pro forma combined financial statements is based on the data that we have developed to date, and we expect to complete our valuation in October 2002. The final purchase price allocation is not expected to vary significantly from the preliminary allocation included in the accompanying unaudited pro forma combined financial statements.

The pro forma adjustments are described in the accompanying notes and are based upon available information and various assumptions that management believes are reasonable. These adjustments give effect to events directly attributable to the transactions and do not reflect any restructuring or integration costs, or any potential cost savings or other synergies that management expects to realize as a result of the transaction. The unaudited pro forma combined financial statements do not purport to represent what our financial position and results of operations would have actually been had the acquisition occurred on the dates indicated. The unaudited pro forma combined financial statements should be read in conjunction with our historical consolidated financial statements and the historical financial statements of BRS, which are included elsewhere in this prospectus and together with Management s Discussion and Analysis of the Financial Condition and Results of Operations.

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Unaudited Pro Forma Combined Statements of Income

	Year ended December 31, 2001					
	Historical FTI	Discontinued Operations	Pro Forma FTI	BRS(*)	Pro Forma Adjustments	Total
	(in thousands, except per share data)					
Revenues	$ 166,359	$ 44,042	$ 122,317	$ 170,689	$ (3,445)(b)	$ 289,561
Direct cost of revenues	83,449	24,375	59,074	80,840	28,895 (c) (1,721)(d) (10,049)(e) (937)(f)	156,102
Selling, general and administrative expenses	45,591	12,506	33,085	30,828	(11,962)(g)	51,951
Amortization expense (a)	5,049	814	4,235		2,000 (h)	6,235
Total costs and expenses	134,089	37,695	96,394	111,668	6,226	214,288
Income from operations	32,270	6,347	25,923	59,021	(9,671)	75,273
Interest expense, net	(4,356)	(536)	(3,820)	(912)	(6,414)(i) 912 (j)	(10,234)
Income from continuing operations before income taxes	27,914	5,811	22,103	58,109	(15,173)	65,039
Income taxes	11,445	2,481	8,964		17,174 (k)	26,138
Income from continuing operations	$ 16,469	$ 3,330	$ 13,139	$ 58,109	$ (32,347)	$ 38,901
Earnings per common share from continuing operations:						
Basic	$ 0.92					$ 1.87
Diluted	$ 0.84					$ 1.72
Weighted average shares outstanding, basic	17,841				3,000(l)	20,841
Weighted average shares outstanding, diluted	19,631				3,000(l)	22,631

	Six months ended June 30, 2002					
	Historical FTI	Discontinued Operations	Pro Forma FTI	BRS(*)	Pro Forma Adjustments	Total
	(in thousands, except per share data)					
Revenues	$ 101,755	$ 24,058	$ 77,697	$ 94,438	$ (2,992)(b)	$ 169,143
Direct cost of revenues	51,386	13,206	38,180	39,965	15,539 (c) (1,269)(d) (4,921)(e) (553)(f)	86,941
Selling, general and administrative expenses	26,690	6,900	19,790	18,900	(5,553)(g)	33,137
Amortization expense (a)					1,000 (h)	1,000
Total costs and expenses	78,076	20,106	57,970	58,865	4,243	121,078
Income from operations	23,679	3,952	19,727	35,573	(7,235)	48,065
Interest expense, net	(1,340)	(193)	(1,147)	(61)	(3,210)(i) 61 (j)	(4,357)

Income from continuing operations before income taxes	22,339	3,759	18,580	35,512	(10,384)	43,708
Income taxes	9,047	1,605	7,442		10,051 (k)	17,493
Income from continuing operations	$ 13,292	$ 2,154	$ 11,138	$ 35,512	$ (20,435)	$ 26,215
Earnings per common share from continuing operations:						
Basic	$ 0.67					$ 1.14
Diluted	$ 0.62					$ 1.07
Weighted average shares outstanding, basic	19,981				3,000(l)	22,981
Weighted average shares outstanding, diluted	21,501				3,000(l)	24,501

(*) Excludes payments for partner distributions and benefits.

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Unaudited Pro Forma Combined Balance Sheet

	At June 30, 2002				
	Historical FTI	**Historical BRS**	**Subtotal**	**Pro Forma Adjustments**	**Pro Forma Total**
			(in thousands)		
Assets:					
Current assets:					
Cash and cash equivalents	$ 21,236	$	$ 21,236	$ (17,236)(1)	$ 4,000
Accounts receivable, net of allowance for doubtful accounts	25,213	15,600	40,813		40,813
Unbilled receivables, net of allowance for doubtful accounts	15,875	19,730	35,605		35,605
Income tax receivable	894		894		894
Deferred income taxes	1,325		1,325		1,325
Prepaid expenses and other current assets	2,430	211	2,641		2,641
Total current assets	66,973	35,541	102,514	(17,236)	85,278
Property and equipment, net	14,423		14,423		14,423
Goodwill, net of accumulated amortization	93,969		93,969	252,030(2)	345,999
Other intangibles				4,000(2)	4,000
Other assets	1,298		1,298	4,000(3)	5,298
Total assets	$ 176,663	$ 35,541	$ 212,204	$ 242,794	$ 454,998

Liabilities and stockholders equity: